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SECRET

*Foreign Office and Whitehall Distribution*

JE 14211/1093

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August 22, 1956  
Section 1**RECORD OF CONVERSATION AT DINNER GIVEN BY GERMAN  
AMBASSADOR ON AUGUST 22, 1956**

After dinner there was some discussion of the tactics to be adopted at the meeting of the Suez Conference on August 23. Herr von Brentano was inclined to favour a meeting of the eighteen countries after the Conference in order to nominate the negotiating group. The Secretary of State and Sir H. Caccia argued that it would be much better for this to be done in the full Conference even though it could not, of course, be regarded as a decision of the Conference. Herr von Brentano's advisers were also of this view.

2. The Secretary of State then asked Herr von Brentano what steps he thought should be taken if Nasser refused to accept the Five-Power statement. Herr von Brentano said that he thought it would be a mistake for the eighteen countries to meet to discuss this immediately since this would give the impression that we already discounted the possibility of Nasser accepting the statement. In any case, he thought that the question would have to be handled in a more restricted group than eighteen. The Secretary of State said that he certainly did not have a meeting of the eighteen in mind and it might well be better to deal with this question between the six or seven countries who control the bulk of the shipping using

the Canal. It might not even be necessary for these six countries to meet formally, but it was clearly important that a common policy should be worked out. There were difficult questions to be settled such as the extent to which we should divert ships round the Cape and the possibility of arranging for all dues to be paid into a blocked account outside Egypt. Herr von Brentano agreed that a common policy was essential. He would be very ready to discuss the matter, perhaps on Friday after the Conference was over. He would willingly postpone his return to Germany until Friday afternoon for this purpose.

3. Herr von Brentano later referred to the question of the withdrawal of British forces in Germany. He said that he well understood that in present circumstances it might well be necessary for certain British troops to be moved from Germany. He was, however, most concerned that the German Government should not learn of any decision to this effect from the press. He would far rather that we moved 50,000 troops having warned the German Government in advance than that we should move 5,000 troops and leave the German Government in the position of having to say that they had not been informed.

CONFIDENTIAL

J.E. 1424/1098

RECOGNITION OF NATIONALISATION OF SUEZ CANAL

Messrs. Berkin and Searight of Shell called to see me on Friday afternoon, August 17, and Mr. Searight called again this morning.

2. They enquired whether there was any likelihood of H.M. Government, in the course of the present Suez Canal Conference, recognising the nationalisation of the Canal. I said that I thought that we might have to go some way towards this as already we had subscribed to the view that the Suez Canal Company must be awarded fair compensation in any settlement with Egypt. Some, at any rate, of the other countries at the Conference table had already stated categorically that nationalisation could not be disputed. I knew, however, that we were most anxious to avoid conceding this point.
3. Messrs. Berkin and Searight stressed that recognition of the nationalisation of the Canal Company, let alone acceptance of the method - unilateral abrogation of a contract - would enormously increase the dangers to which notably the oil and pipeline concessionary companies of the Middle East are already exposed in their arrangements as commercial entities (though possessing international significance) confronted by Sovereign States. Nor would recognition of the legality of action of this sort be compatible with the encouragement of the immense investments that will in the future be necessary in the Middle East.
4. It was suggested by Messrs. Berkin and Searight that one way of avoiding recognition of nationalisation would be for an International Entity, with suitable international Governmental sponsorship (backed by Treaty), to acquire the Canal Company's assets and rights under their existing Convention, with suitable provision for indefinite extension: paying appropriate compensation to the Company's shareholders on the one hand and assuring Egypt's share in the revenues on the other. Thus the increased payments to Egypt, which presumably would be necessary in any settlement, would not flow from the act of nationalisation but would be in return for the immediate recognition (now in 1956) of the international Entity's acquisition of the assets and the extension of the rights post-1968.
5. A solution on the foregoing very broad lines, while avoiding the recognition of nationalisation, might well provide a pattern of international sponsorship (again backed by Treaty), without which protection it is difficult to see how, for instance, future pipeline schemes involving gigantic capital investment can be undertaken at all.
6. I understand that the American Companies are no less concerned than Shell lest their Government should recognise nationalisation, above all in a form which is nothing less than unilateral abrogation of a contract. They feel that their position as commercial entities is already precarious, confronted as they are with the probability of the sudden and arbitrary acts of Sovereign States, and could henceforth become untenable.

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7. I understand that Shell intend speaking in similar terms to the interested American and French oil companies and also to B.P. Mr. John Loudon, Managing-Director of Shell, has also, according to Mr. Searight, put these ideas across to the Dutch Foreign Minister who showed sympathy with them. You may wish the Suez Committee to consider them urgently.

D.A.H. WRIGHT



August 20, 1956.

Mr. Beeley

Copies to:

Sir I. Kirkpatrick  
Sir H. Caccia  
Sir G. Fitzmaurice  
Mr. Ross  
African Dept.  
E.R. Dept.

The Secretary of State has seen a copy of Mr. Wright's minute. On the same copy Sir Gerald Fitzmaurice has minuted that he entirely agrees with the Shell representatives.

