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Mr. Parkes

No. 250

August 19, 1956

D:3.10 p.m. August 19, 1956

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Addressed to Foreign Office telegram No. 250 of August 19

Repeated for information to: Cairo New Delhi

Suez Canal.

I am reliably informed by official of the King's Protocol that Nehru is to pay an urgent visit to Saudi Arabia in the course of the next week. He would probably arrive on Saturday, August 25 but date had not so far been agreed upon.

2. Reason for meeting was concern and displeasure of both King Saud and Nehru over Nasser's irresponsible action. The visit might be for one full week if Nehru's engagements permitted and it was proposed to invite Nasser to Jeddah "to explain his behaviour". The official thought that Nasser "could not refuse such an invitation".

3. My informant is an indiscreet junior official but exceedingly well placed to know what is going on. I have little doubt that he was speaking the truth. It occurs to me that if the King's invitation materializes and Nasser in fact accepts it his visit here (on or about August 26) might afford useful opportunity for any solution arrived at by the London Conference to be put to him by Nehru and Saud.

4. Please see my immediately following telegram.

Foreign Office pass to Cairo and New Delhi as my telegrams Nos. 37 and 1 respectively.

[Repeated to Cairo and copies sent to Telegraph Section, C.R.O. for repetition to New Delhi].

ADVANCE COPIES TO:

Private Secretary	Mr. Röss
Sir I. Kirkpatrick	Head of African Department
Sir H. Caccia	Resident Clerk

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SECRETARY OF STATE'S SPEECH

As instructed by the Secretary of State, I submit five passages for insertion in his draft speech, in the places where he left me to suggest suitable wording.

2. I also attach copies of four recent speeches by Nassar, which the Secretary of State might find useful.

I would also suggest that there might be some advantage, in the concluding passage on the last but one page of the speech, to include some general and non-committal reference to the United Nations. There is a point at which many highbrows in this country and elsewhere feel strongly. In the dispatch from Washington on today's Times, the correspondent refers to "a possible initiative in the United Nations - a course that makes the greatest appeal to most sections of American opinion".

Seen by SAS

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PASSAGES FOR INSERTION IN SECRETARY OF STATE'S SPEECH

A. Page 2. International character and history of the Canal.

The international character of the Canal was the constant preoccupation of those who planned and built it. For more than 20 years after work had begun, de Lesseps worked to have this principle recognized. Finally the Constantinople Convention of 1888 permanently guaranteed the international character of the Canal and the freedom of navigation through it. These principles have been reaffirmed in successive international treaties and in conventions between the Suez Canal Company and the Egyptian Government ever since. The last was in May of this year.

The Canal is international in fact as well as in theory. It was built in order to serve many nations. It was built with the money of many nations. For instance, more than half the 400,000 original shares of 1858 were subscribed in France. An additional international loan of 400 million francs was raised in 1867.

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B. Page 2. How has he done it?

Nasser's speech of July 26 was a tirade of abuse of the West and of this country in particular, filled with references to warmongers, intriguers, blood-suckers, exploiters and the like. He did not even seek to conceal the fact that his action against the Suez Canal Company was taken in a spirit of revenge. He described the Canal as "an edifice of oppression... built with the skulls, bones and blood of forced Egyptian labour". He was referring to the corvée, an institution firmly established in Egypt at the time when the Canal was built, and it was one of our earliest acts in Egypt to abolish it. We have no need to apologise for our record in Egypt. The 70 years of exploitation and bloodsucking that Nasser denounced left Egypt free from external debt and £400 million in credit as far as this country was concerned. But since he seized power he has been draining Egypt's economy to further his grandiose schemes and to buy expensive armaments.

I do not suppose that even Nasser really believes that out of the Canal revenues - £35 million a year was the figure he named - he would be able to run the Canal, carry out the improvements which will be necessary, finance his £400 million plans for a High Dam, and pay the compensation he glibly talks about. Who can place any faith in Nasser's promises about compensation when he hasn't even compensated the dismissed British teachers in Egypt as he promised two years ago? In fact he was playing on the emotions of his audience, as fascist orators are obliged to do. But his rash act has struck another heavy blow at the credit-worthiness of his country, which so badly needs foreign investment. Unless Egypt's credit can be restored, Nasser's seizure of the Canal is more likely to bring hardship than benefit to the Egyptian people. For Egypt's own resources, with or without the Canal, will not suffice to keep her people fed and clothed.

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C. Page 2. What are his intentions?

What does Nasser intend to do next, if he gets away with this grab? It is impossible to predict exactly what an irresponsible dictator will do, or when. But the general pattern is clear. He will move eastwards to secure control of the oil of Saudi Arabia, Iraq and the Persian Gulf, where other Arab Governments are collaborating with Western enterprise to produce great new wealth. And he will move southwards to undo the newly won independence of the Sudan and bring under his control the waters of the Nile.

All this is, of course, no more in the real interest of the people of Egypt than Mussolini's dreams of grandisement were in the real interest of the people of Italy. With the people of Egypt, and with their need for help in improving their standard of living, we have every sympathy. The interests of Egypt and of this country are complementary. That is why, even after Nasser came to power, we have done everything we can to promote better relations etc.....

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D. Page 3. Consequences if he succeeds.

What will be the consequences if Nasser succeeds? For all the Arab States to the east, who need the Canal to ship their oil westwards and to import the materials for their development, Nasser's arbitrary control will mean increasing economic and political pressure on their means of livelihood, so that their development will be slowed down and they are gradually brought under his political domination. For India, Australia and the other countries to the east, it also means an unjust and arbitrary levy on their trade and their development. For Europe it means that the oil we need, not only for our economy but for our defence, and a vital element in NATO defence planning itself, would be at the mercy of one irresponsible man. The pattern of all this is clear to see...

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E. Page 4. Egypt's attitude.

I believe that such a fair solution is acceptable to the vast majority of Egyptians. They know that the help of other nations is necessary to help them fulfil their hopes of a better life. International finance was necessary to build the Canal in the first place. It will be necessary again in order to enlarge it. It will also be necessary to help dam the waters of the Nile. Most Egyptians have no wish to quarrel with the rest of the world. If Nasser should refuse a reasonable offer that would clearly indicate his intention..

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Colonel Nassar's speeches

Colonel Nassar has recently made four pronouncements, on July 26 at Alexandria, on July 28 on his return to Cairo, on August 1 at Aboukir and on the same date at a university week rally in Alexandria. Some of the observations contained in these speeches are so extraordinary that they cannot be allowed to pass without comment.

1. On July 26 he complained that "120,000 Egyptian workmen died while digging the Canal. In other words we dug the Canal with our skulls, bones and blood and had to pay reparations to de Lasseps". There is good authority for saying that 120,000 men perished in digging the Canal communicating between the Mediterranean and the Red Sea, but the canal was that attempted by Pharaoh Necho in 609 B.C. and the authority was Heroditus (see Encyclopaedia Britannica, 14th edition, Vol. 21, page 316 "Suez Canal").

In 1856 Said Pasha included in the original concession a provision that at least four-fifths of the labourers should be Egyptians, and later undertook to supply labourers as required by the engineers of the Canal Company. Their wages and terms of service are said to have been better than normally obtainable at that time in Egypt. The Corvée system was not however popular, either in Egypt, or with Constantinople, and was strongly disapproved of in the United Kingdom. Eventually it was abolished, the Company being indemnified with Frs. 38 million. The abolition of the Corvée has been described as "probably the salvation of the enterprise, for it meant the introduction of mechanical appliances and modern engineering methods".

44% is what we (Dissach) bought from the Khedive for £4 million

2. In the same speech Colonel Nassar said that Egypt was supposed to obtain "1% of the profits in addition to 4% of the shares". When subscription lists were opened in 1858, 400,000 shares of Frs. 500 each were offered for subscription; of these over 200,000 were subscribed in France and over 96,000 were taken by the Ottoman Empire. Apart from some minor subscriptions, the residue of 85,006 shares were taken by the Viceroy of Egypt (these subsequently formed part of the 176,602 shares bought from the Khedive by Britain in 1875 for the sum of nearly £4 million). Thus, over three-quarters of the capital was originally provided from non-Egyptian sources.

3. In the same speech Colonel Nassar referred at great length to the Brioni Conference; "the leaders of India and Yugoslavia approved of the Arab point of view and decided that the Arab problems should be dealt with according to the will of the peoples concerned". It does not however appear that he mentioned there his intention to seize the Suez Canal, the step now considered by Indian opinion to have been taken arbitrarily and without consultation.

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4. In the same speech Colonel Nasser said that Egypt could not accede to any pact except that of the Arab countries "I told them (the U.K. and the U.S.) that an agreement between a great power and a small country could only imply that the latter would only be a follower of the former. I told them that we would object to becoming followers". If that is really Colonel Nasser's view, it seems to rule out the possibility of any powerful country being able to conclude an agreement of any kind with his Government, a rather curious commentary on Colonel Nasser's view of international relations.

5. The same speech alleged that Britain was ready to supply Egypt "with arms on condition that Abdul Nasser kept quiet at Bandung and left Britain to implement her policy of pacts". No such conditions were ever made on the British side. "Later we were able to obtain arms from Russia, and not from Czechoslovakia". At the time, Colonel Nasser was explicit in assuring the U.S. and the U.K. that the arms came from Czechoslovakia and not from Russia.

