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(Reference F.O. tel. No. 2438 of 16/8/56)

Akher Sa'a

August 15, 1956.

"For the first time this is truth with all its details and hidden facts.

Mohamed Hassanein Heykal writes:

"When did Gamal Abdel Nasser take a decision on nationalisation of the Suez Canal?"

"Whispers in London and contacts in Holland."

"Georges Picot asks American Oil Companies to mediate with Egypt"

"Mohamed Abou Nosseir asked me to talk with Sir Francis Wylie on the Canal Company."

Huge quantities of water are now passing under the Nile bridges. They find their way in forceful and virile fashion to the sea!

Important developments are following one another to that deep ocean... which is called history.

Before the whole flood passes under the Nile bridges:

Before a number of days follow other days:

Before the present weeks are lost in the mysterious future:

Before we forget... before we stray ... before we direct our attention to new probabilities.

Before all this... I have one question to which I want to reply.

The question is:

"Was the announcement of the nationalisation of the Suez Canal a mere reply to the withdrawal by the West of the offer for financing the High Dam project?"

My reply to this question, quickly and before entering into details is:

No ... and Yes!

No ... in respect of the subject itself

And Yes ... in respect of the timing of its announcement.

No ... because the nationalisation decision was taken long ago.

Yes ... because the West's withdrawal of the offer of the High Dam scheme and its financing is the appropriate psychological moment for the announcement of the defined decision.

No... and Yes ... I will start the story from its beginning ... and in details!

Hushed moves in London

After the Evacuation Agreement was signed, and the British Government began to withdraw their forces from the Canal Zone ... the Egyptian Government began to feel a strange current! A low whisper ... a very low one in the British capital was asking:

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"What would there be after the Suez Canal concession?"

Then the low whisper went on to conclude:

"Egypt will then have the upper hand in the Canal Zone, and will itself become the proprietor of the Canal ... and this is a matter about which Britain cannot be easy in mind,

Amidst this low whisper: the idea of internationalisation slowly crept in, an international supervision in a certain form, in a certain way, is to be imposed on the Canal, after the concession of the Canal Company expires.

Cairo which was keen on listening to the sound of hushed moves in London heard this low whisper ... and began to watch with cautiousness, listen with a tip-toe attention and get ready!

Then a development took place. From London contacts started. They were anxious that their footsteps should be inaudible. They started with certain maritime Powers which were interested in Suez Canal matters and in which London trusted. One of these Powers was The Netherlands.

A Plane to New York

At the same time another strange current began to move slowly in Paris.

The Suez Canal Company began ... to whisper ... to whisper in every low tone.

For a second time Cairo started to watch cautiously ... and to listen and to hear!

Then the low whisper ... the very low one ... began to become louder ... and its accentuation clearer but ... within a limited sphere!

Then suddenly ... M. Georges Picot, the Director-General of the Suez Canal Company, took a plane from Paris and landed in New York.

In New York Georges Picot started to contact the main American Oil Companies, which have huge interests in the Middle East and its black gold, and which show concern in the matter of the Suez Canal since it is the main way through which their oil passes from where its sources spring to the West where it kindles industrial life.

In Quest for Mediation!

Georges Picot told the Managers of the Oil Companies in New York that the Suez Canal Company was in need of their mediation with the Egyptian Government!

Georges Picot then went on talking in the name of the Suez Canal Company "We know that your present trend is towards the transportation of oil in big tankers of 80,000 tons."

These tankers cannot pass through the Suez Canal now with its present depth and width.

We know that the decisive year is 1965. In that year the 80,000 ton tanker will be the type which should be used from the economic point of view.

Then it is essential to deepen and widen the Canal before that date.

/But

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But what shall we do?

The Suez Canal Company is ready to carry out this operation but this will entail hundreds of millions of dollars.

But is it believable that we should pay them ... and take this burden ... without there being an opportunity before us for profit ... and for getting back what we have spent ...

The Suez Canal Concession will expire in 1968, i.e. 3 years only from the date on which the stupendous work of deepening and widening the Canal will end.

These 3 years hardly give us a chance.

Egypt has to choose!

Georges Picot ended by two suggestions. He requested the Oil Companies to help him in submitting them to the Egyptian Government, and the latter were to choose whichever one suited them! The first suggestion was that the Egyptian Government should agree to the prolongation of the Suez Canal Company concession ... for another 20 years, for example. This was a period in which the Company could regain the hundreds of millions of dollars which it would spend on widening and deepening operations.

The second suggestion was that a new Company should be formed to obtain a new concession in which the Egyptian Government would have a share, and the Suez Canal Company a share!

Georges Picot made an attempt to facilitate the matter and said:

If the Egyptian Government has no funds available to pay as its share in the new Company, the Suez Company itself is prepared to persuade the International Bank to grant Egypt a loan whereby she can pay her suggested share!