2. Their observations relate to two distinct problems:

- (a) Recognition of nationalisation in present circumstances. As Mr. Wright says, the American companies are also active in London and are lobbying the U.S. Delegation. Mr. John Case of (I think) Sæcony called on me on Sunday morning to ask what our attitude was to the Egyptian Government's action. I said that we denied its legality and that the Secretary of State had made this clear at the Conference. He had also said, however, that we did not wish to become involved in a legal dispute on this issue. It was clear to everybody that the old Company could not be restored. But it was most important, in our view, not to admit the legality of its nationalisation in advance of a final settlement. Mr. Case seemed reasonably satisfied with this position.
- (b) The form of compensation to the Company. Mr. Case did not put forward any suggestion on the lines reported in paragraph 4 of Mr. Wright's minute. This  
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is at variance with the lines on which we have been thinking about compensation hitherto, and I think that if we insisted on disregarding the Egyptian Government's action in this way we should greatly increase the difficulty of negotiating a settlement with Egypt. The suggestion should however be brought to the attention of the Suez Canal Committee *working party.*

*H. Beeley*  
(H. Beeley)  
August 20, 1956.

*Mr Wright.*  
*20/8/56*

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*J. Africa Dept then Enter 3/5*

SECRET

RECORD OF A MEETING WITH REPRESENTATIVES  
OF THE BAGDAD PACT POWERS IN THE  
SECRETARY OF STATE'S ROOM at 10.30 a.m.  
on Monday, August 20, 1956

Present: Secretary of State                      Dr. Ardalan  
                 Sir H. Caccia                                      Mr. Choudhury  
                    Mr. Birgi  
                    and other Ambassadors

E. 14211/1096

The Secretary of State asked for the opinions of his colleagues on the draft Declaration shown to other delegates yesterday by the Americans. Mr. Choudhury and Dr. Ardalan said the Declaration was splendid. The question was, of course, how to proceed with its implementation. The Secretary of State said that Mr. Menon would speak first that afternoon. Then Mr. Dulles would introduce the Declaration, and invite his colleagues to agree or approve or endorse it. It would be wise to avoid a formal vote. This was agreed.

2. Mr. Choudhury asked whether the Declaration was regarded as stating the fundamental rights of the approving powers, or whether it could be taken as a basis of negotiation. After some discussion about the timing of the afternoon session, Mr. Choudhury said that Pakistan, Iran and Turkey would like to move a set of amendments before the end of the day, making clear that the document was a basis for negotiation, and suggesting a Committee to negotiate with Egypt on it. He asked if this was agreeable to the United Kingdom. The Secretary of State said that it had never been our idea to present Nasser with an ultimatum. Mr. Choudhury then explained the proposed amendments. These were:-

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- A. To insert in the preamble after the words "Convention of 1888" the following words "Having taken note of the Egyptian Government's Declaration that just and fair compensation will be paid to the Universal Maritime Suez Canal Company". Paragraph 2(e) of the Declaration would then be dropped.
- B. Paragraph 2(c) ("Respect for the sovereignty of Egypt") becomes 2(a).
- C. In paragraph 2(d) delete the words "as an international waterway on Egyptian territory".
- D. In paragraph 3(a), and subsequently, substitute "corporate body" for "international Board". Add at the end of the first paragraph "This body would be incorporated under Egyptian law pursuant to a treaty with Egypt".
- E. Delete 3(c).

3. There was some discussion of the suggestion to delete reference to sanctions. Sir H. Caccia and Mr. Birgi pointed out that these sanctions would apply not only to Egypt but also to protect Egypt's rights against any other violation of the treaty. Mr. Choudhury and Dr. Ardalan agreed that, if the clause was

/explained

*Aug 24*  
explained to the Egyptian Government in this way, they might well agree to it. Mr. Choudhury said that the last and most important amendment was an addition at the end, as follows:

F. "A Committee composed of.....  
.....  
should be set up by the present Conference to negotiate with Egypt on the basis of this Declaration for the purposes of reaching a satisfactory settlement. A report on the results of such negotiations should be submitted by the Committee, through diplomatic channels, within a period of..... to the Governments of the countries represented at the Present Conference whereupon consultations should take place among such countries to determine what further steps could be taken for the solution of the question."

4. Mr. Choudhury explained that the period of negotiation first thought of had been four months, but that three weeks had seemed preferable. Sir M. Caccia said that it was not clear whether the proposal was to put the Declaration to the Egyptian Government and see whether they agreed in principle to negotiate a treaty on these lines, or whether the Committee should actually negotiate the treaty. Three weeks was longer than necessary for merely ascertaining whether the Egyptian Government would negotiate, but far too little for actually working out a treaty. Dr. Birgi said that the text was ambiguous on this point. It might be to inject the idea of a new conference. *9 letter*

5. Mr. Birgi then explained that they had thought these amendments might be put by Indonesia on behalf of six powers: Pakistan, Iran and Turkey, and Indonesia, Ethiopia and Ceylon. (The latter after much reluctance.) The Secretary of State asked whether it was desirable for such a committee to report back to the Governments of all the countries at the Conference; and how Mr. Dulles had reacted to these proposed amendments. Mr. Birgi said that Mr. Dulles rather liked them; and had suggested that they should be tabled immediately after his own proposal, so as to get them in quickly. Everyone then might adhere save Russia and India.

6. The Secretary of State said that the Russians had also been circulating a document, but had not seen fit to give a copy to the United Kingdom. Mr. Birgi said that the Russians had, so far as he knew, given the text of their document to the Indonesians only. The Indonesians had given it to him. He then produced it.

