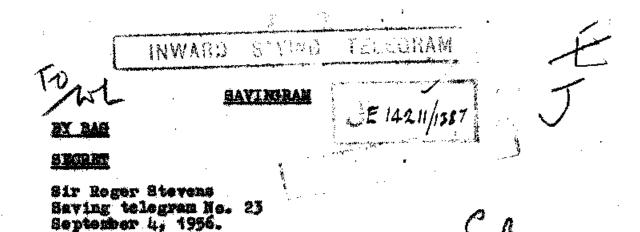
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TERDAN TO PODELON OFFICE

Addressed to Foreign Office, Saving telegram No. 23 of September 4; repeated for information Saving to:-

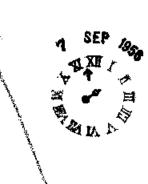
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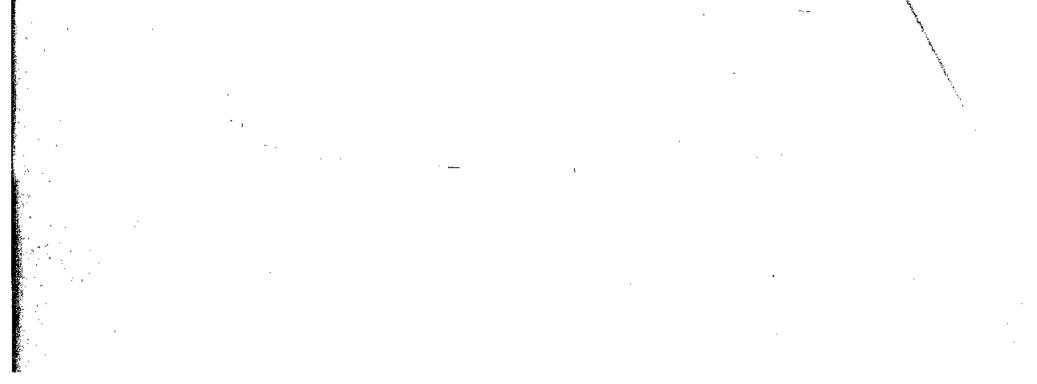
SHAH'S MESSAGE TO KING SAUD

My telegram no. 711 September 17. JEIU 211/1313

Prime Minister today gave United States Ambassador following summary of Shd 's message:-

- (a) He had instructed his Foreign Minister to make every effort (1) to support Egypt's right to nationalise the Ganal Company; (11) to secure freedom of passage of this international water under international guarantee. He was to stress the Ganal(s importance to Iran.
- (b) He was to exphasize the danger to Egypt and to her Arab neighbours of the spread of communist influence if a satisfactory settlement were not negotiated.
- (c) The Shah hoped that the King would urge Masser to adopt a reasonable attitude.





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(JE14211/1388/G)

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SECRET

Record of Conversation at lunch at the British Embassy, Paris with Monsieur Pineau

<u>September 5, 1956</u>.

The Secretary of State said that he would like to clear up with Monsieur Pineau the question of the Canal Company employees. Our view was that we did not now wish to exert any further pressure on the pilots to remain at work. On the other hand we thought it very important that neither the British nor the French Governments should undertake the responsibility for advising or ordering pilots to leave. What we wanted to see was a spontaneous movement on the part of the pilots themselves. We therefore hoped that our two governments would agree there should be no further instructions to the pilots without prior consultation.

Monsieur Pineau agreed that the French Government's position was the same as ours. As regards time he asked whether the Secretary of State's idea was that the pilots should make a spontaneous move to withdraw between the date on which Nasser rejected the 18 power proposals and the date onwhich the question was brought to the Security Council. The Secretary of State confirmed that this was precisely our position.

Monsieur Pineau was informed that a statement substantially on the lines of the text contained in Cairo telegram No.1834 would be made to the Egyptian management by the three senior Company officials in Egypt tomorrow and that this had the approval of Her Majesty's Government.

After lunch when the Secretary of State and Monsieur Pineau had withdrawn, Monsieur Joze reverted to the suggestion made privately at the close of the London conference that Mr.Menzies on arrival in Cairo should appeal to the employees to carry on while he was having discussions with Nasser. This had not been done, but it was now for consideration whether the employees should not approach Mr. Menzies and tell him that although they had agreed to assist his mission by remaining at their posts, they could not carry on once it had become clear that there was no longer any prospect of agreement. Mr. Ross suggested that this action would to some extent duplicate the action which the employees were to take tomorrow. There was also a risk that it might not appear altogether spontaneous. Monsieur Joxe did not press the point but equally he did not give the impression that he had dropped it.