In this way - Georges Picot went on to say - we will be able to carry out the widening and deepening operation, without this Company being ours. This is similar to one who throws his wealth to the sea to be eaten by fishes!

Before placing his foot on the plane on his return to Paris he said:

The Egyptian Government suspects the Suez Canal Company and does not trust it, and the matter may receive more attention ... if the main Oil Companies made efforts - and the matter concerns them at any rate - to mediate between the Company and the Egyptian Government.

A Hidden Pressure!

All this news was received in Cairo.

From London ... from Paris ... and from New York.

It was clear that there loomed on the horizon a coming battle ... and that the matter would not end in a simple manner. The Company would not keep silent until its concession expires and then leave the matter to the Egyptian Government and go its own way!

Britain also would not keep silent, and would not allow the Canal to go back to Egypt... so long as it is within her ability to impede the
/return

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return of the Canal and prevent it.

At the same time the Suez Canal Company began to make attempts to press Egypt in a concealed manner.

There were certain improvements which the Company should carry out and among which was a big operation for the improvement of Port Said Harbour itself. But the Company did not bother to pay this attention.

When questioned about its procrastination in implementing its obligations, the reply was:

"How do you ask us to spend huge funds on the improvement of the Canal, at a time in which the Concession Contract is about to expire and the profits of the Canal will go back to you?

Do you want us to spend ... so that you secure the profits?

Do you want us to sow ... so that you will reap?

The matter began to leak out from the limited sphere in which it was confined ... and expand into a wider circle!

Lunch at the British Embassy

Matters then began to move in a quick tempo.

Certain American Oil Companies started to actually approach the Egyptian Government ... they asked, suggested, hinted new trends ... and expected a reply.

At the same time a member on the Board of Directors of the Suez Canal Company, Sir Francis Wylie, arrived in Cairo.

In those days I began to feel that there was a big story which would be related about the Suez Canal Company, and I never thought at all that it would end in the manner it did ... because that end was above my comprehension.

One afternoon at the British Embassy I felt there was a story.

I was invited to lunch and among those invited was Dr. Mohammed Abou Nousseir, Minister of Commerce.

A few minutes before we entered the dining room, Dr. Mohammed Abou Nousseir came towards me, held my hand, led me to a corner and said:

"Listen I have seen the table plan. Your seat at the table is beside that of Sir Francis Wylie.

Abou Nousseir went on speaking:

"Broach with him the subject of the new schemes for the deepening and the widening of the Canal, and hear what he has to say about this.

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5.

We entered the room and I smiled at Sir P. Wylie. We started our conversation, as usual, on the weather! Then... after a few minutes we reached the target... the Suez Canal.

Sir Francis Wylie went on speaking fluently and eloquently. I realised that the matter was very much greater than I had imagined!

That day I wrote in the "Diaries" column of Akhbar Al Yom on May 2 a word on the efforts of the Suez Canal Company which began as follows:-

"Had I a friend in the Suez Canal Company I would frankly tell him:

"Tell your friends to cease running here and there. It will be better for them to keep quiet and not move... they should not draw the attention of anyone.

"It is better for them to keep quiet and not to move... until the remaining years of the Canal concession expire and then hand it over to their owners and tell them Goodbye ... and the owners will reply Goodbye. Thus the matter will end and everyone goes his own way."

"One" in particular

It seems that my advice came late!

The Company drew the attention of "a person".

The attention of "one" particular person. He should have been the last person whose attention should be drawn.

This one person was

Gamal Abdel Nasser!

During the last week, amidst all the news that came from London, amidst the uproar of the conference which ended and the conference that was to begin, amidst the moving fleets, the preparation of troops, amidst all this I attempted to enquire into the matter down to its root and to know who drew Gamal Abdel Nasser's attention.

However I cannot fix exactly a day or a week. But it is certain that about five or six months ago Gamal Abdel Nasser saw, in his astonishing way of judging situations that his next battle would be over the Suez Canal Company.

A Difficult Man!

A few hours before writing this article, I was talking on the telephone to Dr. Ahmed Hussein, Egyptian Ambassador in Washington, endeavouring to hear from him any hint of what was going on in Washington.

Ahmed Hussein told me on the telephone in his own peculiar way:

Good Gracious!

I said: What is it?

He said: This difficult man!

I asked: Who?

He said: Who could it be other than... Gamal Abdel Nasser?

Dr. Ahmed Hussein then told me:

/Imagine

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Imagine that ~~since~~ ^{ago,} six weeks before I left Egypt for the United States I went to see him before returning to my post. Do you know what he told me?

I shouted on my telephone in Cairo so that he could hear me in Washington

No. What did he tell you?

Dr. Hussein also spoke loudly in order to enable me to hear him in Cairo.

He (Nasser) told me. There is a battle ahead and I want you to get ready for it in order that events should not take you unawares... start from now, in all your talks with those you meet, to raise the question of the Suez Canal... I want you to explain how the Company has been exploiting Egypt and its present attempts to neglect the Canal in an attempt to bring pressure to bear on Egypt.