7. It was agreed to concentrate on the amendments to be put forward by the six powers. The Secretary of State said that ~~the first amendments presented little difficulty.~~ But amendment F was very important for H.M. Government and raised all sorts of issues. Fortunately, the Cabinet were meeting at 11.30 a.m. He would like to consult them, and then have further word with his three colleagues again. The Plenary session of the Conference could meanwhile be put off till 3.30 p.m. This was agreed.

/8. After

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8. After some discussion, the meeting agreed with Mr. Birgi that it would be unwise to bring Monsieur Pineau to the meeting. It was better to inform the French separately of what was proposed. It would also be better not to ask the Indonesians; but to keep the meeting to the Bagdad Pact powers. Meanwhile, the three visitors would put the final touches to their draft amendments, and give the Americans a further chance to look at them in their final form.

The meeting agreed to resume at 12.30 p.m.

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*J. Agri... Center*  
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CONFIDENTIAL

RECORD OF A MEETING HELD IN THE SECRETARY OF STATE'S ROOM AT 12.30 ON MONDAY, AUGUST 20

Present:

Secretary of State  
Sir H. Caccia  
Sir G. Fitzmaurice

E. 1421/092  
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The Representatives and Ambassadors of:  
Iran  
Pakistan  
Turkey.

THE SECRETARY OF STATE said, taking the amendments in order, that there was no objection to the reference to Egypt's intention to compensate the Company being put into the Preamble. But surely the reference should stay in the body of the document, since it was part of the general arrangements for a settlement.

2. MR. CHOUDHURY said that Nasser had told him he was prepared to make a fair settlement, by instalments.
3. THE SECRETARY OF STATE said that Nasser had not the sterling to do this.
4. MR. IKRAMULLAH said that he had discussed the question with the Indians. It seemed to them both important to cut ~~out~~ loose from the past. There should be no reference to compensation in this document. After all, the future was more important. They recognised that negotiations for compensation would be part of the Treaty discussions.
5. SIR G. FITZMAURICE said that the Treaty was to be negotiated on the basis here laid down. If no reference was made here to compensation, how would it be achieved?
6. MR. CHOUDHURY said that the Preamble was an expression of intention.
7. THE SECRETARY OF STATE suggested a clause about /arrangements

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arrangements for compensation going into the Treaty. Or there might be a simultaneous and separate agreement. He wanted to persuade the Egyptians that a settlement with the Company would be a two-way business. If Nasser treated the Company fairly they would turn over their plans <sup>know-how</sup> and other assets which were outside Egypt.

8. MR. BIRGI suggested a phrase in the document such as "assuming that such arrangements are made in any ultimate settlement".

9. THE SECRETARY OF STATE said he understood Mr. Choudhury's point about the future. We should try and find a formula which would cover the idea of a two-way settlement.

. . . . .

10. THE SECRETARY OF STATE said that the concept in para. 3 (a) of a corporate body incorporated under Egyptian Law, but containing foreign states, presented great difficulties. Was it possible? We might perhaps say "a duly constituted body"; and instead of a reference to incorporation say "the status of this organisation shall be defined in the Treaty to be negotiated with Egypt."

11. MR. CHOUDHURY explained the great importance he attached to reference to negotiation in the sentence mentioning the constitution of this board or body. He would be sorry only to state in the beginning of para. 3 that the Treaty was to be negotiated with Egypt.

12. After discussion, it was agreed to insert at the beginning of the paragraph "by a Treaty to be negotiated with Egypt",

with Egypt", and to refer to this Treaty throughout the paragraph.

. . . . .

13. THE SECRETARY OF STATE hoped it would be possible to leave in the sanctions clause, 3(c). In order to make clear that it cut both ways, he was willing to insert, after the word "treaty", the phrase "by any state". It was agreed that this formula could be tried.

. . . . .

14. THE SECRETARY OF STATE said that the suggested new paragraph 4 raised the gravest difficulties. We ~~did not~~ intend ~~to~~ send an ultimatum to Egypt. But such procedural matters would surely be better in a separate document. He recognised that the attitude ~~to~~ many countries would be affected by the way in which the idea of approaching Egypt was phrased. But Egypt might not accept the Declaration. Then where should we be? Could we not say we would invite Egypt to accept, and that in that case a committee of powers would be ready to negotiate.

15. MR. CHOUDHURY thought it necessary to say that Egypt's acceptance of the Declaration should be made subject to negotiation.

16. SIR G. FITZMAURICE said it was no use negotiating at length about a Treaty unless Egypt accepted the basis set out in this document.

17. MR. CHOUDHURY said the problem was, if Egypt refused and if we laid down no procedure, what would happen next?

18. ~~THE SECRETARY OF STATE~~ said there could be some other parallel document about the next steps.
19. MR. CHOUDHURY said that he and his friends wanted to avoid an Egyptian refusal leading to the Powers affected by Egypt's action taking the law into their own hands. What they wanted was a peaceful solution by negotiation.
20. ~~THE SECRETARY OF STATE~~ agreed. He ~~also agreed with Dr. Ardalan~~ that the proposed paragraph 4 contained sound principle.
21. MR. CHOUDHURY said that the Egyptians had explained they would be compelled to reject Mr. Dulles's document if it was put to them without any chance of negotiation.
22. The TURKISH DELEGATION suggested including the phrase "with a view to obtaining the consent of the Egyptian Government by negotiation".
23. MR. CHOUDHURY said the important thing was to leave the negotiating procedure flexible. But he could agree to these ideas being put in a separate document. It was agreed that the problem needed further consideration.
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TOP SECRET

RECORD OF CONVERSATION BETWEEN THE  
SECRETARY OF STATE FOR COMMONWEALTH  
RELATIONS AND THE PRIME MINISTER OF  
AUSTRALIA - 16th August, 1956.