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JE 14211

SECRET

SUEZ CANAL

Implications for Middle East Policy.

The briefs written for the Suez Canal Conference have not explicitly discussed the probable effects of the various courses of action open to us on our interests in the Middle East generally. The following are some first thoughts on this question.

2. I feel sure that the gravest consequences would follow from a failure to deprive Colonel Nasser of control over the Canal. If he were to defy the Western Powers successfully, or if in the search for the largest possible majority at the Conference we were to accept a compromise proposal under which the international board had no effective authority, the blow to British prestige throughout the Middle East would be one from which we would not recover for many years if at all. Resistance to Egyptian propaganda in Jordan would collapse. The present tendency of King Saud to draw away from Colonel Nasser would be reversed. The present delicate balance in Syria would be tilted sharply towards Egypt again. The nationalisation of the oil companies in Iraq would be enly a matter of time.

Military action against Egypt would also have very 3. serious repercussions in neighbouring countries. This would be true whatever the circumstances in which such action was taken, but I think Arab indignation would be less widespread and less lasting if the Egyptians had given levident us an effective provocation, such as the stopping of ships at the entrance to the Canal. Nuri Pasha is confident that he could hold the position in Iraq so long as the Israelis took no action which would enable Colonel Nasser to argue that he was being attacked by a coalition of imperialists and Israelis. On the other hand Tawrig Suwaidi has expressed the view that Colonel Nasser could "make a shambles" of the The immediate risks would be denunciation whole Middle East. of the Anglo-Jordanian and Anglo-Libyan Treaties and sabotage of the pipelines in Syria and possibly of oil installations on the Persian Gulf.

> 4. Moreover, Israeli restraint in the event of war in Bgypt would be a great deal to ask for. If the Israelis invaded Jordan, we should be faced with extremely difficult decisions both in political and in military terms.

> 5. If the above is approximately right, we must clearly aim at defeating Colonel Nasser without resort to force. If we can settle the Suez Canal issue in such a way that Colonel Nasser's propagandists are unable to conceal the reality of his retreat, we shall have strengthened our own position in every Arab country and shaken the Egyptian régime to its foundations.

Horech (H.Beeley) Mr. Aros Sin Hy Caccio August 18 agri

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Please see your minute below. I regret that more urgent papers have pushed this aside for so long. I did not pursue the argument further in my minute of August 18 because I had already submitted, on other papers, proposals for seeking to defeat Colonel Nasser without resorting to force. Briefly I thought that, if we could persuade a sufficiently large number of countries to deny all Canal dues to the Egyptian authority, Colonel Nasser would eventually be obliged either to capitulate and conclude an agreement or to take some action which would be accepted by responsible opinion everywhere as justifying military measures against him.

2. This, however, would have involved playing the hand slowly. I realise that, for reasons accepted as overriding, we must work to a faster time-table. This being so, I am afraid I have no useful additional suggestions to make. But I still think that we shall need any luck we can get in the way of provocation by Colonel Nasser, and I would suggest that the concerted denial of Canal dues should still have a high priority among our immediate measures.

(H.Beeley) August 31 1956

Sir I.Kirkpatrick

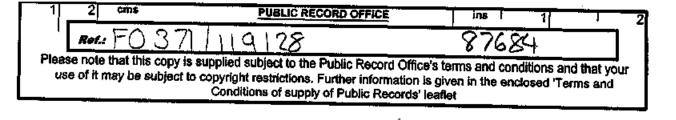
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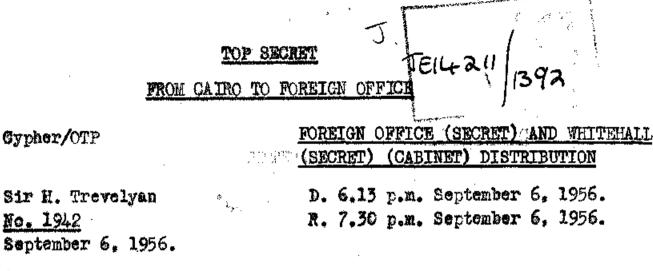
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MERIN

1 Read

7 14

Following personal for Frime Minister from Mr. Menzies.

Bøgins:

Last night it became admittedly clear that the vital principles of our proposals are rejected by Nasser. I am now drafting, for consideration by the Committee, an <u>aide-mémoire</u> designed to set out the essence of our proposals and arguments in a clear and objective fashion so that there may be no dispute hereafter about what was being put and rejected.

My committee will consider this draft tomorrow morning. In the meantime, we will not be conferring with Nasser.