6. There followed a long account of the negotiations between Egypt and the U.K., the U.S. and the World Bank about financing the High Dam, with repeated criticism of attempts to impose conditions on Egypt. "This implied that the Egyptian Government should not involve itself in other foreign loans, and that it should not sign payment agreements like the arms agreement with the Soviet Union, and that Egypt should reach agreement with the Bank before concluding any agreement". "I strongly objected to it all, saying that we would never sell ourselves for the sake of American aid of \$70 million". "I told them that their conditions were against our independence." But what are the true facts? The High Dam would have cost \$460 million, of which about \$150 million would have had to be spent in foreign currency. The Americans were prepared to put up as aid (i.e., a free gift) the equivalent of \$26 million and the U.K. \$5 million. The World Bank would have advanced a loan of \$90 million, Egypt being expected to produce the rest of the foreign exchange from her own resources. Recently the Egyptian Minister of Finance admitted that his country's imports were valued annually at \$183 million, but her exports only at \$42 million, i.e. there was a deficit on visible trade of \$40 million a year. If you are going to lend money to a borrower, still more if you are giving money to help someone establish himself in life, you do not do so until you are sure that he is not going to spend it quickly in other directions.

proportion of
4:1
4/5 of 70
million dollars
= £. at rate of
\$2.8 to the £.

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7. On July 28 Colonel Nasser claimed that "the Suez Canal is an Egyptian Company, subject to Egyptian sovereignty. When we declared the nationalisation of the Suez Canal Company we nationalise an Egyptian stock company". It is true that the Company is registered under Egyptian law; but a company, whatever its character, must be registered under some law to give it a legal personality. The fact is however that, since its inception, the Company has had an international character, many of its employees, particularly in expert grades, have been non-Egyptian; and it has built up a tradition of efficiency and service without discrimination to the shipping of all nations. Freedom of navigation is not only something to be guaranteed in law; certain physical conditions must be fulfilled to give it effect; and the character and tradition of the Company has so far provided a guarantee that these conditions would be fulfilled. Colonel Nasser sought a precedent for nationalisation in the nationalisation of iron and steel and "transport and maritime transport" in the United Kingdom. Apart from the fact that no attempt has been made in this country to nationalise maritime transport, nationalisation was carried out here by a democratic parliamentary process after a general election, and all interested parties had an opportunity to state their views. Moreover, the industries being nationalised were industries which we ourselves had built up with our own capital, skill and labour; in contrast, the Suez Canal would not have been possible without foreign capital and foreign engineers. Nasser has promised shareholders of the Canal Company compensation, but unlike the British Government at the time, it is difficult to see whence Nasser could obtain the funds to compensate. The net profits from the Canal, after deducting operating costs, development works already being undertaken, and what is set aside to reserves and paid in taxes, amounts to less than ^{about} £10,000,000 (not £35 million, as claimed by Nasser). The Company is already carrying out a £20 million development programme. In the next two decades more than ten times this sum may have to be spent if the Canal is to keep pace with expansion of maritime shipping. Now Egypt, unaided, is to carry out this development and also obtain a contribution towards the cost of the High Dam is a mystery. The assets at present abroad of the Company have been estimated at £60 million and would themselves not be sufficient to meet compensation, even on Nasser's basis.

8. The argument in the same speech that, since the Canal would return to Egypt after 12 years anyway, it was difficult to understand the clamour being made about its nationalisation now, is an odd commentary on the way in which Colonel Nasser treats his obligations. The concession incidentally provided for the return of the Canal to Egypt only in default of other arrangements being made.

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9. In the two speeches of August 1, apart from repeating some of the foregoing points, Colonel Nasser made very clear the real motives behind his step "since the revolution started in Egypt I have always pointed out that we are very strong because we constitute a limitless strength extending from the Atlantic Ocean to the Arab Gulf, but we took no notice of that strength ... with unity and the mutual faith of the Arab countries, Arab nationalism can stand in the face of tyranny and imperialism and can liberate the Arab sister countries which have not yet been liberated. This is our nationalism represented in you. I see among you not some from Syria, the Lebanon, Jordan, Palestine, Tunisia, Libya, Morocco and Saudi Arabia and other Arab countries." (Iraq apparently not mentioned) This is clearly a claim to the exclusive leadership of the whole Arab world. The other Arab countries are treated as not yet "liberated", hardly a compliment to their Governments, in spite of the telegrams which some of them have sent to Nasser.

(C. G. B. Stewart)
August 6, 1956.

Speech by President Nasser at Alexandria on July 26.
(Full text apart from abbreviation of repetitive passages)

President Nasser said:

"Today, we celebrate the threshold of the fifth anniversary of the Revolution, after having spent four years striving, struggling and fighting to rid ourselves of the effects of the hated past as well as of the effects of imperialism under which we laboured for long centuries and of foreign and internal exploitation.

"We receive the fifth anniversary stronger and with firmer faith than ever before. We worked hand in hand, launched a Revolution, struggled and fought and achieved victory.

Determination

"Today in looking forward to the future four years after the Revolution started, we rely on God, on our own unflinching determination and strength for the realisation of the objectives for which our fathers struggled. We look forward to the future and feel that we shall, with God's help, score successive victories for the sake of confirming our strength and setting up a state enjoying real political and economic independence - and not a forged independence.

"In looking forward to the future, we feel that our battles have not yet come to an end. It is not easy at all to construct in the midst of international ambitions, exploitation and conspiracies.

"There are before us long battles which we have to wage in order to live free, strong and dignified. Today we have seized the suitable opportunity and laid the foundation of strength, liberty and dignity.

Battles

"For the sake of the freedom of man and for the sake of the well-being of man, we must find the opportunity to spread these principles. We resist imperialism and its supporters. There are before us long days of struggle for the sake of the dignity of our Fatherland. These battles will not end and we must be on the alert and beware the tricks of imperialists and their supporters.

"Imperialism attempted by all means to weaken our nationalism, to enfeeble our Arabism and cause dissension in our ranks. With this object in view, imperialism has created Israel to be a tool in its hand. In the last two days, two of Egypt's most loyal sons died as martyrs. They showed great self-denial and struggled for the realisation of the highest principles and ideals for your sake and for the sake of the Arabs. Both martyrs had great faith in their Egyptian nationality and Arabism. They offered their souls as a sacrifice for these principles.

"Two of the dearest sons of the Fatherland died as martyrs. They are Mustafa Hafez, who took upon himself to raise the Palestinian Army. Was imperialism unaware of him? And did Israel keep silence towards him? No, he was killed in the most treacherous and most abominable means.

"All Egyptians embrace the same principles. As for your brother Salah Mustafa, he took part with me in the Revolution of July 23, for the sake of Egypt, and the freedom and prestige of her people. He continued to struggle in silence, and none of you knew who he was. On July 23, 1952, Mustafa struggled for the sake of Egypt, and devoted his life for the sake of the Motherland. It was his will that his life should be devoted for the sake of the Arab Motherland.

'Treacherous'

'Traacherous'

"Salah Mustafa was first assassinated by the basest and most treacherous of means which they used to adopt in 1948. In effect the gangs which were converted into a State in 1948 are now being converted back to gangs, and it is a good omen that they should go back to what they were in 1948. This means that Victory Day is becoming near.

"They are mistaken if they think that they will not find in Egypt more people of the calibre of Mustafa. They are also mistaken if they think that they can spread panic among the Arab nation. All of us are working for sublime principles, for the protection of our nationalism and our Arabism, and all of us will struggle for this end.

"This fight in which we are now engaged is against imperialism and its supporters, and against imperialistic methods. It is a fight against Israel, the tool of imperialism which was created in the heart of the Arab world to obliterate our nationalism the same as Palestine had been obliterated. But we will all defend our freedom and Arabism and will struggle to see the Arab Motherland extend from the Atlantic Ocean to the Persian Gulf.

"Arab Nationalism is advancing and will emerge victorious. Arab nationalism knows its way, and is aware who are friends and who are enemies.

"At this moment, I address myself to our brothers in dear Syria - our sister country - the brothers who have decided to unite with us on a free and strong basis so that both countries may work together for the strengthening of the principles of prestige and the foundations of Arab nationalism and unity.

"We welcome you, brothers in Syria, and we will go forward together as one united country to lay the foundation of genuine prestige, and true political and economic independence.

"Since Egypt announced her free and independent policy, the world began to regard her as a power to be reckoned with. In the past, they took no notice of us, but today they regard us and they regard the Arabs and Arab nationalism as a power which must be taken into account and consideration a thousand times.

"In the past we used to loiter at their offices, at the offices of the High Commissioner and the British Ambassador. After the declaration of our principles, and after our unity and the formation of a national front, and after combating imperialism tyranny, domination and exploitation, they realised that we were a power which had her own position. Egypt's position in the international field became important, and the same applied to the Arab nation. It was on the basis of this new position that the Brioni Conference was held, and I left for Yugoslavia to meet President Tito and Indian Prime Minister Nehru, both of whom had announced the free and independent policy of non-alignment.

"In Yugoslavia, I felt the friendship of the Yugoslav people to the Egyptian people, and I felt the Yugoslav people held the Egyptian people in high esteem.

At Brioni

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"At Brioni, we exchanged opinion on world problems, and the conference ended with a great victory for Egypt's policy of non-alignment.