I had a long talk with Mr. Menzies. He was much encouraged by the opening Sessions of the Conference. The Foreign Secretary's handling of the Conference had been perfect and he felt that the speeches, particularly that of Mr. Dulles, had been effective and persuasive and must have influenced the waverers. Altogether a much more promising start than he had dared to hope for.

He thought it very possible that a good majority at the Conference would support a resolution in terms very near to that put forward by Mr. Dulles.

We then talked about the method of presentation of such a resolution to Egypt. He favoured the presentation by a few on behalf of the Conference. He thought America should certainly be one of the few. He had to return to Australia some time next week and would not be very happy with Casey representing Australia if the latter should be one of the countries suggested. Casey was on the whole sound but would begin to try and adjust formulae with Nasser whereas what was wanted was to face Nasser with a definite plan.

We then turned to the consequences of a rejection by Nasser and the possible use of force. I asked what the attitude of the Australian Government would be if the United Kingdom had to use force and whether Australia would feel inclined to contribute.

Mr. Menzies said Australia would certainly be in this with the United Kingdom, that it was doubtful if they could send troops, but naval and air help might well be

/possible

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possible although much depended on the timing of operations as to how effective their help would be.

He returned to the point he had raised in Cabinet about an intermediate stage in which economic sanctions would be used. He is much attracted by getting America involved in these and hopes that careful study will be made of the methods which could produce the quickest effect on Egypt.

H.

16th August, 1956.

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RECORD OF CONVERSATION BETWEEN THE PRIME MINISTER AND  
MR. KRISHNA MENON - Friday, August 17, 1956.

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Mr. Menon came to see me this afternoon when he spoke to me at some length about the present state of the Conference. He said that he was reluctant to intervene at present because what he said would depend upon whether he could be any real help in communication with the Egyptians. As his Prime Minister had told <sup>me</sup> ~~him~~ he had been sent here to help. If he could help any negotiation he would not want to hint in his speech at certain ideas which were in his head which he thought might be helpful.

He said that until today he had not seen <sup>at all</sup> ~~them~~ clearly but he thought now that there were certain possibilities. He did not think that the idea of the American resolution would in fact get very far. No doubt it would be approved by a great many countries but he did not think that Nasser could accept it, and even if it became a matter of discussion it would be difficult for Nasser to negotiate upon it. His chief reason appeared to be that by firm references to courses opposite to those that Nasser had taken it would be hard to find an

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acceptable arrangement.

The question was, what do we want in fact? I said, as I had repeated before, we wanted two things. A state of affairs which would obviate the possibility of any recurrence of Nasser's recent action. It was far too serious for us to have a recurrence of what had happened last month. Mr. Menon did not dispute this and said that this aspect was very serious also for India. She was going to have a bad harvest, and food would presumably have to come through the Canal for her, apart from the larger Five Year Plan. I said that the second aspect was the working of the Canal, and this seemed to be as serious as the first and becoming increasingly more serious. If matters were long drawn out the Canal would become useless because of the disappearance of the pilots and the inability of the Egyptians to run the Canal. Mr. Menon was inclined to suggest that our pilots <sup>were</sup> ~~would be~~ pretending that they were sick, and indeed the Egyptians mentioned that they would have to send their own doctors to see them. I said that I had heard nothing of this, and all that I knew was that the

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pilots, Norwegian as well as British, who had been on leave would not go back.

Mr. Menon then said that he had been trying to think how to meet the present difficulty and whether he could find a way to negotiate effectively with the Egyptians. If we thought it helpful he was quite ready to do this. He said that there were five aspects of the Canal of which we had to take account.

1. Security of navigation
2. Working of the Canal
3. Payment of the dues
4. Position of the employees
5. The expansion programme.

As to the security of navigation he had in mind that there should be a national engagement something on the lines of a Locarno Treaty by which we all mutually guaranteed, I presume, the security of the Canal. If there were any violation of this security then the terms of the Charter of Nations would operate. That would have to be embodied in any treaty. As regards the working of the Canal there

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should be something in the nature of a users committee. They would be associated in some way with the nationalised body which the Egyptians have placed in control. There could be representatives of other countries on the board of the nationalised body, in the same way as Egypt had directors now on the board of the Suez Canal. It would be best that the users representatives should be appointed by the ship owners rather than by their countries.

As regards the staff some special arrangement might be made whereby a Commissioner General or Supervisor whose task it would be to look after the welfare of the pilots and others who would be of many nationalities. This man's position might correspond to the Egyptian Commissioner General under existing arrangements.

Then as to the nationalisation committee. On this it was Mr. Menon's proposal to seek Egyptian agreement that there should be representatives of other nations. Obviously this would not be easy to obtain, but he agreed it was essential if any confidence was to be created.

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Payment of dues he thought would present no difficulty. They should be devised as part of the treaty.

The expansion programmes he regarded as something apart depending on whether confidence could be created as a result of the agreement.

As regards the problem of the Israeli ships, Mr. Menon suggested that Nasser should be invited to agree that this matter should be referred to the International Court. This provision would be embodied in the treaty, and Egypt would bind herself to abide by the decision of the Court. Mr. Menon thought that it would probably take something like a year and a half for the Court to arrive at a decision. Meanwhile the matter would be disposed of.