M D.U. 'My own strong view is that we should avoid being led into a discussion of any counter-proposals which begin with the complete www.jection of our own. To do this would, in my judgment, be to leave the results of our mission obscure and land us into a W Ka wilderness of debate in respect of which we have no mandate whatever. WKLh. I am just a little afraid that one of my colleagues may want to prolong discussions on Nasser's proposals, which are rather worse UN bit than those of India and involve an unqualified acceptance of Egypt's complete domination of the affairs of the Canal, subject only to the 1888 Convention. I want to wind our proceedings up quickly so that this danger may be averted. Failing success, about Which we were never optimistic, it seems to me best to have a result which shows that Nasser has rejected our proposals in spite of the fairness and generosity of those proposals which will,

> This morning I suggested through Trevelyan that I doubted the wisdom of a statement at your end about referring the matter to

I hope, be made clear in the aide-mémoire.

the Security Council because I feared that those who are optimistic

/about our Reissues FO Secret (ili Whitehold Secret (ili)

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TOP SECRET

Cairo telegram No. 1942 to Foreign Office

- 2 -

about our success might then blame you for having encouraged Nasser to resist. Our discussions have been very coerteous, quite extensive, close and realistic and some plain things have been said. Minety percent of the argument on our side has been conducted by me with, I think, the approval of the committee. I have sought to preserve a good atmosphere because I do not want to have it said that we were not genuinely seeking a peaceful and friendly arrangement. But I have at all times insisted that the central principle of our proposals is vital and that agreement would depend upon its acceptance. So soon as our <u>aide-mémoire</u> to Nasser is agreed upon, I will have a copy forwarded to you.

Regrets and kind regards.

Ends.

MARINE

[Copies sent to No.10 Downing Street].

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FROM CAIRO TO FOREIGN OFFICE

DEPARTMENTAL DISTRIBUTION

Sir H. Trevelyan <u>No: 1975</u> September 7, 1956.

D: 12.55 a.m. September 8, 1956. R: 2.28 a.m. September 8, 1956.

INMEDIATE

En Clair

Addressed to Foreign Office telegram No: 1975 of

September 7

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Karachi.	Beirut (for RIO).
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Ankara,	New Delhi.
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E142111394

Following is text of M.E.N. story.

Begins:

Caire, September 6 (MEN).

Sayed Farid Jafry, the Director-General of the Pakistan Information Department stated at a Press conference held this morning at the Pakistani Embassy in Cairo that if Britain and France used force against Egypt to solve the Suez Canal issue, Pakiston, Iraq and Iran would never condone such action. "Pakistan has joined the Bagdad Pact only because of the Kashmir question". Sayed Jafry said. The Director of the Pakistan Information Department went on to say that the Pakistan Government would not agree to any form of management of the Suez Canal unless the Egyptian Government itself approved "You may tell this to Mr. Menzics" Saysd Jafry said of it. to the newsmen present, Sayed Jafry also told newspaper reporters that his Government objected strongly to the massing of British and French troops in Cyprus and to the movement of British navy units in the Mediterranean. He revealed that the Pakistani delegation at the London Conference had agreed to the Dulles plan "under duress" but made it quite clear that force should not be used if the plan was rejected Finally, Sayed Jarry said that in his opinion by Egypt. another conference was necessary for the solution of the Sues problem.

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ADVANCE COPIES: Private Secretary. Sir I. Kirkpatrick. Mr. Ress. Mr. Murray. Head News Department. Head African Department. Resident Clerk.

News Department. Private S African Department. Mr. Ress. Information Policy Department.

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Tel. : AßBay 1266 Extension	SE 1421111395	THE CHURCH HOUSE GREAT SMITH STREET S.W.1
My Reference		otember, 1956.

SECRET

Dear Adam

We have had a telegram (copy enclosed) from the Governor of Aden asking us if we can let him have up-to-date information on H.M.G's view of the latest situation in Egypt, resulting from the London Conference, and some indication of possible future developments. This was a personal telegram from the Governor to our Parliamentary Under-Secretary of State, and he has replied to it, after consulting the Secretary of State, that there is little he can say except that nothing less than internationalisation of the Ganal would be acceptable to H.M.G.

This request from Aden raises a question about which we have been a little uneasy for some time. The F.O. intels and the confidential guidances are sent out to Colonial Governors, and are of course very helpful to them, but what is missing is that at the vital stages of these (what may well be protracted) proceedings there should be an indication of H.M.G. 's assessment of the position and future objectives. We are continually asking Colonial Governors in the Middle East and African area to do things about which their judgment should, we think, be better informed than by the routine means I have mentioned above. You may remember that when we were in Washington we used to get from time to time secret reports from Colonial Governors giving us an inside knowledge of events in their various territories which went far beyond the kind of material that would come out

ADAM WATSON, ESQ., AFRICAN DEPARTMENT, FOREIGN OFFICE.