"It was announced to the world that the Brioni conference had decided to follow the ten principles of the Bandung Conference. The

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statement issued said that the Heads of the three Governments of Yugoslavia, India and Egypt had reviewed world developments and remarked with satisfaction that the policy of their countries had contributed to the easing of international tension.

"The Conference discussed methods of promoting relations between the different countries on a footing of equality, included in the resolutions and recommendations of the Bandung Conference which took place last year. The principles of equality, recognition of human rights, recognition of the sovereign rights of the different countries, recognition of the peoples' right of self-determination, the fact that no country has the right of interfering in the internal affairs of any other country, resistance of any pact or collective defence organisation established to serve the interests of any of the great powers under the disguise of defence, were all reviewed at the Brioni Conference which declared its adherence to these principles and announced that relations between all countries should be based on these principles.

"The Brioni Conference also dealt with Middle East problems. The leaders of India and Yugoslavia approved the Arab point of view and decided that the Arab problems should be dealt with according to the will of the peoples concerned.

"The Brioni Conference announced that the situation in Palestine was a menace to peace. Members of the conference therefore supported the Bandung resolution recognising the rights of the Arab people of Palestine and demanding the application of the United Nations resolutions concerning Palestine.

"The Conference also dealt with the Algerian problem, which is an Arab problem calling for immediate consideration of the national demands of Algeria, for safeguarding peace in this part of the world.

"As the three Presidents confidently believe that imperialism and foreign domination are dangerous to both the rulers and the ruled, they expressed their recognition of the Algerian people's right of independence. The Conference recommended that negotiations should take place for realising a peaceful and fair settlement of the Algerian problem. The conference demanded that acts of violence should be stopped. The Brioni Conference has thus supported the Arab point of view in this connection.

GERMANY

"The conference discussed the problems of Germany in Europe, China in Asia, and the Arab problems of Palestine and Algeria which concern us as members of the Arab nation.

"The viewpoints of President Tito and Premier Nehru matched with and supported the Arab point of view.

"That is what happened at Brioni. Since the beginning of the Revolution, Egypt has been struggling to settle her problems and the Arab problems by means other than begging and humiliation.

"Before and after 1952, we were aware that political independence could not be regarded as complete unless supported by sound economic independence which resists the conspiracies of the imperialists and exploiters. We used different means to realise the evacuation of the British occupation forces.

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We combined violence with leniency and negotiation. Our main objective was to realise political independence and economic independence, and to leave no flag flying over Egypt except the Egyptian flag. We have worked for these objectives since the first day of the Egyptian Revolution.

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"The imperialists had to quit this country after they had realised that nobody in Egypt was willing to co-operate with them. They surrendered and evacuated this country which they entered in 1882, before which they were defeated at Kafr el Dawar by Oraby and could not continue their invasion.

"They were defeated by Oraby, but they managed to enter this country through the Suez Canal zone with the aid of traitors. We defeated them in 1882 and in 1807 when Frazer was defeated by the people of Rashid. We defeated Britain twice, but the British managed to occupy this country by acts of treachery and deceit.

"The Revolution succeeded in flying the Egyptian flag alone in Egyptian skies, and in realising one of Egypt's major objectives. Yet we never neglected to work for the realisation of our economic independence, because we believe that economic independence will complete our political independence.

Production

"We worked to increase our production and we succeeded because we relied on ourselves, on our will and on our strength. We managed to increase our national economy from 1952 to 1954 by 16 per cent. Our national economy made a further increase from 1954 to 1956. We worked for realising our economic independence at the same time.

"On Evacuation Day, when we felt that we had realised our political independence, we told the whole world to forget the past including those who killed our fathers and grandfathers. We announced that Egypt would be peaceful towards those who are peaceful towards her. We said that Egypt's foreign policy was drawn up in Cairo and not in London, Washington or Moscow. We said that we would willingly co-operate with all, but not at the expense of our national prestige or at the expense of our independence.

"What I said on June 19 was a repetition of what I had announced since the very beginning of the Revolution, when both the United Kingdom and the United States contacted us with the object of concluding pacts and agreements. I declared to them that we could not accede to any pact except that of the Arab countries. I explained to them that if Egypt concluded a pact with Britain, would she be in a position to impose her will on the United Kingdom?

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"I told them that an agreement between a great power and a small country would only imply that the latter would only be a follower of the former. I told them that we would object to becoming followers.

"General Robertson asked us to conclude a 25-year alliance. We refused and said that we could conclude no alliance, and repeated to him what we said in 1952.

Armaments

"We discussed with them the question of supplying the Egyptian Army with arms and expressed our readiness to pay for these arms, but they

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refused unless we agreed to sign a collective security pact, which would have meant that an American Military Mission should come, and that General Hakim Amer should have no authority over it. We told them that we had enough experience in that respect and that the British Military Mission had destroyed the morale of the Egyptian Army.

"Our object was to maintain the independent personality of the Army, and therefore refused to sign the Collective Security Pact.

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"Towards the end of 1952 they said that they were willing to supply the Egyptian Army with arms, but our military mission returned without realising any result. They refused to give us anything at all, with or without money, unless we sign the agreement with the seal of our dignity, the seal of our slavery, a seal by which we give up our country and our sons to them, to direct them as they wish and to do in Egypt what they wish.

"There is nothing new in what we declare loudly today, for we said the same thing on the first day of the Revolution. After that our struggle in the Canal Zone began. It is a struggle the story of which has not yet been fully told. In the struggle, the commandoes made the 80,000 British soldiers unable to defend themselves. Those unknown soldiers who sprang from among you and sacrificed their lives made the 80,000 British soldiers unable to defend themselves, and this was the real reason for the evacuation. They evacuated Egypt after realising that the people of Egypt had made up their minds that there would be no command in Egypt except their own command. This was the real reason - it was not negotiations, and it was not talks that led to the result.

"It was a long and bitter fight, but it has not ended yet, for there are various forms of imperialism. Today imperialism is embodied in the supporters of imperialism - the traitors.

Imperialism

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"Imperialism takes different colours and we have to combat it. Imperialism takes the form of alliances and agreements. Imperialism began work to lay its hands on the Arab countries, but we resisted it, and at the same time Arab consciousness and Arab nationalism was awakening, and therefore imperialism was unable to achieve its ends. Thus Arab nationalism emerged victorious and imperialism was badly defeated. It was defeated in Jordan when Templer tried to force the people of Jordan (which is composed of a million or a million and a half) to submit. But General Templer ran away from Jordan. Arab nationalism believes in its right to live and win and imperialism failed to achieve any of its aims. The Baghdad Pact failed to achieve anything and has been checked and frozen thanks to Arab public opinion and Arab patriotism.

"We faced battles inside and outside. The imperialists helped France in Tunisia, Morocco and Algeria. NATO forces were moved to fight in Algeria. And America, the leader of the free world, supports France in the killing of the people of Algeria. Britain also supports, so do the states which made the Charter of U.N. and self-determination. They have forgotten all this or try to forget it and have started to fight Arab nationalism in Algeria.

"All those forces are fighting ten million Algerians but Arab nationalism in Algeria has been able to defeat the allies of France, and the fighters of Algeria with their simple and limited weapons have succeeded in standing in the face of forces armed with tanks and all types of weapons. Arms prepared for use against Russia could not stand in the

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face of Algerians. This shows the kindling of Arab patriotism and its feeling, of its existence and right to live.

"These battles which we are fighting, the battle of Jordan, and Algeria, opposition to all pacts, all are our battles for our future is interrelated with Jordan and the Sudan. The future of one is the future of all.

"The imperialists want us to be their dependents and when they issue an order to respond to it. There are many states which I need not mention so as not to create diplomatic crisis, which receive and execute orders. They do not believe in their country but in Ambassadors and High Commissioners. They want us to be like them. This cannot happen because we did not stage the Revolution and the Revolution of 1919 and what followed later to receive orders from the imperialists.

Denied Arms

"They want us to hear their orders about Israel which they say exists as a matter of fact, and they say that they will pay money to the Arabs of Palestine. We have pride in Arabism and our land cannot be sold for money. They want us to give in to Israel on all points and forsake Palestine and our brothers in North Africa and to agree as the Security Council agreed to the slaughter in Algeria. They want us to execute the policy dictated to us. Egypt has refused to do this and wants to have an independent personality.

9 | "We were denied arms supplies while arms were sent to Israel and she became a threat. Britain said she is ready to supply us with arms on condition that Abdul Nasser keep quiet at Bandung and left Britain to implement her policy of pacts. The arms question became an instrument to tie us and tie our freedom. But we are not prepared to pay the price at the expense of our personality and principles. We were thus unable to obtain anything against payment, and not free of charge.

From Russia

10 | "Later, we were able to obtain arms from Russia, and not from Czechoslovakia. Russia agreed to supply us with arms. Then when the arms deal was concluded there was big noise. What was the purpose of that noise? They (the West) said that they were Communist arms, but what I know is that those arms became the property of Egypt on reaching here. Their press too made a noise. They said that they had a plan to maintain the balance of power between the Arab countries and Israel, one 'plane for Israel and another 'plane for the whole of the Arab countries. Who has appointed you guardians over us to maintain the balance? We do not accept any form of guardianship. The fact was that they monopolised arms, and through this they wanted to dominate us. When we were able to break that monopoly, all their plans collapsed, and imperialism was no longer able to dominate us through the supply of arms. Writing in a newspaper, an Englishman said 'We know these Arabs, when they become angry we give them some arms as toys to play with'... This is what they wrote in one of their newspapers to mislead us.