Ahmed Hussein's voice grew louder.

- Strange enough... I did not realize that matters would run in such a bewildering speed!

Calculation of the Battle:

It is certain - as I have said - that five or six months ago Abdel Nasser saw, in his own strange way of judging situations, that his next battle would be the Suez Canal Company.

It appears to me from what I heard from Dr. Ahmed Hussein that Gamal Abdel Nasser had decided to wage the battle of the Canal in this very year 1956... and that the target of the battle should be direct nationalisation without any compromises!

It appears to me also from analysing events that there were a collection of considerations which prompted Gamal Abdel Nasser to reach his immortal and historic decision.

- (1) He felt that Britain was preparing herself for a future opportunity to raise the subject of internationalisation.
- (2) He felt that the Suez Canal Company was preparing itself for a future opportunity in which to request, directly or indirectly, the prolongation of the concession and that the near future was pregnant with attempts at pressure... conspiracies and trickeries.
- (3) He (Nasser) felt that the responsibility of this battle was his and that it was a natural sequel to the evacuation of the British from the Suez Canal Zone.
- (4) He felt that circumstances were now favourable; a strong Government; a united people; and a complete feeling, throughout the whole area of the dignity of Arab nationalism. And who knows what would be the circumstances when Britain might find that the time was, in her own view, favourable to raise the case of internationalisation; and when the Company might find that the time was, in its own view, favourable to raise the subject of the prolongation of the concession.

At that time evacuation from Egypt was accomplished. Then an important event occurred which I think was the sign of destiny to Abdel Nasser. The important event was the full support secured by Gamal Abdel Nasser in the Presidential elections

The moment came

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7.

Now when Egypt's - or rather all the Arab countries' - morale was at its peak, when there was support and solidarity in the ranks, and at the vanguard a man who had given up his soul on the day the Revolution began... and had not allowed himself to withdraw what he has given

Therefore there remained... a propitious moment or an appropriate atmosphere.

Then came the withdrawal by the West of the offer of financing the High Dam.

The withdrawal from financing the High Dam and the manner in which it was announced both fixed the moment and created the atmosphere!

There was a relation between nationalisation of the Suez Canal and the withdrawal by the West from financing the High Dam.

No... There was no relation insofar as the subject itself was concerned.

Yes... There was a relation insofar as the timing of the announcement was concerned.

A question which I wished to reply to. Before huge quantities of waters flow in forceful and virile fashion to the sea!

Before important events follow each other to that deep ocean called history.

CONFIDENTIAL

No. 91 ✓
(10612/56)



BRITISH EMBASSY,
DJAKARTA.

August 16, 1956.

CONFIDENTIAL

Sir,

I have the honour to report that the Indonesian delegation to the Suez Canal Conference left Djakarta by air on Monday, the 13th of August.

2. The Indonesian Government were surprised and rather flattered to receive an invitation to the Conference, but they were at once faced with the problem of reconciling their acceptance with the policy of all out support for Nasser which is the popular one here. Their solution has been to accept the invitation in terms which make it clear that they do not subscribe to the contents of the Three Power communique, while at the same time publicly stating that:

- (a) they fully recognised the right of Egypt to nationalise the Suez Canal;
- (b) they were convinced of Egypt's capacity to guarantee free and safe passage through the Canal, and
- (c) they thought it would be useful and in keeping with Indonesia's active and independent foreign policy to take part in the Conference after having been assured that countries participating are free to make their own proposals for a solution.

3. Considerable play has been made in Government statements with the question of "clarification" but in fact the only clarification asked for was that reported in my telegram No. 278 to which I gave the reply which is recorded in the same telegram. I am convinced that what really persuaded the Government to accept the invitation was the attitude adopted by India and a message which they received from the Indian Government indicating that alternative solutions could be discussed at the

The Rt. Hon. Selwyn Lloyd, C.B.E., M.P.
etc., etc., etc.

CONFERENCE/



Conference.

4. It is of course necessary to distinguish between the public utterances of members of the Government and the views which they are prepared to voice in private. In particular, I am sure there is distrust of Nasser among leading members of the Government and officials, but publicly he has to be supported because the great majority of the press and public see the present crisis as a straight fight between Afro-Asian nationalism and Western imperialism. Against the background of their own desire to nationalise Dutch assets in Indonesia and their so-called "anti-colonial struggle" for West Irian, neither the public nor the Government can be expected to support any solution of the Suez Canal question which condemns the nationalisation of the Canal or which imposes on Egypt a form of international control which she is unwilling to accept.

5. Another factor which I think is of importance here is the Indonesian's very real dislike of warlike preparations. This is due not only to their fear of having to choose sides in any East-West war, but also to a dislike of force as such which is a national characteristic. Unlike, possibly, the peoples of the Middle East, they are not impressed by a show of physical strength.