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In this way Kristina repeated, his thought was that at every level there would be some integration of an outside body with the Egyptian Authority. He thought by such a method we might be able to get the reality of what we needed. It seemed clear what he was anxious to avoid was any such phrase as "international authority".

We then had some talk on the background of the general situation when Mr. Mason referred to the strong support that Nasser had. I said that this varied in different countries as had been shown by the general strike that had been strongly upheld in Syria and Jordan, but it had had only a weak response in Iraq and none at all in Saudi Arabia. He said that none-the-less he did not think it possible that any Eastern country, except perhaps Pakistan, could be associated in any way with an approach to Egypt on the terms which we were at present working out with Mr. Dulles. I said that in fact the terms were more than fair to Egypt. Mr. Mason mentioned however that what was now required was some fresh initiative to see whether we could obtain the results we agreed by other methods.

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I said that I could not of course commit myself to any part of the proposals he had put to me. Mr. Menon asked me to discuss with the Foreign Secretary and to explain to him that he had come to me first simply because the latter was too preoccupied with the work of the Conference. He would however very much like to see him tomorrow and explain his thoughts to him. After that maybe on Monday he would see me again before speaking.

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NOTHING TO BE WRITTEN IN THIS MARGIN.

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JE 14 21/105

Minutes  
M. Watson  
1. Mr. Birmelund 7/8  
2. Africa Dept. 20/8  
WHP 2/8  
19/8

Mr. Shepilov paid a courtesy call on the Prime Minister on Thursday morning, August 16. Messrs. Malik and Troyanovsky were in attendance.

The main points which the Soviet Foreign Minister made were as follows.

1. The Soviet Union hoped for a peaceful solution to the Suez problem which would take into account the interests of Britain and France as well as those of Egypt and the other countries. (Here Mr. Malik interrupted my translation to point out that Mr. Shepilov had said "in particular the interests of Britain").

2. Mr. Bulganin and Mr. Khrushchev remembered with pleasure the agreement reached between Britain and the Soviet Union during their visit to London. They had no intention of departing from that agreement and hoped that the present problem would make no difference to the improvement in atmosphere which had taken place between the two countries.

3. Despite its reservations on the arrangements for the conference, the Soviet Union was resolved to work for its success. If any difficulties should arise during the conference, however, Mr. Shepilov hoped that it would be possible for him to discuss them with the Prime Minister.

*R. A. Longmire*  
(R. A. Longmire)  
August 16, 1956.

Mr. Bridges,  
(Northern Department).

This is very similar to the line taken by the Foreign Minister with the Secretary of State yesterday. You have already seen the record of this.

*As usual*  
T. W. S. 16/8

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FROM CAIRO TO FOREIGN OFFICE

Cypher/OTP

FOREIGN OFFICE AND  
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Sir H. Trevelyan  
No. 1699  
August 24, 1956.

D. 4.34 p.m. August 24, 1956.  
R. 6.24 p.m. August 24, 1956.

IMMEDIATE  
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AUG 24 1956  
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JE 14211/1108

Addressed to Foreign Office telegram No. 1699 of August 24.

Repeated for information to Paris  
and Saving to Washington Port Said  
Ismailia Suez

Your telegram No. 2508; Suez Canal.

Consuls report, after consulting principal shipping agents in Port Said and Suez, that nationalisation has not so far affected efficiency of operation of canal. Canal authority has not yet attempted to assert itself in technical matters and operation continues much as before. Number of daily convoys has been reduced from four to three but this was already under consideration by Canal Company and shortage of pilots, which it reflects, is (though of course of Egyptian making) nothing new. Result of change is that some ships may have to wait up to twenty four hours at Suez for north-bound convoy but they will tend to avoid this by adjusting times of arrival at Suez. Sometimes ships, though ready to join a convoy, cannot do so because no pilot is available. This was also true before nationalisation.

2. No indication yet that maintenance work is being neglected. This is likely to happen gradually reflecting progressive Egyptianisation of engineering services. Work on new Kabrit by-pass continues and Dutch superintendent expects work to be complete by new year. Some non-essential Dutch workers have been evacuated.

3. Personnel Policy.

New board plainly intends to Egyptianise senior posts (hitherto predominantly French-held) in the three services (administration, transit and works). Chief administrator (Menessier) has been let go on leave and replaced by Nabih Younes, Under Secretary for Finance (not to be confused with Mahmoud Younes, managing director of authority). Vignes, his deputy, on leave at time of nationalisation, has been dismissed for failure to return. I have already reported pushing out of seven other French employees and would expect process to continue.

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Gairo telegram No. 1699 to Foreign Office

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4. Pilots

Egyptian policy as revealed in discussions with company this Spring was to produce a corps of 400 pilots by 1968 of which 250 would be Egyptian. Egyptianisation no doubt remains their long term aim but they must recognise that this would take much time and training and that, to keep Canal open and working, they will need a large majority of foreign pilots for years to come. British, French and other Western pilots will probably not actually be prevented from leaving provided always that they do not walk out en bloc. Egyptians probably realise that they have become thoroughly unsettled (see below) and cannot be counted on to stay very long. They therefore plan (my telegram No. 1668) to recruit extensively outside Egypt, probably in Greece, Italy, Yugoslavia, East and West Germany, Poland etc. Meanwhile, to meet immediate needs, and perhaps largely for publicity reasons, they have been scouring the country for any Egyptian with a master's ticket who might possibly be a candidate. They have apparently got hold of about 30 comprising masters of Khedivial Mail vessels, canal tugboat captains, odd Egyptian naval officers, and captains of a few Egyptian-flag Shell tankers plying between Suez and Red Sea oilfields, but it is not yet clear how many of these they will actually take. Many of them, particularly the naval officers, will not be much good.