Responsible

"Who created Israel in this area? Who was responsible for the British Mandate over Palestine? Britain, Britain is responsible for the Balfour Declaration. Britain knew that there was inside Palestine an equipped army set up with the purpose of seizing Palestine. Knowing this perfectly well, Britain left Palestine. What was the aim of Britain and America They aimed at one thing, and this was the eradication of our nationalism. They considered that nationalism linked us from the Atlantic Ocean to the Persian Gulf. This was a force to be reckoned with from the first time in history.

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"What happened in Palestine was an operation for the annihilation of a whole race, with the purpose of destroying Arab nationalism. The Zionists used to announce that their Holy Land extended from the Nile to the Euphrates. They talked in their Parliament about the liberation war. It was an operation for the annihilation of the Arabs and their race. We needed arms to defend ourselves so that we may not become refugees. We obtained arms, and we signed the necessary contracts. I want to declare that we obtained those arms unconditionally. We paid the price, and the arms became our property.

"America sent Mr. Allen with a letter from the U.S. Government. It was expected that he would call on me. News reports said that he brought with him a threat to Egypt. An official American visited me and said he was sorry about the situation which Egyptian-American relations had reached and advised me to accept the letter with cool nerves. I said how will I accept the letter so long as it injures Egyptian pride. He said the letter will have no practical effects. "It is only a letter. I said I am not a professional prime minister but have become a prime minister as a result of a revolution. If your representative comes and talks I will put him out of my office. This is an official statement and I will announce to the people that you wanted to injure its pride and dignity. We will all fight to the last drop of our blood and I personally will fight to the last drop of my blood because those are the principles for which I have risen.

"If he threatens to stop aid I will announce its stoppage. We did not receive lessons in diplomacy. We staged a revolution and we will protect it. This happened last October.

"He called on me again and said he reported this to Mr. Allen. He is now perplexed. If he calls on you you will send him away, and if he informs Mr. Dulles of this, Dulles will expel him. What is the situation? I told him that all I know is that if he comes I will put him out of my office.

"Mr. Allen called on me but did not say a word. He listened to the Egyptian point of view and explained briefly the American viewpoint. They thought we were professional politicians, but Egypt was able to protect her dignity and prestige.

"There was a noise everywhere concerning arms, and I saw ridiculous things and accusations in the British, French and American newspapers. They hurled insults against us because we removed fetters and were able to build up our country and our strength and decide an independent policy.

"I was talking with confidence, and with feelings of strength. Why? Because I felt that I represented the 23 million people of Egypt, all of whom would struggle for the sake of their independence to the last drop of their blood.

Confident

"I was not talking with the strength of Gamal Abdul Nasser, but I was confident that all the sons of Egypt would struggle to the last drop of their blood. There was no party strife and no differences. We were all one united national bloc behind the aims of the Revolution.

"I was talking with courage as I knew that I was backed by you. This was my attitude. The people were united and strong, and prepared to struggle. They were people who saw the flag of their country hoisted high for the first time, and were prepared to sacrifice their lives the same as Salah Mustafa and Mustafa Hafez had done.

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"The last words that Salah Mustafa said were "Thank God. Tell them in Egypt to be cautious." I felt that there were 23 million Salah Mustafas behind me.

"This was the motive which gave me the strength, and this is what made me tell the American representative that I would send him away. The people wanted that, and were ready to struggle to the last drop of their blood.

"Thus the story of negotiations and alliances and of arms ended, and then began the story of the High Dam.

"In 1953, we began to draw up a plan for the speedy development of national production, since population was increasing at the rate of half a million a year, and the standard of living was considered to be moderate, we had the dual task of raising the standard of living and maintaining the national income. For raising the standard of living it was necessary to increase income, and thus we directed attention to the Nile waters to make use of them.

High Dam

"The High Dam project was submitted to us in 1952. We began to study it and then arose the difficulty of financing the project. It was found that the scheme was sound, and would be completed after 10 years. We did not have sufficient funds to pay the cost of the scheme which was between 800 to 1,000 million dollars to be paid over ten years. In 1953 we contacted the World Bank - to which we were subscribers - and asked it to assist us in financing the project.

"They said in the Bank that there were difficulties, and that the project could be financed when disputes with the British and Israel were settled. They also said that we had no parliamentary system and they asked us to have a plebiscite on the project.

"We understood from this that we would not obtain any assistance from the Bank, and we decided to rely on ourselves and on industrial firms.

"We contacted German firms, which said that they were prepared to give us £5 millions. Then an arrangement was made between a German, a French and an English firm, and each said it was ready to supply five millions on the basis of a medium-term loan.

"The Minister of Finance left for London and met the Chancellor of the Exchequer, who told him that three firms were prepared to raise their loan to £45 millions, to be supplemented by us in Egyptian currency.

"The Minister of Finance then left for Washington. The Americans said that they had decided to extend to Egypt an aid of 40,000,000 dollars; but all that was merely in on paper. This was in December while the decision was taken in June. We kept asking for this aid but it was obvious that they did not want to pay it.

"The British suggested that we obtain a loan and that they give us an aid of 16 million dollars, i.e. £5 million. The Americans would give us an aid of about 56 million dollars, i.e. £20 million. This is to say that the whole aid would be 20 million Pounds from the Americans and 5 million Pounds from the British. The World Bank said that it was ready to advance a loan to Egypt of 200,000,000 dollars after five years, during which Egypt should spend 300,000,000 dollars of her own funds.

"On this basis negotiations began in December 1953, with the United States Government, a British delegate and a representative of the World Bank. As a result of these long talks, I received a letter from the

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ENCLOSURE

World Bank stating its readiness to participate in financing the project by 200,000,000 dollars after five years to be paid in instalments. The letter included certain conditions which Egypt should fulfil in order to obtain the Bank's loan.

Conditions

"The Bank mentioned the following conditions:

- 1. - The Bank should be assured that the foreign currency which would be granted to Egypt through American and British aids should not stop. The Bank held itself responsible for the British and American aids. It said that it would give us 200 million dollars on condition that the British and Americans agree to the grant of this aid to us.
- 2. - The Bank should reach agreement with the Egyptian Government from time to time in respect of the programme of investment. This implies imposing the guardianship of the World Bank on Egypt.
- 3. - Proper Control of the expenditures of the State.

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This implied that the Egyptian Government should not involve itself in other foreign loans, and that it should not sign payment agreements like the Arms agreement with the Soviet Union, and that Egypt should reach agreement with the Bank before concluding any agreement.

12.

The Bank also demanded that the Executive authority of the project should be under the joint control of the Egyptian Government and the World Bank.

The Bank also stated that agreements with the Bank would be subject to revision whenever necessary.

Later, we received memorandums from the Governments of the United States and the United Kingdom and from the World Bank, supplementary to each other, and the whole job became very complicated; and we discovered that a conspiracy to dominate our economic independence was in process.

"I strongly objected to it all saving that we would never sell ourselves for the sake of an American aid of 70,000,000 dollars. I had talks with the Americans and asked them whether such conditions were imposed on grants extended to Israel! The 40 million dollars aid allotted to Egypt would not be given to us, and now they tell us that they would give it in accordance with the conditions of the International Bank. The International Bank wishes to send its Director to replace me in Egypt.

"I told them that their conditions were against our independence. We made a comparison about the attitude of the Arabs and the attitude of Israel and about American aid given to both sides.

"The annual American grant to Israel varies from 30,000,000 to 50,000,000 dollars. The American technical aid to Israel varies from 6,000,000 to 14,000,000 dollars. The surplus of American foodstuffs granted to Israel totals 7,000,000 dollars. American capital invested in Israel totals 214,000,000 dollars. The Israeli dollar loan shares sold in America reached up-to-date 234 million dollars.

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"On July 12, 1955 the Bank of America advanced to Israel a loan of 30,000,000 dollars. American Jews collected contributions for Israel totalling 3,164,000,000 dollars.

"German reparations for Israel totalled 3,500,000,000 dollars paid in annual instalments of capital goods including factories, and ships. In spite of this, the deficit in the Israeli trade budget reached 230 million dollars p.a. This deficit is met by American aid.

"Contributions collected by American Jews in the first six months of this year totalled 65,000,000 dollars. We knew that Israel was totally dependent on the United States and that it could not survive without American aid.

"We had talks with the Americans and told them that during the first five years 370,000,000 dollars will be spent on the High Dam project, of which Egypt will pay 300,000,000 dollars and the United States would pay 70,000,000 dollars. The whole project would cost one billion dollars of which Egypt would pay 730,000,000 dollars. I told them that we could not accept the conditions of the World Bank. I told them that we had bitter experience in the past since the days of Cromer.

"Shortly after last December, the Soviet Ambassador called on me to inform me that the Soviet Union was willing to participate in financing the High Dam. I told him that we were negotiating with the World Bank, and that we might discuss details later on.

"The Americans knew that a Russian offer had been made to Egypt last February. The President of the World Bank sent a letter asking that he be invited to visit Egypt.

"Negotiations began with the World Bank President in April. When I met him I told him outspokenly that we had a complex concerning loans and interest, and that in the past we were the victims of occupation as a result of loans. Therefore, I told him that we could not accept any funds that were likely to affect our sovereignty. I told him that their supervision of our budget would not reform it, and gave him the striking example of a country which was north of us and over whose economy they exercised control and yet its economy was collapsing. The report of the Bank gave evidence of the soundness of national economy.