6. Her Majesty's Government must therefore expect opposition from the Indonesian delegation to their own proposals for a solution of the Suez Canal problem but the delegation will probably be prepared to use every effort to persuade the Egyptians to agree to any modified proposal which they consider consistent with Egyptian sovereignty.

They didn't

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7. I am sending copies of this despatch to Her Majesty's Ambassadors at Washington, Cairo and The Hague and to the Commissioner General at Singapore.

I have the honour to be,
with the highest respect,
Sir,
Your obedient Servant

Rumbance.

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Tel Limpsfield Chart 2164

EDGEHILL,
LIMPSFIELD,
SURREY.

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22nd August, 1956

My dear Watson,

SUEZ CANAL COMPANY

Policy of Her Majesty's Government

The Comité de Direction met on Monday 20th August. All the members were present.

2. The President opened the proceedings by describing what had passed at his interviews with Sir Anthony Eden and Mr. Selwyn Lloyd. Obviously M. Charles-Roux was much gratified at the way he had been received by the British Prime Minister and by the Foreign Secretary.

3. Talk then turned to conditions in Egypt. All the French employees of the Company had registered with the Embassy. The British too had registered to a man including the Maltese and Cypriots. A number of the Company's Greek servants would have liked to register but the Greek Consul had refused to take their names. The Egyptians were letting foreign administrative and engineering staffs go on leave freely but the opposite was the case with the transit service including pilots. Some 20 pilots had got friends at home to send them telegrams saying that various relations of theirs were ill but this had had no effect at all. In the Transit Department the Company's superior staffs were still working but they all had Egyptians sitting by them and overlooking what they did. The declaration which the Egyptians wanted the Company's personnel to sign only appeared on 19th August and may, clumsily, have not been unconnected with the fact that the Company's superior staffs always get paid on the 20th of the month. Otherwise there was everywhere increasing disquiet among the Company's servants and the present situation could not go on much longer.

4. Between 27th July and 12th August the average daily number of ships transiting the Canal was 41 and the average daily receipts from Transit Dues came to about £E100,000. Of this 57% had been paid in London and Paris and the rest in Egypt.

5. It came out in the course of the morning's discussion that the management had at short call in Paris Fr2,044,000,000. It also transpired that Crédit Lyonnais in London are taking the same line about our deposits as the Westminster Bank. In fact they are quite brutal about it and say that the only document whose validity they recognise is Nasser's nationalisation decree. The Company have only about £200,000 with them so this attitude is not necessarily of vital importance. Crédit Industriel in London are following the French bank's line and it was they who

/arranged

J. H. A. Watson, Esq.,
Foreign Office.

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arranged recently for the transfer of £200,000 from London to Paris. The whole position about the Company's sterling and dollar resources is under urgent joint scrutiny by Mr. Spofford, Mr. Pflaeger of the American Embassy and Mr. John Foster, M.P. The last named is the London correspondent, or whatever the word is, of the Company's Paris lawyers. Georges-Picot's idea is somehow or other to persuade the British and American Governments to solve the problem in the political plane. He realises that litigation would take years and would cost the earth into the bargain. Besides it is always possible that the Company's case might fail.

6. There was a long and at times rather explosive discussion about what further instructions should be sent to the Company's personnel in Egypt as soon as the London Conference was over. Isaacson sent you a telegram about this and I have myself in the interval been in touch with you on the subject by telephone. I need not therefore repeat here all the things - some of them very rash indeed - that were said in the Comité de Direction. That some further guidance to the Company's staffs in Egypt will soon be inevitable I however entirely agree.

7. It was intended to discuss the question of transit dues and the Company's sterling resources but so much time was taken up over the position of our personnel in Egypt that these two subjects rather got crowded out.

8. Georges-Picot's impression - got no doubt from Leroy-Beaulieu - is that at the Conference 15 countries will vote for the Dulles proposals, five will vote against these proposals and that the remaining representatives will abstain.

9. Copies of this letter are being sent to Johnston, Bird, Stock, Isaacson and Cadogan.

Yours sincerely,

Francis Wylie

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FOREIGN OFFICE AND WHITEHALL DISTRIBUTIONSir H. Trevelyan
No. 1677
August 22, 1956.D. 11.14 p.m. August 22, 1956.
R. 2.25 a.m. August 23, 1956.PRIORITY
CONFIDENTIAL

11/20/1962

Addressed to Foreign Office telegram No. 1677 of August 22.Repeated for information to: Washington P.O.M.E.F. 23
and Saving to: Paris.- JF 153
My telegram 1676 (not to all): Suez Canal.

When we had finished our discussion about British deportees, the Minister of the Interior showed signs of wanting to talk about the general situation. Since I had previously found him the most realistic of Nasser's inner gang and wished to disabuse him of the tendency, which he had evinced in our previous conversation, to talk in terms of a storm quickly blowing over, I took the opportunity to comment on the position in forthright terms, making it clear that I had no instructions to speak and was giving only my personal opinion, since the matter was being handled entirely at Governmental level.