5. Morale

British subjects employed by company comprise:

- (a) Pilots, who are scattered and not easily accessible because almost continually employed, and
- (b) Maltese and Cypriot office workers, mainly higher clerical.

We do not know a great deal about latter.

/6. Consuls

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Cairo telegram No. 1699 to Foreign Office

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6. Consuls report that British pilots are uncertain and anxious about their position, prospects and property. They are confused about what is expected of them and feel that they are pawns in a game which they do not fully understand. Factors influencing their attitude include:

(a) lack of confidence in Egyptian promises that wages and conditions of service (particularly pensions) will continue unchanged under new régime. Older men will certainly prefer to take their pensions from the old company and go. Those with shorter service are torn between desire to preserve what they have earned and reluctance to forfeit future prospects of lucrative employment. Some would probably stay if they could contrive to secure their pensions from the old company and then re-engage with the new;

(b) fear for their property in Egypt. Several have substantial bank balances here, which they wish to get out. We cannot do anything to help on this;

(c) reluctance to serve under Egyptian management, or even under a predominantly Egyptian-run international body. This is strongest among older men who feel nationalisation marks the end of an epoch;

(d) doubt about the wishes of Her Majesty's Government. Pilots were initially confused about exact purport of old company's instructions (reaching them through French channels) and degree to which these carried Her Majesty's Government's support. Your remarks at London conference, carried by press here, will have now made clear that Her Majesty's Government want them to stay at their posts for the present.

7. It is hard to predict how interaction of these factors will work out in individual cases. Left to themselves, some, and probably a majority, of British pilots may be expected to extricate themselves gradually and take their pensions. I do not think that loyalty to old company plus advantages it offers (three years' leave on full pay, etc.) would alone suffice to produce a mass walk-out of British pilots

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Cairo telegram No. 1699 to Foreign Office

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with the accompanying risk of imprisonment and other sanctions. On the other hand, if you wished to pull them out, they would probably respond, provided they were certain that it was Her Majesty's Government's wish that they should do so in the country's interest.

Foreign Office please pass Priority to Paris and Saving to Washington as my telegrams Nos. 131 and 311 respectively.

[Repeated to Paris and Saving to Washington].

ADVANCE COPIES

Private Secretary  
Sir H. Gaccia  
Mr. Reilly  
Mr. Ross  
Head of African Department

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SECRET

FROM CAIRO TO FOREIGN OFFICE

Cypher/OTF

DEPARTMENTAL

Sir H. Trevelyan

5/HR 11/1109

DISTRIBUTION

No. 1710

D. 10.17 p.m. August 24, 1956

August 24, 1956

R. 12.09 a.m. August 25, 1956

PRIORITY

SECRET

Addressed to Foreign Office telegram No. 1710 of August 24.  
Repeated for information to Beirut.

Daily Express correspondents Donald Edgar and Donald Wise reported to me yesterday that they have in the past week been brought into contact with various Egyptians claiming to be opposed to the régime and enquiring what Britain can do to get rid of Nasser.

2. These contacts were arranged for them by one, Mohammed Omar, hitherto known to them as a contact man of the National Guidance Ministry employed for purpose of bear-leading foreign journalists, and regarded by them as informer and police spy. Omar, who had previously been forthrightly pro-régime in his conversations, had changed his tune, now claimed that he had been dismissed by the Ministry and was anxious for them to meet others who shared his new-found anti-Nasser views. Omar had given them lunch yesterday to meet an Egyptian brigadier recently retired from the army, and the latter had strongly impressed them as a genuine and intelligent opponent of the régime. He had spoken at length of the uselessness of Russian equipment and the opposition of the armed forces to the nationalization of the Canal.

3. We have no recorded trace of Omar and neither the brigadier's name, nor his alleged recent appointments, can be confirmed by the Military Attaché, though the name, as given by them, fairly closely resembles that of well known Egyptian Intelligence officer. On the limited evidence available, this approach looks very like a plant designed to incriminate the correspondents and provoke scandal.

4. The correspondents, when last seen, were in two minds whether to regard the approach as genuine and, therefore, to remain here in the hope of uncovering major story of Egyptian resistance to régime, or to treat it as a frame-up and clear out to Beirut or Cyprus, whence they would file sensational story

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ESECRETCairo telegram No. 1710 to Foreign Office

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of Egyptian machinations against the Daily Express.

5. While passing on the factual information in paragraph 3 above, I have thought it necessary to exercise extreme caution and to decline to give them any direct advice. Edgar has already shown, (my telegram No. 1623), that he is prepared to do anything for a story, and he would, no doubt, have no hesitation in perverting to his own ends any advice given. I have, however, let it become clear to him and Wise that the possibility of a frame-up should be very carefully weighed, that the Egyptian Government is quite capable of organizing a plant, and has no grounds for tenderness towards the Daily Express.

6. I do not yet know what they will do, or how deeply they may have become involved. They have undertaken, for what that may be worth, that whatever they print, this Embassy will not be mentioned.