Nile Waters

"I said we were supposed to start the first stage in June. This was in February. And therefore I told the President of the Bank that we would not begin on the project before we know what the final agreement is.

"After long negotiations he said he could not sign a final agreement at the present moment as there were legal questions outstanding.

"He said we could start from today to execute the project, by relying on the 70 million dollars paid by America and Britain.

"After that would America and England give us other assistance apart from that sum?

"They were supposed to give us 40 million dollars every year and now they want to give us 70 million in 5 years. America and Britain had not guaranteed to pay to us more than the 70 million dollars which they had promised.

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"The snare became clear. We take \$70 million and begin work. Once the money is spent we will go back and ask the Bank to pay us the \$200 million. The Bank will then put forward terms and we will have to accept the terms of the Bank or the work would stop and we would lose \$300 million. We will accept the terms of the Bank and the Bank would send us someone to sit in the place of the Minister of Finance, a second person to sit in the place of the Minister of Commerce and a third to sit in my place.

"This was the snare so we decided not to start building the dam except after the signature of the Nile waters agreement with the Sudan and when we find out the conditions of the World Bank. We gave orders to stop work so as not to force ourselves into this venture and let the imperialists as a result control us and control our economy because they have failed to control us politically.

"We told this to the President of the World Bank and he replied that he was ready to change the conditions but he did not guarantee that the final agreement would be similar to the letter he sent us. I said let us draft and sign the final agreement now, and postpone its execution until we sign the water agreement. He refused and said 'The agreement cannot be signed until after you solve the water problem with the Sudan; you can start the project now with your own money and the 70 million dollar loan, and after that we will start negotiations for a loan'.

'A Trick'

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"Naturally this was a trick to make us fall into their grips once we have used our money to put ourselves under their control without attaining any results. We decided not to start building the Dam before we knew how it was going to be financed and what the water agreement would be.

"We stopped work last February and the President of the Bank sent us a valueless letter in which he said he will pay \$200 million after the solution of the water problem. The letter had nothing which affects our sovereignty so we accepted it. But there was also the British and American notes and they affected our sovereignty. So in February the British and American ambassadors were informed of our disapproval of the notes. Our notes were sent to the British and American Governments but naturally we received no reply.

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"On February 29 there was talk that Britain wanted to mediate between us and the Sudan. Selwyn Lloyd arrived and met me at home. He offered his help to settle the problem of Nile waters between us and the Sudan. I told him that your actions show that you are making the problem more knotty by your newspapers and radio which stir up the Sudan against the High Dam. The B.B.C., Shark el Adana and the British press broadcast and publish commentaries aiming at creating trouble between Egypt and the Sudan. Your Embassy in Khartoum collected all those commentaries and published them in the form of a book and distributed it in the Sudan. This means the creation of enmity between the Sudan and Egypt. How could this tally with your offer to mediate between Egypt and the Sudan.

"It was clear that the British were trying to instill the spirit of hate in our Sudanese brothers and put one of us against the other.

'Sentimental'

"At the same time Lord Killearn stood up and started cursing Egypt. He said why should we help Egypt so long as she advocates liberation. We should not give her £5 million. This well-known Lord also made some other vile remarks.

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"On March 14, I met the British Ambassador at my house and I told him that we are a sentimental people. A sweet word is better than a million dollars and we do not accept a curse as a price for \$ 15 million and we refuse to accept the words of Killlearn.

"We did not accept the said aid so that our reply would not be considered as an insult.

"We are not a very rich nation but we can save £E 5 million even if we crushed pebbles. We have accepted aid so that it would not be said that Egypt refuses to have good relations with you but if such talk is repeated we will reject the aid.

"The situation continued like this and the British and American Governments did not reply to the two notes.

"Then Glubb was kicked out of Jordan and Selwyn Lloyd was pelted with stones in Bahrain, and Egypt was blamed for this and a vile campaign in the British press started against Egypt from March 1. It went on to the extent that a man called Fraser said we must build a dam in Kenya to prevent the water from reaching Egypt. This showed the cowardice of those people.

Oil Supplies

"They claimed that we threatened their oil supplies but I said that we will not interfere in the legitimate rights of anyone but will resist what is called influence. We will not be the sphere of influence of anyone. We have no objection to your legitimate economic interests.

"In June 1956 the visit of M. Shepilov, Minister of Foreign Affairs of Russia, was decided on and at the same time the President of the World Bank said he wanted to come and we told him 'welcome'. Talks were held between M. Shepilov who offered Russian aid to Egypt in all fields to the extent of offering long term loans and said that this would be unconditional and without ties. We have only to ask them because they do not want raw materials. He also said Russia does not want to put us against the Western states as Russia is interested in seeing peace between us and the Western states. The Russians are now working to break the intensity of world tension, and wants to see good relations between Egypt and the West. I thanked him and postponed discussion of details until I visited Moscow in August.

"The following day the President of the World Bank arrived and met me at home. He reaffirmed the Bank's offer of February last and said that he is determined to finance the project and that the British and American Governments will keep their word. I said we also will keep our word.

"This is what happened around June 20. Our Ambassador in America called on Dulles and he told me that the Americans believe that we do not want them to finance the project. I told him we want to talk and negotiate the financing of the project.

"Ahmed Hussein returned to Washington to meet Dulles and request a reply to the notes which we had sent. Two days later the American Government issued its statement. I gave my views about it two days ago.

"In the statement of America they tried to instigate Ethiopia and Uganda. They want the states of this region to be in dispute and then seek the help of American and domination of the region will follow.

/Sudan

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"I told them that we do not want their mediation in the case of the Sudan because we are in agreement with our Sudanese brothers. Ismail el Azhary was ready to reach an understanding with us and so was Mirghani Hamza. He talked to me and there was no disagreement or bargaining, and when Abdullah Khalil the present Premier came to power he showed a very good spirit and as a result there is no need for American and British mediation.

"But the State Department speaks about the interests of the Sudan and Egypt and I do not understand what America has to do with interests of the two countries. Egypt and the Sudan are linked together from time immemorial. Nobody would step in between North and South in the United States. It is the love of guardianship, control, domination and the creation of disputes which dictated all this.

"The statement also said that the developments of the past seven months do not permit the execution of the project. What are those developments? And are they economic or political?

"There is also something surprising in the State Department statement. The Secretary of State addresses the Egyptian people and tells them that this has nothing to do with the relations between the American and Egyptian peoples. That is, this is only against Gamal Abdul Nasser.

"What are those developments. They create doubts about Egypt's economy. Egyptian economy and production have become stronger and have increased. The Annual Book of Statistics of U.N. says Egypt's national income increased from £E 748 million in 1952 to £E 780 million in 1953 to £E 868 million in 1954. This shows that we are working and producing and that our national income increased by £E 120 million in two years.

"Income from agriculture increased from £E 382 million in 1954 to £E 420 million in 1955, an increase of 15 per cent. Income from industry showed an increase in 1955 from 15 to 25 per cent. I said all this in my speech before the Co-operative Congress.

Honour

"The developments which took place are developments of independence, honour and dignity. We have built a dam for honour and dignity against ambitions. We are determined to have an independent personality, a strong army and freedom. They want to punish Egypt because she refused to stand on the side of military blocs. Egypt called for peace and the enforcement of the rights of man. Egypt advocated the principles which they decreed and then forgot at the U.N. - freedom, the right of self-determination, destruction of imperialism, peaceful coexistence and refusal to side with any bloc. We are the enemies to those who profess enmity to us and the friends of those who want to be our friends.

"How is it that we do not receive orders from the American Congress. One of its members stood up and asked that aid to us be stopped while we do not receive from them any aid.

"They want to punish us by cutting the \$70 million aid over 5 years. They punish us by delaying the raising of our standard of living. They say in their papers that the Egyptian people know that Gamal Abdul Nasser is against them and they do not know that I have refused because the Egyptian people do not accept their demands.

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"We decided to postpone the High Dam project and they spoke and demanded when Mr. Black arrived in Cairo that we start execution. He said that his bank is an International Bank and not an American Bank and he has nothing to do with America and that he only says what he believes in.

"I told him that the Board of Directors represent countries and in this way it is based on a political basis.

"While talking to Mr. Black my memory went back to Ferdinand de Lesseps and what we used to read about 1854 when he arrived in Egypt and went and told the Khedive.

"We want to dig the Suez Canal which will benefit you. It is a mighty project which will restore to Egypt much.

"During my talks with Mr. Black, I used to feel the complexes of the past. His talks recalled to my memory the story of de Lesseps. I told him we would not like to have another Cromer in Egypt. I asked him to take that into consideration when he talked to me, because we suffered from certain complexes because of de Lesseps and Cromer.

"De Lesseps arrived in Egypt on November 7, 1854. He went to Alexandria and began to work on December 30, 1854, after having contacted Khedive Mohamed Said who authorised him to dig the Canal. The Khedive said in the Licence that 'Our Friend de Lesseps has drawn our attention to the profits which Egypt would gain as a result of digging the Canal between the two seas, and has informed us of the formation of a company of capitalists for this purpose. We authorised him to dig the Canal'.

Profits

"That was in 1854, a hundred years ago, when a company was established. Egypt owned 44 per cent of the shares of the company, and undertook several obligations towards the company including supply of manpower by corvée. 120,000 Egyptian workmen died while digging the Canal. In other words we dug the Canal with our skulls, bones and blood, and had to pay reparations to de Lesseps.