2. I said that the Egyptian Government had in my opinion made by far their biggest mistake. They had delighted their enemies and Ben Gurion must be thoroughly pleased with the situation. They had thoroughly roused public opinion in England against them and had contrived to unite every shade of opinion in France for the first time since the war. Every country needed friends, but they were going to be left with only the Communists. They must realize that they were up against something quite different from anything that they had experienced before. This was not only a political negotiation. It was a matter which vitally affected the basis of our life. I had pointed out to Egyptian Ministers on a number of occasions that the value of the Canal as a property was entirely dependent upon international goodwill and confidence. They had destroyed that confidence and with it to a great extent the value of the property to Egypt. The sum of twenty million pounds which Colonel Nasser had mentioned that they were prepared to put into the Canal in eight years was ridiculously small in comparison with the amount which would have to be found in order to develop the Canal to the extent required, which would make it immensely more valuable to Egypt. They knew this perfectly well as they had already been in touch with the International Bank and the oil companies on this question and Dr. Fawzi had himself initiated discussions with me some time ago on the question on sensible and practical lines. Now by their action they had destroyed all this fair prospect. The Minister made little attempt to contest this beyond saying that history would decide whether they had made a mistake or not. He said that I knew what they thought about the Communists. They were not willingly moving towards them but were being pushed there. I replied that they were pushing themselves.

/s.

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Cairo Telegram No. 1877 to Foreign Office

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3. I then drew his particular attention to the two most important documents before them, your speech of August 18 at the Conference and Mr. Dulles's final proposals. I emphasized especially your exposition of modern ideas of the exercise of sovereignty and your description of Mr. Dulles's principles as establishing a proper balance between the sovereign rights of Egypt and the requirements of those nations who benefited from the Canal. I said that they were now facing a crucial decision which would have the most serious effects on the future of Egypt. It was only politicians lacking courage who refused to depart from an extremist position for fear of compromising their own prestige, whereas a man of courage would put the real interests of his country first. As one who had tried for a year without any success to improve Anglo-Egyptian relations, I could honestly say that it was in the vital interest of Egypt to accept Mr. Dulles's proposals. The Minister said that Colonel Nasser was not a man to be frightened of risking his prestige. He had proposed as his own suggestion that he should go to London in person for the Conference and they had only changed their mind in view of the public statements and composition of the Conference which made them feel that no good purpose would be served by his doing so. He asked me what I thought of the Indian proposal. I said that it was of no importance whatever and would not affect the issue.

4. I do not know whether this had any effect. If I had not spoken in this way, the Minister might well have had the impression that our position was less than firm.

Foreign Office pass to Washington and Saving to Paris as my telegrams 248 and 240.

[Repeated to Washington and Saving to Paris]

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CONFERENCE

Record of meeting between the Prime Minister and the Soviet Foreign Minister, Mr. Shepilov, at 10.15 a.m. on Thursday, August 16.

Mr. Shepilov, who was accompanied by Mr. Malik and Mr. Troyanovsky as interpreter, began by conveying greetings from Mr. Bulganin and Mr. Khrushchev. Although the situation was most complicated, it was the Soviet Government's wish that it should not affect the good relations between the Soviet Union and the United Kingdom. Despite all their reservations and suggestions for improvements in the organisation of the Conference, the Soviet Government were glad to be represented at it.

The Prime Minister thanked Mr. Shepilov for his message and said that neither his views nor his desire for steadily improving relations between the Soviet Union and the United Kingdom had altered since the visit of Bulganin and Khrushchev.

The Prime Minister said that he did not wish to go into details about the problems facing the Conference. He was glad that in spite of all their reservations, of

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which the Prime Minister was aware, the Soviet Union had agreed to come to the Conference and the United Kingdom would warmly welcome Soviet help. The Suez problem was a truly critical one for the United Kingdom for the reasons which the Prime Minister had given the Soviet leaders during their visit. Industry in the United Kingdom depended on the free flow of oil and would so depend for about 20 years at least, until atomic power made a substantial contribution. Mr. Shepilov would know that industry in the United Kingdom had to develop all the time and constantly needed more power. The United Kingdom was not in the fortunate position of the Soviet Union in having all its raw materials at hand. As Stalin once said, the Soviet Union has everything except pineapples; this was not the position in the United Kingdom.

The Prime Minister ended by saying that he had not wished this problem to arise. Her Majesty's Government were not being in any sense provocative. They had been forced to take up the position they had, on account of the seriousness of the situation.

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Mr. Shepilov said that the Soviet Government had taken the interest of France and particularly of Britain in the Middle East and in the Suez Canal into consideration. All the same, the Soviet Government thought that such a complicated situation could have a peaceful solution. The Soviet Government remembered the conversations between the Soviet leaders and the Prime Minister and Foreign Secretary on this question.