Pass to Beirut as my telegram No. 220.

[Repeated to Beirut]

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FROM CAIRO TO FOREIGN OFFICE

En Clair

FOREIGN OFFICE AND WHITEHALL  
DISTRIBUTION

Sir H. Trevelyan  
No. 1701  
August 24, 1956.

D. 8.06 p. m. August 24, 1956. *JE/421/1112*  
R. 10.05 p. m. August 24, 1956.

PRIORITY

Addressed to Foreign Office telegram No. 1701 of August 24.  
Repeated for information to:

Washington                      P. O. M. E. F.  
and Saving to:                      Paris.

The Press today gave prominence to declaration by Mahmoud Younes at Ismailia yesterday that the engagement of new pilots was due to the fact that the number of pilots employed by the company before nationalization was insufficient for conduct of operations. As a result, the present pilots were overworked. The number of foreign pilots had not returned after taking leave and this made shortage more acute. The Administering Authority was exerting every effort to facilitate navigation in ~~Canal~~ <sup>Canal</sup>. Ahram also reported Younes as saying that the Authority welcomed applications from pilots of any nationality, that ten applications had been received, that thirteen pilots had already been appointed, and that one French and two British candidates had approached the Egyptian Embassies in London and Paris for help in making application.

2. The Press also gave prominence to M. E. N. reportage that the number of pilots necessary for proper operation of Canal was 250. On date of nationalization there were only 205. When the new administering Authority took over it discovered on the files six applications by prospective pilots who fulfilled all necessary conditions. It telegraphed applicants inviting them to Ismailia to undergo medical test prior to appointment. The Authority opened the way for immediate appointment of qualified naval officers. So far 31 new pilots had been appointed, of whom 27 had assumed their duties (28 Egyptians, one Greek). Newly appointed pilots were now working on probation in Port Said. The Authority had also received ten applications from British, Greek, German, American and Norwegian naval officers and pilots. Applicants had been asked to submit necessary documents.

3. The Authority had asked Egyptian diplomatic missions abroad to seek qualified pilots with

- (a) Master's Certificate with at least two years' experience;
- (b) at least ten years' sea service;
- (c) age not to exceed 40 years. (This condition might be disregarded to some extent).

Wage scale to be from £98 per month, (single pilot), to £148 per month, (married pilot with four children), plus sum of £E12 1/2 to £E25 according to category of pilot for every ship piloted by him, annual gratuity and annual leave.

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Cairo telegram No. 1701 to Foreign Office

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4. When the new Authority took over, of 205 pilots, 48 were on leave abroad. 21 applications for leave since then had been granted but 27 pilots, (including 14 French and 7 British), had not reported for duty after expiry of leave as a result of Western States' instigation. At present the number of absent pilots was 59, (27 who had not reported after expiry of leave, 11 whose leaves had not yet expired, and 21 who had gone on leave since nationalization). Responsible source had commented that as number of pilots was 232 (sic) it had become possible to grant leave to about 50 pilots.

5. When the company learned that the new Authority had succeeded in maintaining navigation services, Georges-Picot wrote to all pilots on leave abroad offering them one to three years' salary in advance for remaining where they were after expiry of leave pending further instructions. 27 had agreed to this offer.

6. The new Authority, to facilitate pilots' work, had altered time-table and formation of daily convoys. Instead of convoys at 6.30 a. m. and 6.30 p. m. from Suez, there was now only one from Suez at 7.30. Instead of convoys at 11 a. m. and 11 p. m. from Port Said, there were now convoys at 2.30 a. m. and 10 a. m.

7. Ahram carried report from Bonn quoting informed sources as saying that the Egyptian representatives were in contact with Kiel Canal pilots with a view to engaging them to replace resigning British and French Suez pilots. The Egyptian representatives were reported to have offered monthly salaries of £E800.

Foreign Office please pass to Washington and Saving to Paris as my telegrams Nos. 251 and 246 Saving respectively.

[Repeated to Washington and Saving to Paris]

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FROM CAIRO TO FOREIGN OFFICE

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En Clair

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Sir H. Trevelyan

JE 1421/1113

No. 1702

D. 8.40 p.m. August 24, 1956

August 24, 1956

R. 10.33 p.m. August 24, 1956

Addressed to Foreign Office telegram No. 1702 of August 24.

Repeated for information to Washington

P.O.M.E.F.

and Saving to Paris

My telegram No. 1685. - JE 1421/1113

The Press today highlights ending of the London Conference under headlines "Khrushchev warns West-Arabs will not stand alone in case of war. No decisions at London Conference" (Shaab). Prominence was given to London report that Aly Sabry had said that only the Indian proposal could provide basis for settlement. Reliable source in close touch with Sabry had said that as long as Egyptian ownership and management of Canal were questioned, there could be no question of lessening tension. If Egypt was left to manage Canal, Nasser would be prepared to accept cooperation of international advisory committee established under United Nations auspices to advise Egypt on development and maintenance and to ensure that she maintained free navigation.

2. Prominent items of home news include:

- (a) Further reports of growth of National Liberation Army, for which police were being trained.
- (b) Report that Nasser saw the Soviet Ambassador yesterday. He also saw the Indian Ambassador, who told reporters afterwards that Nehru would not be visiting Egypt shortly.