"Egypt was supposed to obtain 15 per cent of the profits in addition to the 44 per cent of the shares. But we gave up our right; and the Canal which was dug for the Khedive did not belong to Egypt. On the contrary Egypt belonged to the Canal. Article 16 of the 1866 agreement stipulated that the Company was subject to the law of the land. Up to now it has not been. The company considered itself a state inside the state.

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"Disputes were supposed to be dealt with by Egyptian courts of justice according to Egyptian laws. As a result of de Lesseps' talks with the Khedive, of their friendship and loans Egypt was occupied in 1882. Egypt borrowed money. During the reign of Ismail she was forced to sell her shares for £4,000,000 and England bought them. Khedive Ismail was obliged to pay to Britain 5% of the profits of the Company which he had relinquished - more than £4 million. In other words, Britain obtained 44 per cent of the shares for nothing.

"Would history repeat itself by treachery and deceit? Would exploitation and economic domination destroy our political freedom? Never, never, my countrymen. We are not repeating the tragedies of the past. We are eradicating the traces of the evils of the past. We are rebuilding and reconstructing our country.

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"The Suez Canal is an Egyptian Canal build following great sacrifices. The Suez Canal Company is an Egyptian company in which our rights were usurped by the British, who since the canal was dug, have been obtaining the profits of this company.

"And yet the Suez Canal Company is an Egyptian joint stock company. The Revenue of the Canal is £E.35 millions or 100 million dollars. From this sum Egypt - which lost 120,000 workers in digging the Canal - takes one million pounds or 3 million dollars from the Company which was established according to the Firman (decree) for the sake of Egypt's interest and naturally, the Revenue should go to them.

'Cancel Past'

"It is a shame that the blood of peoples be sucked, and it is no shame that I should attempt to get aid for the sake of my country.

"We will not allow the past to be repeated again, but we will cancel the past by restoring our rights in the Suez Canal.

"The Canal is the property of Egypt, and the Company is an Egyptian joint stock company. The Canal was dug by Egyptians, and in the course of digging 120,000 Egyptian workers died. This Company, which has its headquarters in Paris is usurped. When Black came to us, he was like De Lesseps.

"We will build the High Dam, and we will obtain our rights. We will build it as we wish, and we are determined to do so. The £E 35 millions which the Suez Canal Company collects each year, will be collected by us, the 100 million dollars will be collected by us for the benefit of Egypt.

"When we build the High Dam, we will be building the dam of prestige, freedom and dignity, and we will be putting an end to the dams of humiliation. We announce that the whole of Egypt is one united national bloc. We will fight to the last drop of our blood like Salah Mustafa and Mustafa Hafez for the sake of our Motherland.

"We will not fear warmongers and we will rely on ourselves and our own blood. We were lenient about our right; but those rights will be restored by us step by step, and we will build a strong Arab Egypt.

"Today, I signed the following Law, and the Government has approved the Law.

'The President then read the full text of the Law concerning the nationalisation of the Suez Canal Company.(our telegram No.1278 of July 26.)

'Strong Basis'

The President, then continued his speech.

He said:

"We will not allow imperialism and oppressors to dominate us. We will build Egypt on a strong basis, and will advance towards political and economic independence. When we look back, we do so to demolish the relics of the past - the relics of enslavement, exploitation and domination.

"Now that the rights have been restored to their people after one hundred years, we are achieving true liberation. The Suez Canal Company was a state within a state, depending on the conspiracies of imperialism

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and its supporters. The Canal was built for the sake of Egypt, but it was a source of exploitation. There is no shame in being poor, but it is a shame to suck blood.

"Today, we restore those rights, and I declare in the name of the Egyptian people that we will protect those rights with our blood and soul.

"The Suez Canal was one of the edifices of oppression. Now our funds are coming back to us, and our rights are restored to us.

"The revenue of the Suez Canal is £E 35 millions or 100 million dollars, and consequently we have no need to wait for the American assistance which amounted only to \$70 millions.

"With our sweat and tears, and with the lives of our martyrs and their skulls in memory, we can protect this country. We will work and produce, and will increase production despite all conspiracies.

"Whenever a statement emanates from Washington, I will tell them 'die of your fury.' They do not want us to be an industrial country so that their trade may not stagnate.

"I have never seen any American aid directed towards industrialisation. All American aids were meant as a means of exploitation.

Stronger

"Today, we feel much stronger and that we have might, faith and greater will. By restoring the Canal to Egypt, we remember the expulsion of Faruk, and we feel that we are realising further glories for Egypt. We shall continue our progress, as a united people with faith in themselves, and in their strength. Our people will continue their holy march towards industrialisation, development and reconstruction.

"The people will stand united as one man to resist imperialist acts of treachery. We shall do whatever we like. When we restore all our rights, we shall become stronger, and our production will increase.

"At the moment, some of your brethren, the sons of Egypt, are now taking over the Egyptian Suez Canal Company, and directing it. We have taken this decision to restore part of the glories of the past and to safeguard our national dignity and pride.

"May God bless you and guide you to the path of righteousness."

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The International character and history of the Suez Canal

Notes
for Secretary
of State's
Speech.

The international character of the Canal was the constant preoccupation of those who planned and built it. For more than 20 years after work had begun, de Lesseps tried, often against the opposition of the other powers of the day, to have this principle recognised. Finally the Constantinople Convention of 1868 permanently guaranteed the international character of the Canal and the freedom of navigation through it. These principles have been reaffirmed in successive international treaties and in conventions between the Suez Canal Company and the Egyptian Government ever since.

The Canal is international in fact as well as in theory. It was built in order to serve many nations. It was built with the money of many nations. Of the 400,000 original shares of 1858 more than 200,000 were subscribed in France and over 96,000 were taken by the Ottoman Empire. Three-quarters of the original capital came from

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non-egyptian resources. An additional international loan of 500 million francs was raised in 1867.

Method of announcing

The speech in which Col. Nasser announced the seizure contained an extraordinary to a version of history which appears to have been written especially for the occasion. He described the Canal as "an edifice of oppression built with the skulls, bones and blood of forced Egyptian labour". He was referring to the corvée, an institution firmly established in Egypt at the time which it was one of our earliest acts in Egypt to abolish. We have no need to apologise for our record in Egypt. The 70 years of colonial exploitation and bloodsucking that Nasser denounced left Egypt free from external debt and £400 million in credit as far as this country was concerned. If he is able to leave his country as well placed he will have served it well.

I do not suppose that even he really believes that out of the revenues of the Canal - £55 million a year was the figure he named -

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he would be able to run the Canal, carry out the improvements which will be necessary, and finance his \$400 million ~~plan~~ plans for a High Dam. We was playing on the emotions of his audience as fascist orators are obliged to do. But his rash act has struck a heavy blow at the credit worthiness of his country, which badly needed foreign investment. Unless he can restore Egypt's credit his seizure of the Canal is more likely to bring hardship than benefit to the Egyptian people, for Egypt's own resources, with or without the Canal, will not suffice to keep her people fed and clothed.

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GENERAL (PUBLIC STATEMENTS)
August 14, 1956
Section 1

THE LONDON CONFERENCE ON THE SUEZ CANAL

Speech by the Right Hon. Selwyn Lloyd, M.P., Secretary of State for Foreign Affairs, on August 14, 1956

I want to talk to you about the conference which is to begin in London next Thursday.⁽¹⁾ The representatives of twenty-two nations are meeting because Colonel Nasser has seized control of the Suez Canal.

It is a very serious situation. I do not want to sound alarmist but a threat to the Suez Canal is a threat to the life and strength of Britain and of Western Europe on the one side and to the countries of Asia on the other. It also deeply affects the United States of America.

We in Britain know that Colonel Nasser's action is a breach of international law. Many of you heard Mr. Menzies last night dealing so clearly with its illegality. The Suez Canal Company is not just an Egyptian company. It is, it is true, technically registered in Egypt, but in a matter of this sort we have to look at the substance, not the technicalities. The substance of the matter is that the company is international. It was formed for an international purpose; it is internationally owned: its administration is centred outside Egypt. The Egyptian Government has always before accepted the position that Egyptian domestic law only applies by consent to the constitution and powers of the company. A company possessing such an international character cannot lawfully be "nationalised" in the way in which that has been done. Further to that, a contract with such a company cannot be broken by one party to it. This company held a concession from the Egyptian Government. At the end of this, in 1968, the canal itself and some, not all, of the company's assets would have reverted to Egypt. That concession was solemnly reaffirmed by Colonel Nasser as recently as June of this year. His action therefore in seizing the canal is a breach of the terms of the concession and involves the breaking of his own word.

What I have said applies to what has happened in regard to this particular company. I am not denying the right of countries to nationalise domestic industries or services. Provided there is no illegality about it, countries can nationalise what they please, but this act of nationalisation is unlawful for the reasons I have stated. It strikes at the rule of law between nations.

Faced with this situation, Her Majesty's Government's policy has been clear from the beginning. As the Prime Minister said in the House of Commons on July 30, the unfettered control by one Power of this international waterway cannot be accepted. From the first the Government has sought an international solution, arrived at by international discussion. On Sunday, July 29, when first I met representatives of the French and United States Governments, I put to them our view that there should be an international conference to deal with this matter. It was not an idea forced upon us in any way. The other two Governments readily agreed.