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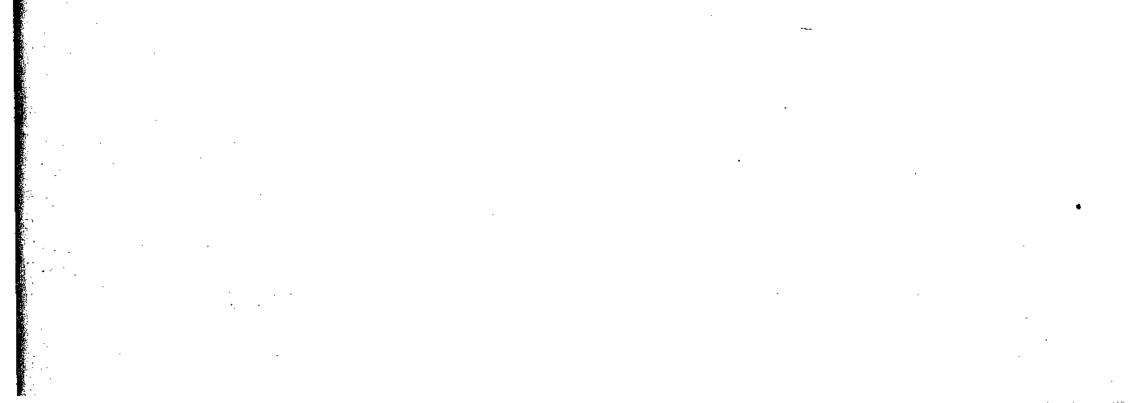


in a confidential guidance or an intel. It seems to me that as we are asking Cyprus and Malta to inconvenience themselves to a very great extent in the planning of operations against Egypt, and also in the reception of evacuees; and as we are asking the Governors of Kenya and Aden to accept risks in regard to internal security which are serious from their point of view, and as these may have repercussions not only there but also in Somaliland, we ought to take them a good deal more into our confidence than we do at the moment.

I should be most grateful therefore if you could let me know whether there is any material which perhaps you yourselves prepare for the secret use of our representatives in various foreign countries, and which we could send to the Governors of our most nearly affected Colonial territories on a top secret and personal basis. (This would stop them being seen by local Ministers). We would not press you at this time to start a special series for our sole use, but we feel sure that something of the nature I have indicated does in fact already exist.

Com Sinch

(A. Campbell).



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E.K.

FROM GOVERNOR, ADEN.

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29th August.

PRIORITY. SECRET AND PERSONAL. Not numbered.

For Lord Lloyd from Luce.

Since arriving here I have givenfirst priority to a thorough examination of the defence and security arrangements and of situation which may arise if there is war I am satisfied that we shall be as ready as we with Egypt. can be to meet any eventuality. But if our preparations are to be fully effective we must have some foreknowledge of how the Canal situation may develop. You will remember that in conversation with you I stressed the need to be kept as fully informed as possible on this matter. Intels and guidance telegrams are useful and the enclosure to your top secret and personal savingram No. 1173 of 20th August is illuminating. But what I really need is up-to-date information of H.M.G's view of latest situation resulting from the London conference and some indication of possible future developments. I should be most grateful for any help you can give me over this.

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(SECRET) PAND WHITEHALL

Sir H. Trevelyan No. 1946 September 6, 1956

R:8.53 p.m. September 6, 1956

EMERGENCY

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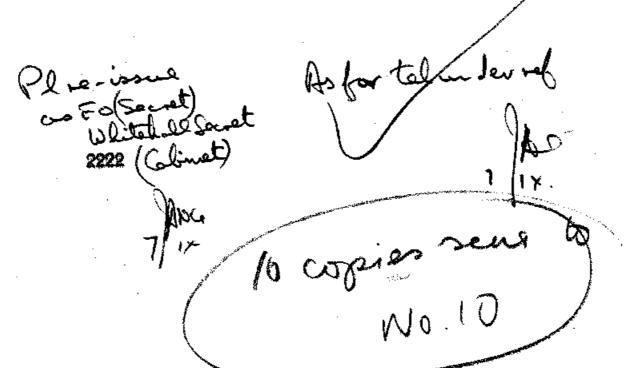
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FROM CAIRO TO FOREIGN OFFICE

My immediately following telegrams contain the text of Mr. Menzies' draft letter to Nasser which he has not yet discussed with his colleagues. He has asked me to send this to the Prime Minister and would be grateful to know by 11 o'clock Cairo time, tomorrow morning if possible, whether the Prime Minister would like to make any comments at this stage on this document, which is likely to have considerable importance.