3. Other Press items of interest were:

- (a) Report from Shaab's Jerusalem correspondent that Britain and Israel were having secret talks. You had told the Israeli Ambassador in London that Her Majesty's Government wanted to test Nasser's assurances of freedom of navigation and had proposed that Israel should try to send ship through Canal. If ship was held up this would be opportunity to show world that Egypt was violating freedom of navigation. Britain would compensate Israel for loss of ship if impounded. The Israel Ambassador had suggested sending British mission to Tel Aviv to persuade his Government to carry out proposal. The mission, headed by Brigadier Holm, had gone, and held

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Cairo telegram No. 1702 to Foreign Office

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secret talks with the Israeli Foreign Minister.

- (b) Report from Washington that United States had halted normal flow of foreign aid technicians to Egypt and held up delivery of heavy equipment. Minor foreign aid shipments to Egypt were continuing and there was no present intention of closing down foreign aid mission in Cairo.
- (c) Shaab denial of remarks attributed to Salah Salem by Daily Sketch.

4. Editorial comment generally alleged that the results of the London Conference were negligible. Ahram, however, commented that the Conference had led to its sponsors abandoning warlike preparations and had established Egypt's right to nationalize the Canal. This was victory for Egypt, although main battle was yet to come.

Shaab followed individual line <sup>TEW 21/1060</sup> and noted remark by the Iraqi Under-Secretary for Foreign Affairs that Nasser's statement to Al Diyar (my telegram No. 1672) marked welcome development in Iraqi-Egyptian relations. The author declared Egypt welcomed the stand of the Iraqi Government and people on the Canal issue as serving the cause of Arab unity.

Foreign Office please pass to Washington and Saving to Paris as my telegrams Nos. 252 and 247 Saving respectively.

[Repeated to Washington and Saving to Paris]

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FROM CAIRO TO FOREIGN OFFICE

Cypher/OTP

FOREIGN OFFICE AND WHITEHALL  
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Sir H. Trevelyan  
No. 1709  
August 24, 1956

D. 9.22 p.m. August 24, 1956  
R. 11.04 p.m. August 24, 1956

PRIORITY  
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Addressed to Foreign Office telegram No. 1709 of  
August 24.

Repeated for information to: Paris Washington  
And Saving to: P.O.M.E.F.

Suez Canal.

I took an opportunity to have tea informally with Fawzi today in his country house. I reminded him of the occasion in February of this year when he had asked me to come and talk to him about the future of the Canal. He had then said that an enlarged Canal would be a further link binding Egypt and the West, that the Egyptian Government would do nothing which in any way contravened the rights of the Company, and that they were intending to maintain good relations with the Company. I said that I had no doubt that he had been perfectly sincere at this interview and had been genuinely working along these lines, which would, indeed, have been in the real interests of his country. He and I had both been working throughout the year for an improvement in our relations. Sometimes it appeared that we were making a little progress, but now we must record our complete failure. As a result of this action they would find themselves with only the Communists on their side and not even as their friends, since the Communists were only using the Egyptians for their own purposes. I then covered much the same ground as I had with the Minister of the Interior, emphasizing the crucial nature of the decision which they were now about to take and the vital importance, in Egypt's interests, of their accepting

Mr. Dulles's



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Cairo telegram No. 1709 to Foreign Office

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Mr. Dulles's proposals. I made it clear that I had no instructions to speak to him and that I was only giving him my most serious personal opinion in the light of our association in the past year. I indicated clearly that I could not believe that he had himself been in favour of the decision and felt that he must deplore it as much as I did. I said that I wished for no reply but merely that he should hear my views. When I had finished he said that he would, as always give what I had said the most serious consideration.

2. I am not saying anything to the Press about this interview. If they get on to it I shall say that I had tea informally with Fawzi in the country, and that I had had no communication from London for him.

Pass to Paris and Washington as my Telegrams Nos. 135 and 253.

[Repeated to Paris and Washington].

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The Suez Conference.

THE FRENCH AMBASSADOR left the Conference this afternoon to raise with me the question of the next stage.

2. He said that very soon the Conference would reach a point at which it became clear which countries were prepared to sign the Western declaration. The declaration would then be communicated, by some method still to be determined, to the Egyptian Government. The Egyptian Government might reject the declaration or accept it. Or they might say "yes, but" or "no, but". What would we then do? Monsieur Chauvel thought that this would be an Anglo-French decision.

3. I replied that I did not quite see it in that light. A certain number of countries would declare that we must have certain things. If the Egyptians refused or returned a qualified refusal, it would surely be the concern of all these countries to determine what they should do in the face of this rebuff.

4. Monsieur Chauvel said he did not disagree. But surely before Monsieur Pineau left there should be Anglo-French conversations in order to evolve a common policy as to the next stage. Obviously, the French and British delegations to the Conference had been so busy with day to day affairs that they had not been able to devote thought to this matter. But Monsieur Chauvel said that he was confident that I had been doing this and he wanted to know what I thought.

5. I was very coy. I said I had even less leisure to think about the future; and I had not had the advantage of sitting in at the Conference. So I had no ideas to offer. I then counter-attacked and asked if the French had any ideas. Monsieur Chauvel said that they had also been too busy to think about all this. But he repeated that before Monsieur Pineau left there must be an Anglo-French conversation. I said I thought he was right.

6. Monsieur Chauvel, having failed to draw me at all then declared that he must get back to the Conference and left me.

*J. Philpotts*

August 21, 1956.

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*2/13/56*