At the conference proposals will be put forward that an international authority for the canal should be set up. The purposes and functions of that authority should be to take over the operation of the canal to ensure the efficient functioning of the canal as a free, open and secure international waterway; to ensure to Egypt an equitable return; to arrange for the payment of fair compensation to the Suez Canal Company. In our view the authority should consist of a Council of Administration drawn from those Powers chiefly interested in the canal and it should have under it the necessary technical, working and administrative organs. In all this there would be an important role to be played by Egyptians and the Egyptian Government. These proposals were discussed by me with Mr. Dulles and M. Pineau at the tripartite meetings the week before last. There is no

⁽¹⁾ Broadcast on August 14.

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disagreement between the three of us about them. They were sent, over a week ago, to all the Governments invited to the conference.

I believe that this idea of an international authority to control an international waterway is in the true interests of all those concerned and commands the approval of an overwhelming majority of thinking people. It is interesting to remember that in 1946 the Soviet Union declared itself in favour of the principle of international control of the Suez Canal. The idea that just because the canal passes through Egyptian territory such an international authority would infringe Egyptian sovereignty bears no relation to modern ideas of what sovereignty really is.

The primary task of the conference will be to express its opinion upon our proposals. We regret very much that Colonel Nasser is not sending a representative who could have put forward his point of view. We made it clear that acceptance of the invitation did not presuppose acceptance of our main contention. I hope that even yet the Egyptian Government may see fit to enter into an agreement along the lines which I have indicated.

In the Spirit of the Charter

You may ask, how did we decide upon the countries to be invited to the London Conference? It was not easy to draw the line. But eventually we decided to ask the eight parties to the 1888 Convention, together with eight more countries owning the largest tonnage of shipping which goes through the canal, and a further eight countries whose pattern of trade is most vitally affected by transit through the canal. It is not necessarily a bad idea to talk matters over with the people who are most interested. The list includes Egypt, the Soviet Union and other countries whose views probably are not the same as our own. We have acted and intend to act in the spirit of the Charter of the United Nations. The method by which we have chosen to proceed is directly in accordance with Article 33 of the Charter. It has always been in our thoughts that there should be some link between the international authority which we propose and the United Nations. It has also been our intention to give Parliament an early chance to discuss the results of the conference.

The allegation has been made that the conference is being held under the threat

by us to use force. As to that, I ask you to consider for a moment the methods by which Colonel Nasser chose to carry out his unlawful act. He announced it at the end of an angry speech directed against the Western Powers and made in a fit of temper because he was not to get from the United States and ourselves the money which he wanted to build the Aswan Dam. He took action without previous consultation of any sort or kind with the company itself. He did not consult other parties to the Convention of 1888. He did not consult any of the Arab States. He treated them like satellites. He promised to pay compensation to the shareholders, but he did not indicate whence it would come. He said he would divert the revenues of the canal to build the Aswan Dam. Finally, he included in his decree of nationalisation an article ordering the employees of the company—many of them British—to stay at work under the threat of arrest and imprisonment if they did not. Troops were moved in to seize the property of the Canal Company. He had already then mobilised about 75 per cent. of his armed forces. He has gone further since. That is what he has done, by way of force and the threat of force. We have 13,000 British nationals in Egypt. We have a base operated by British civilians containing valuable equipment. Many of our ships use the canal. In these conditions we should be lacking in our duty if we did not take elementary military precautions to safeguard British interests effectively should the need arise. That of course means having some forces available in the Mediterranean. These military precautions are not inconsistent with the Charter of the United Nations.

We have to remember that the present ruler of Egypt is a military dictator. He played a leading part in overthrowing the Egyptian monarchy by a military *coup*. He removed his own leader, General Neguib, by similar methods. He now rules supreme. He can change his mind overnight. He can denounce an international agreement or imprison a British subject according to his mood of the moment. He maintains himself in power by methods so well known to us from what happened in certain countries in the inter-war years.

We have tried hard to promote better relations with him. He said if only we could settle the Sudan problem that would lead to better relations. We made an agreement by which Egypt abandoned her

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We in our and help A Iraq, Jorda that fact. C nationalism I read the c wrote abou dictators b the pattern The three st the Arab control of control of world. Ru theme "Wi this?" I And that is faced. Th all too sir between th

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claim to the sovereignty of the Sudan and the way was open to Sudanese independence. But our relations with Egypt did not improve. Colonel Nasser then said if only we could settle the problem of the base that would lead to better relations. We did settle the problem of the base but the better relations did not come.

Now he has committed this act, not only an unlawful one, but also an act of defiance, a deliberate challenge made without regard to the interests of his fellow Arab States or of the under-developed countries. The great need of such countries at the present time is foreign capital. It is obvious that the blow to confidence administered by Colonel Nasser will make it much more difficult for under-developed countries to obtain such capital. His action, whatever the outcome of our conference, will damage the material prospects of countless millions living in poorer countries.

We in our time have done much to create and help Arab nationalism. Our record in Iraq, Jordan, the Sudan and Libya proves that fact. Colonel Nasser is misusing Arab nationalism to further his own ambitions. I read the other day a little book which he wrote about his revolution. Like other dictators before him he reveals on paper the pattern of his thoughts and ambitions. The three stages are clear. First, control of the Arab States and the oil. Second, control of the whole of Africa. Finally, control of all the Moslems throughout the world. Running through the book is the theme "Who is the hero who will achieve all this?" I think we can guess his answer. And that is the problem with which we are faced. These thoughts, these actions are all too similar to what we saw happen between the wars with other dictators.

I believe that there have been three critical times for us in the past ten years. First, there was the threat to Berlin in

1948, which was defeated by the Berlin air lift. Secondly, there was the Communist aggression in Korea in 1950. That was repelled by force of arms. The third threat, and, in my view, the most serious of all for us in Britain, is this act of aggression against this great international waterway. The strength and prosperity of much of the world depends upon it. For us it is a question of our national livelihood, jobs, standard of living, and position in the world.

It is a deliberate challenge. All our friends in the Middle East are watching to see how we meet it. Although, having made his *coup*, Colonel Nasser's language is now milder and he makes all sorts of promises about how well he is going to behave in the future, that again is according to the pattern. I believe we have to take counsel from our past experience. If he is not checked now, what will his next step be? We have to be resolute in this situation. We must not permit the right of free passage through the canal to depend upon the transient impulses of a single military dictator.

Seeking a Peaceful Solution

Therefore I say to you—the rule of law must prevail. We are not bellicose—neither the British Government nor the British people. With Britain force is always the last resort. We shall work with all our power for a peaceful solution, but that solution must include some form of international control for this essential waterway. We are not seeking British control—we are seeking international control. We want a plan which will take full account of the legitimate—I repeat, legitimate—requirements of Egypt. We want to preserve the rights of the users of the canal. To achieve such a solution is the task which faces the collective wisdom of the statesmen gathering in London this week.

Please send 30 copies

JE 1421/891

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Draft. Record of Meeting on the Suez Canal. 3 p.m. August 10

Present:

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| Secretary of State | Sir Francis Wylie |
| Mr. Dodds Parker | Sir A. Cadogan |
| Mr. Ross | Lord Hankey |
| Mr. Watson | Sir T. Harrison Hughes |
| Mr. Brenchley | Sir W. Currie |
| Mr. Proctor
(Ministry of Transport) | Sir H. Heath Eves
M. J. Georges-Picot. |

The Secretary of State said that he was anxious to keep in close touch with the Company's thinking and was therefore particularly grateful to the British Directors and to M. Georges-Picot for coming to the meeting.

2. The first question on which he would like their views was that of the future of the Suez Canal Company. H.M.G. were thinking on the lines of a two-tier structure, namely an international body to control policy and under that an operating agency. Whether the latter should be the present Suez Canal Company in some form or other or a different body was a matter on which H.M.G. had not yet formed a view.

3. Lord Hankey pointed out that the Suez Canal Convention of 1888 (Article 8) had made provision for a two-tier structure of this kind, though the controlling body, consisting of the representatives in Cairo of the signatory powers, had in practice been a dead letter. He ^{argued that the description} ~~quoted from H.M.G. a~~

invitation to the governments invited to the Suez Canal conference the phrase "to establish operating arrangements under an

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of the functions of the was agency in H.M.G.'s

exactly described the present company; especially

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international system designed to ensure the continuity of operation of the Canal as guaranteed by the Convention of October 29, 1888, consistently with legitimate Egyptian interests. He considered that ~~was~~ ^{intended} this phrase ~~defined~~ precisely what the Suez Canal Co. had been doing for the past 80 years. For that reason he believed that the operating agency mentioned by the Secretary of State should be the existing Company.

4. M. Georges-Picot said that the French Directors of the Company had discussed this point with the French Foreign Office ^{Ministry of} ~~the~~ ^{claim} yesterday. They had concluded that there were two possible groups of solutions. The first of these ^{would} ~~would~~ leave both policy and operation of the Canal to a modified form of the present Company. De Lesseps had intended the Company to be a ~~truly~~ ^{truly} international one but for historical reasons it had become in practice Franco-British. It ^{might} ~~could~~ be possible ~~and desirable~~ ^{to contain} to restore it more nearly to the original conception, ~~with these elements in it~~

- (a) ~~an~~ Egyptian element;
- (b) ~~a~~ Franco-British element;
- (c) ~~an~~ element representing the other powers

most concerned with the operation of the Canal. ~~A modification of~~ ^{to modified} The Company ~~of this kind~~ could carry on the ^{entire} ~~whole~~ task of forming policy ~~and~~ and operating the Canal, without loss of continuity, under a new charter which would supersede the 1888 Convention. The charter should contain guarantees for the Company against undue interference by Egypt and might provide for dues to be divided between Egypt, the shareholders of the present Company and the new modified Company.