The Prime Minister said that the United Kingdom was not a wicked imperialist power. We had given freedom to many lands. In the Middle East, for example, the Prime Minister remembered in his youth the position in Iraq and in Palestine; these we no longer ruled. Then there were other obvious examples, such as India and Pakistan. Her Majesty's Government did not regret that action.

Mr. Shepilov said that he did not wish to take up more of the Prime Minister's time and was very grateful to him for having seen him. He hoped that he might however be allowed to consult the Prime Minister during the Conference if any difficult decisions arose. The Prime

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Minister said that he was always at the disposition of Mr. Shepilov to help in any way he could.

The Prime Minister then asked how Mr. Shepilov's talk with Mr. Dulles had gone. Mr. Shepilov said that they had had a detailed talk, a useful talk. On many points they did not agree and on some they did agree. The Prime Minister said that this was natural and that if everybody had agreed, there would have been no need for this Conference.

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Mr. Secretary of State
2. Mr. Caccia
3. Mr. Lute
10, Downing Street,
Whitehall.

August 17, 1956.

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My dear John,

... I enclose a Record of
the main points raised at
the Prime Minister's lunch
today for the Foreign
Secretary's information.

Yours ever,
Philip

J. A. N. Graham, Esq.,
Foreign Office.

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RECORD

The Prime Minister entertained the following to Luncheon at 10, Downing Street at 1.15 p.m. on Friday, August 17:-

- Mr. Ardalan Foreign Minister of Iran
- Signor Martino Foreign Minister of Italy
- Mr. Shigemitsu Foreign Minister of Japan
- Mr. Lange Foreign Minister of Norway
- Mr. Casey Foreign Minister of Australia
- Mr. Chaudhry Foreign Minister of Pakistan
- The Chancellor of the Exchequer
- The Colonial Secretary
- Mr. de Zulueta

Conversation for most of the time was general. Towards the end of lunch Mr. Chaudhry gave an account of his interview in Cairo with Colonel Nasser. He said that Colonel Nasser had appeared very worried and had been sweating profusely. He had told Mr. Chaudhry that a British battleship had been cruising six miles off the Egyptian coast. The Prime Minister interjected that this could not be accurate although the vessel might have been American. Mr. Lange said that he had heard the story applied to an aircraft carrier. The Prime Minister said that this too was incorrect. Continuing, Mr. Chaudhry said that he had suggested to Colonel Nasser

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not as a plan but as a thought, that it might be possible to have an international body to run the Canal on which Egypt would be represented and might even have a majority of one. Colonel Nasser had been interested by this at first, but, after an intervention by Mr. Fawzi, had expressed doubt and said that it would interfere with Egyptian sovereignty. Mr. Chaudhry had said no one today could have such complete sovereignty as the Egyptians seemed to want. Mr. Chaudhry added that Colonel Nasser had asked Pakistan to use its good offices on behalf of Egypt. Mr. Chaudhry thought that Mr. Ali Sabry was quite an important man. Major Saleh Salem had been to see him on August 16, and had said that he thought that strong statements in England did no good.

The Prime Minister said that the United Kingdom had only two desires. The first was to ensure that the Canal should not be closed for political reasons and the other was that it should function efficiently. The Prime Minister added that his impression was, that whatever delegates might say in public, in fact they all, except

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CONFERENCE

perhaps the Russians, would be unhappy if Egypt had sole control over the Canal. There was general agreement to this proposition. The Prime Minister then quoted Mr. Dulles' analogy between the traffic controller at London airport, who could not discriminate between aircraft of different nationalities, and the controlling authority for the Canal. Mr. Lange agreed with this analogy and said that Mr. Dulles had made the point to him, too.

After lunch Mr. Lange expressed the view that the Conference might be over by August 21. He did not think that the question of voting would present a difficulty and agreed with the Prime Minister that the best course might be to have a resolution to which countries could subscribe, or not, as they wished. In reply to a question from the Colonial Secretary, Mr. Lange said that he thought that it would be best if one country presented the Conference's resolution to Egypt. He thought that it might not be possible for the Conference to stay in being until the Egyptian reply was received; the

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CONFERENCE

Conference might have to disperse and perhaps reconvene when Egypt's answer was known. The Prime Minister expressed doubt about this and said that the delay might be dangerous.

The Prime Minister also mentioned the question of the pilots. He said that it was very awkward because the British pilots did not wish to go on working under present conditions but we ^{had} advised them to continue to do so. This allowed the Egyptians to claim that the pilots wanted to continue working. Mr. Chaudhry said that Colonel Nasser had told him that the pilots did want to continue working and were even prepared to take out Egyptian nationality. Mr. Lange said that he knew that the Norwegian pilots did not want to go on working under present arrangements.