5. The second group of solutions possible would
/involve

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involve a division of function, in which there might be not two elements as suggested by the Secretary of State but four. These would be

- (a) a purely Egyptian Company owning the physical assets such as land, buildings, etc.;
- (b) an international body to control policy;
- (c) the present Company in liquidation, which would receive a proportion of the dues as compensation to the existing shareholders;
- (d) an operating Company again of a tripartite nature, containing representatives of:

- (i) Egypt
- (ii) France and Britain (*staff from the present company*)
- (iii) The other major maritime powers.

6. From the Company's point of view, the first group of solutions was preferable, but he could see that a solution on the lines of the second group was quite possible provided that the present company received adequate compensation and that its staff were properly represented in the new operating company.

7. The Secretary of State pointed out that the second of the four elements in the second group of solutions mentioned by M. Georges-Picot had not paralleled in the organisation which had been formed in Iran as a successor to the Anglo-Iranian Oil Co. He ~~pointed out~~ added that the ~~effect~~ fact that the present Company had had only 12 more years to run to some extent reduced its bargaining power in respect of the new organisation which might be evolved. It was worth giving up something in return for a longer term of existence.

8. The Secretary of State then asked what was the present position about the Company's employees in Egypt. M. Georges-Picot replied that the position was not very satisfactory. At the request of the British and French Governments, the Company had deferred giving orders for the repatriation of its non-Egyptian employees in Egypt but this position could not be held for very long. The new Egyptian Canal authority ~~which had been established~~ was rapidly coming into being in Ismailia, and ~~would shortly be in a position to exercise some kind of control over the operation of the Canal.~~ There were rumours, which he himself believed, of the Egyptians engaging Danube pilots from Yugoslavia, Czechoslovakia etc. If the Canal Company had called its non-Egyptian employees away from Egypt immediately nationalisation was announced, the Canal would have come to a standstill. This was still the case if orders for repatriation were given now but as the weeks went by it would be progressively less true, and there was an increasing danger that a smaller number of the employees would obey such orders.

9. The Secretary of State pointed out that H.M.G. ~~was~~ ^{is} a 44% shareholder in the Company, could not dissociate itself ^{responsibility for} from the Company's orders to its employees. There had been good reasons for ~~not~~ ^{keeping} the Canal ~~to be kept~~ ^{running} and he was sure that the present policy of ~~keeping~~ ^{continuing to} employees ~~working~~ under duress was right for the time being. He hoped that this position could be held for, say, another fortnight. M. Georges-Picot said /that

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that there would be no difficulty in holding the present position until after the Suez Canal Conference, provided that the Conference did not drag on ~~over a period of~~ ^{for} several weeks. ~~He thought it essential that he should broadcast a message to the Company's employees in Egypt over the French radio service to the Arab countries at 6 p.m. on Sunday, or possibly Monday. He would reiterate the instructions to employees and tell them of the importance of their staying at work while the Conference considered the future control of the Canal. He would also repeat the Company's pledges to its employees to give generous ~~compensation if necessary~~ ^{financial treatment} to those employees who remained loyal to it.~~

10. M. Georges-Picot then mentioned that the Company had communicated to the British and French Governments the instructions it had sent to its employees in Egypt, since those instructions had in fact been ~~sent at the request~~ ^{formulated to meet the} ~~request~~ of the Governments. There were clearly risks involved in keeping the Company's employees in a country where rioting might break out any moment and he considered that these risks should be borne by the ~~Company's~~ Governments and not by the Company, since the Company of itself would have preferred to remove the employees immediately.

He hoped that the two Governments would ~~be~~ reply to the Company's communication saying that they welcomed the instructions which the Company had sent and that they would guarantee the safety of the Company's employees. The Secretary of State made no commitment on this point.

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^{already} had agreed to this and the Company was attempting to make similar arrangements in the U.S. If it succeeded there it would try to extend the system to other countries.

14. ~~M. Georges-Picot~~ M. Georges-Picot said that the Company was ~~naturally~~ at the disposal of H.M.G., as of the French Government, for any studies which might be required in connexion with the conference. The Company was naturally anxious to know as soon as possible which of the two possible lines of solution which he had outlined H.M.G. and the French Government ^{preferred} ~~would~~ ~~wish to send the Secretary of State that~~

Whatever agency was entrusted with the operation of the Canal would need not only technicians, such as pilots and engineers, but also the Company's planning staff. The latter was ^{a vital} ~~an essential~~ part of the ^{structure} ~~complete work~~ and it would take two or three years to build up a new planning staff to replace it adequately.

16. The Secretary of State said that there were two documents which the Company might provide which would be very helpful to him during the conference, not so much for use in plenary session as in private conversation with ^{leading} ~~important~~ delegates. The first was the Company's legal case for considering nationalisation of the Company invalid. The second was a brief statement of the Company's plans for development ^{over the next ten years} ~~of the Canal~~, drawn up so as to show that the Canal, so far from being capital-producing, was a capital-demanding asset. M. Georges-Picot agreed to /provide



FO.1671/81/56

JE.1421/893

BRITISH EMBASSY,
TEHRAN.

August 15, 1956.

Dear Department,

Before leaving Tehran for the London Conference, Dr. Ardalan the Iranian Foreign Minister made the following statement to the press:-

2. "The viewpoint of the Iranian Government is that the guarantee of free passage in the Suez Canal must be entrusted to an international authority. Our attitude was laid down by His Imperial Majesty the Shah in the course of meetings which I had with him this morning in the presence of the Prime Minister, Mr. Ala."

3. Asked about the Iraqi attitude, Dr. Ardalan said that Iraq was free to act as she wished and her attitude could not harm the Bagdad Pact which was not concerned with this dispute.

4. In reply to questions, Dr. Ardalan said that the Iranian Government respected the principle of the nationalisation of the Suez Canal as being based on the sovereign rights of the Egyptian people, and supported Egypt accordingly; as, however, Iran was one of the countries which made considerable use of the Suez Canal and as Iranian oil went to world markets by this channel, Iran was actively concerned in ensuring free passage.

5. Dr. Ardalan added that Iran had always been and remained opposed to the use of any kind of pressure or intimidation in the solution of international problems which might be resolved by friendly contacts and discussions.

6. The main point of interest in all this lies of course in Dr. Ardalan's statement that Iran's policy had been laid down by the Shah.

Yours ever,
PRESS SECTION.

Information Policy Department,
Foreign Office,
London, S.W.1.

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FROM CAIRO TO FOREIGN OFFICE

Cypher/OTP

JE 12/19

FOREIGN OFFICE AND
WHITEHALL DISTRIBUTION

Sir H. Trevelyan
No. 1625
August 18, 1956

D. 4.07 p.m. August 18, 1956
R. 6.25 p.m. August 18, 1956

PRIORITY
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Addressed to Foreign Office telegram No. 1625 of August 18.
Repeated for information Saving to: Washington Paris
P.O.M.E.F.

JE 12/19
Your telegram No. 2438: Heykal's Article on the
Nationalization of the Suez Canal.

Full text sent by bag last night.



2. In conversations with a member of my staff, Heykal went back on what he had written. He said that Nasser had been dissatisfied with the Canal Company's attitude for some considerable time and had mentioned this to M. Pineau during his visit to Cairo early in the summer. (My French colleague denies this). But he had no doubt that but for the West's refusal to help over the High Dam the difficulties would have been overcome by negotiation.

2. The article was presumably written to foster the impression that the decision was the result not of pique, but of mature consideration and planning in the face of a Western plot to deprive Egypt of her rights after 1968. In connexion with the reference to Ahmed Hussein, please see paragraph 6 of telegram No. 1330.

JE 12/19
Pass to Washington and Paris as my Saving telegrams
Nos. 325 and 401.

[Repeated Saving to Washington and Paris].

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FROM CAIRO TO FOREIGN OFFICE

Cypher/OTP.

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Sir H. Trevelyan
No: 1629
August 18, 1956.

D: 10.15 p.m. August 18, 1956.
R: 1.44 a.m. August 19, 1956.

PRIORITY
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Addressed to Foreign Office telegram No: 1629 of August 18
Repeated for information to: P.O.M.E.F.,
and Saving to: Paris. Washington.

Suez Canal.

Sunday Times correspondent tells me that he enquired in course of his interview with Nasser last night (on-the-record result of which will be published tomorrow) what Nasser's reaction was to Salah Salem's statement that in event of Western attack Canal would be destroyed.

2. Nasser did not conceal his displeasure at Salem's remarks (see also in this connexion my Chancery letter 14215/111/56 by tonight's bag) but made no attempt to disavow them. When asked whether he did not realize that Canal was an Egyptian national asset, he enquired whether correspondent was familiar with the story of Samson and Delilah and indicated by gesture and ^{words} ~~and~~ that if attacked he would pull down the middle pillars of the house on his own head.

Foreign Office please pass Saving to Paris and Washington as my telegrams Nos: 229 and 328.

[Repeated Saving to Paris and Washington]

JJJJJ