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JE 14211/1571
MR. P. F. GREY.JE 14211/832
Sir Humphrey Trevelyan in his telegram No. 1581 reports:

"In Akher Saa, Heykal said that relationship between withdrawal of High Dam offer and nationalization was one of timing only. From what he had heard Ahmed Hussein say Nasser had decided some time ago to aim at nationalization as natural sequel to withdrawal of British from Canal Zone. Withdrawal of High Dam offer merely provided suitable occasion."

There have been other reports to the same effect from Cairo and we are justified in believing that they represent Egyptian official opinion. If so, Colonel Nasser is proved to be a liar in three respects.

- 1) He assured us when we signed the Anglo-Egyptian Agreement that it would inaugurate a new era of Anglo-Egyptian friendship. But we now know on Egyptian statements that it was to pave the way for an anti-British coup (it is no good Nasser saying that it is not an anti-British coup for otherwise he would not have to wait until the British troops were safely out of the way.)
 - 2) Nasser has always said that he has no policy. When others act he reacts. We now know that he planned this coup as a deliberate act of policy long before there was any basis for any pretence that the West had done him a wrong.
 - 3) Only three weeks ago Nasser declared that the nationalization of the Canal was forced upon Egypt by the refusal of aid for the Aswan Dam. Now we are told that this is untrue.
2. It cannot be surprising if we find it difficult to believe Nasser's word.
3. It seems to me that the above considerations should be pointed out to our Missions and others concerned.

August 17, 1956.

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Statement of the Government of the People's Republic of China on the
Question of the Suez Canal - August 15, 1956.

The nationalisation of the Suez Canal Company is a righteous action taken by Egypt in defence of its own sovereignty and independence. This action of Egypt is entirely proper, either legally or morally. The Chinese Government and the Chinese people fully support this righteous action of the Egyptian Government for upholding its sovereignty and independence.

The Egyptian people, with their own blood and sweat, built the Suez Canal on their own territory. All international treaties concerning the Suez Canal cannot but recognise that the Suez Canal is an integral part of Egypt, and that the Suez Canal Company is an Egyptian company subject to Egyptian laws and customs. As a sovereign and independent state, Egypt has the full right to nationalise the Suez Canal Company. For almost a hundred years, the colonialist controlled the shares of this Egyptian Company, and encroached upon the sovereignty of Egypt and exploited the Egyptian people through this Company. Such a situation cannot be allowed to continue in an age when the peoples of Asia and Africa have already awakened.

In their Joint Communique of August 2, the United States, Britain and France arbitrarily mixed up the issue of the nationalisation of the Suez Canal Company with that of freedom of navigation through the Canal in an attempt to use this as a pretext for preserving their colonialist privileges and depriving Egypt of its sovereign rights over the Suez Canal. Such a pretext is entirely untenable. The Egyptian Government has time and again announced its pledge to respect the freedom of navigation through the Suez Canal. Since the nationalisation of the Suez Canal Company, the freedom of navigation through the Canal has not been affected in the least. These facts refute forcefully those allegations that freedom of navigation through the Canal has been threatened.

But the United States, Britain and France are unscrupulously exerting pressure on Egypt. They have frozen Egypt's assets in their countries. They have resorted to the threat of force by despatching their armed forces and making a show of their military strength. These actions constitute not only a threat to Egypt alone, but also a threat to all countries striving for shaking off colonial domination and upholding their sovereignty and independence, and a threat to peace and security of the world. The Asian and African countries and all the peace-loving nations and peoples cannot but strongly condemn these actions which grossly violate the United Nations Charter and the rules of international law.

The United States, Britain and France have decided without prior consultations with Egypt, to convene the London Conference to be participated by 24 countries. Judging from the Joint Communique made by the three countries, it is their attempt at this Conference to impose upon other participating countries the plan of so-called operating arrangements of the Suez Canal under an international system which they have unilaterally decided upon. Such international operating arrangements are obviously an interference in the internal affairs of Egypt and an infringement upon the sovereignty of Egypt. Under such circumstances, Egypt's refusal to participate in the Conference is fully understandable. Moreover, as is pointed out by Prime Minister Nehru of India and the Government of the Soviet Union and by many other countries, many countries concerned have been excluded from the Conference. The Government of the Soviet Union specifically pointed out that at least 22 other countries, including the People's Republic of China, should share in the discussions connected with the freedom of navigation through the Suez Canal. It is to be regretted that this reasonable proposal made by the Soviet Union has not won the concurrence of the United States, Britain and France. Obviously, a conference like this has no right to make any decision on the Suez Canal, and still less has it any right to discuss any question relating to the sovereignty of Egypt.

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The Asian and African countries declared unanimously at the Bandung Conference that colonialism in all its manifestations was an evil which should speedily be brought to an end. They also affirmed at the Conference the principle of settling international disputes by peaceful means in conformity with the Charter of the United Nations. The Chinese Government firmly stands for these resolutions of the Bandung Conference. The Chinese Government holds that the exercise by Egypt of its sovereign right in nationalising the Suez Canal Company allows no interference by any foreign country; and that any question in connection with the freedom of navigation through the Suez Canal can be settled through peaceful negotiation. Prior to the present incident, Britain and France had taken some rather wise actions favourable to the relaxation of international tension. The Chinese Government hopes that Britain and France will deal with the Suez Canal question in the same spirit. Any threat of force or armed intervention will inevitably meet with the resolute opposition of the peoples of Asia and Africa and of the whole world and will by no means be of any advantage to Britain and France.

The Egyptian Government, in line with the spirit of the Bandung Conference, has already proposed the convocation of a conference with the broad participation of countries concerned for the purpose of reviewing the Constantinople Convention and considering the conclusion of an agreement between all these countries reaffirming and guaranteeing the freedom of navigation on the Suez Canal. The Chinese Government warmly supports the spirit of peaceful negotiation fully demonstrated by Egypt in this proposal, and considers that this proposal provides a reasonable way of settling the complicated situation arising from the Suez Canal question.

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PRESIDENT TITO'S STATEMENT TO THE TANJUG AGENCY

JE14211/777

JE14211/672

I asked both M. Henri Roux of the French Delegation and Mr. Chipman of the U.S. Embassy to submit to their respective Governments the suggestion, based on paragraph 5 of Belgrade telegram No. 505 of August 14, that the French and U.S. Embassies in Belgrade should take a similar line and bring home to the Yugoslavs at any suitable opportunity that we are all "very much surprised" at Tito's partisan and unfriendly statement made without any attempt at private consultation. They both agreed. Neither of them, however, had read Tito's statement and I therefore gave them copies of Belgrade telegram No. 501.

2. Mr. Chipman took the line that the Yugoslav attitude had been pretty reasonable. He was in close touch with the Yugoslav Chargé d'Affaires here and had just given him a copy of Mr. Dulles's speech to the Conference. He thought that the Yugoslav attitude was determined mainly by the fact that Yugoslavia was a Communist country and that social democrat (sic) opinion in this and other countries was worried about the possible use of force. He looked rather pained when I said that it could also have been influenced by the attitude of the Soviet Government.

A. D. M. Ross

(A. D. M. Ross)
August 16, 1956

Sir H. Caccia

Copied to: Sir I. Kirkpatrick
Private Secretary
African Department
Southern Department
Northern Department

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Aug 24

I think that we should return to the charge with the Americans now that they will presumably have had time to read President Tito's statement and to compare it with Mr. Dulles' remarks yesterday. In view of what his own Secretary of State said, I would be surprised if Mr. Chipman could argue that the Yugoslav attitude was "pretty reasonable" on such subjects as:-

- (a) the unilateral approach to the matter of which President Tito accused us;
- (b) the right of a sovereign country to carry out the nationalisation of anything on its own territory; and
- (c) the incorrectness of imputing to Egypt that it will not fulfil its obligations

amongst other glaring contrasts.

If there is to be political as well as economic confidence between countries, surely President Tito might have explained his views to us privately before coming out in public with this tendentious and unfriendly statement. Sir F. Roberts very rightly drew M. Kardelj's attention to this (paragraph 4 of his telegram No. 508).

Handwritten signature

August 17, 1956.

Mr. Ross

I mentioned this to Mr. Rowntree on August 17. He promised to look into the matter.

2. Yesterday I had a further word with Mr. Chipman, who informed me that just before the U.S. Delegation had left Washington, Mr. Beam, one of the Deputy Assistant Secretaries of State, saw the Yugoslav representative in Washington and gave him a full account of the U.S. attitude to the Suez Canal question. In view of this, and because they hoped that the Yugoslavs would on the whole be helpful, the Americans did not think that any useful purpose would be served by action in Belgrade in the sense we had suggested, more particularly in view of the time which had elapsed since Tito's statement to Tanjug.

3. I said that I took note of this view. I gave him to understand, however, that we found it disappointing and unconvincing. Under pressure, Mr. Chipman indicated that it might be possible to slip in some deprecatory remark in the course of conversation with

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the Yugoslav Chargé d'Affaires here.

4. When I asked whether the Americans really thought that the Yugoslavs could be helpful, Mr. Chipman declared that they had shown a good deal of understanding for our point of view. To this I retorted that if that was their attitude in private it was all the more unsatisfactory that Tito should have made in public a statement which was uncalled for, unfair and unhelpful.

5. If we want to ensure that action is taken, it will I think be necessary for the Secretary of State to have a word with Mr. Dulles.

A.D.M. Ross
 (A.D.M. Ross)
 August 19, 1956

Sir H. Caccia

HA
20/8

let us have it. Be have

more important things to press on the date.

J.K.
 21.8.

Southern Dept.
21/8

Ans 22/8

8/21/8

Mr. Gardiner
27/8

Ans 27/8