May I please have a reply at latest by 10 a.m. Cairo time, 2. tomorrow morning.

[Copies sent to No. 10 Downing Street].



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FROM CAIRO TO FOREIGN OFFICE

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Sir H. Trevelyan <u>No. 1917</u> September 6, 1956. D. 10.15 p.m. September 6, 1956. R. 11.20 p.m. September 6, 1956.

EMERGENCY TOP SECRET

My immediately preceding telegram.

Following is first part of Menzies' draft.

Begins.

Your Excellency,

Our discussions have been conducted in an atmosphere of courteous frankness and responsibility. But they have, as you will agree, disclosed deep differences of approach and principle which it seems clear that no repetition of debate can affect. In these circumstances, I think you will agree that my committee should now set down, in summary and objective form, the purposes of the 18 Power proposals and the nature of the reasons underlying them. This seems desirable because, as our talks have been conducted in private without records and with great informality, neither you nor we would desire that there should be in future any misunderstanding on the part of our principals or of yourself as to what we were proposing to your Government.



We were authorized to present those proposals on behalf of the fellowing 18 nations represented at the London Conference as follows (I put them into alphabetical order): Australia, Denmark, Ethiopia, France, The Republic of Germany, Iran, Italy, Japan, The Netherlands, New Zealand, Norway, Pakistan, Portugal, Spain, Sweden, Turkey, the United Kingdom and the United States of America. (Spain, at the London Conference made a reservation which has been conveyed to you).

From the outset, you will have observed that the 18 nations, have not attempted to arrive at any joint opinion as to the validity or otherwise of Egypt's nationalization decree. The

London Conference felt that to have a debate on this peint would be fruitless, since the conference possessed no authority or

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Cairo telegram No. 1917 to Foreign Office

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qualification to make any judicial determination, it was therefore considered much more practical to work out constructive proposals which assumed that the act of nationalization had occurred and that the problem of the payment of compensation to the Suez Canal Company would be properly dealt with, with provision for arbitration in the event of difference, and that what was needed was the establishment of principles and methods for the future. These should be such as would both in law and in fact ensure that the Suez Canal would continue to be an international waterway operated free of politics or national discrimination, and with a financial structure so secure and an international confidence so high that an expanding and improving future for the Canal could be guaranteed.

The proposals evolved in this atmosphere have been placed before you and have been much debated between us. We have, as you know, gone beyond the mere presentation of the proposals and have sought to explain and establish what we believe to be the large questions of principle involved.

It would be tedieus and unnecessary in this document to recapitulate all the discussions that have occurred on all the points of interpretation that have arisen. The simple truth is that we quite carly realised on both sides of the table that there were certain sentral matters without agreement upon which subsidiary matters could not usefully be determined.

The two crucial proposals emerging from London were:

1. That the operation of the Canal should be insulated from the influence of the politics of any nation; and

2. That to enable this to be done, there should be established under an international convention to which Egypt was a party, an international body charged with the operating, maintenance and development of the Canal; that such a body should be constituted of people from various countries, including Egypt, not subject to political direction, but given wide powers of management and finance so that it could inspire confidence, deal with the future financial requirements of the Canal, and ensure a nemdiscriminatory and Mon-political management of Canal traffic.

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Cairo telegram No. 1947 to Foreiga Office

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You have with complete frankness made it clear to us that the existence of any international body operating the Suez Canal would, in the view of Egypt, be a derogation from Egyptian sovereignty; that it would in substance represent a reversal of the policy announced by you on July 26. We cannot agree with this view. Nowhere in our proposals is there any denial of Egypts territorial sovereignty. On the contrary, the London proposals expressly recognized those rights in paragraph 2 of the resolution. The whole essence of what we have put forward is (to use a homely illustration) that Egypt's position as the landlord of the Canal being completely accepted, she should proceed by international agreement to instal a tenant so constituted that the future of the Canal would be satisfactory both to its owners and to those many nations who use it. We believe, as we have pointed out, that it cannot seriously be maintained that when a landlord grants a lease of premises, that lease derogates from his ownership. The fact is that the lease is an expression of and conditional upon his ownership. On this analogy our proposals would mean that the tenant of the Canal would pay to Egypt a substantial rental which must unquestionably grow as the traffic through the Canal increases, and that in the meantime the tenant would, in the exercise of its managerial and financial powers, be constantly improving the value of Egypt's asset.

In paragraph 3a of our proposals, there is a reference to "institutional arrangements". As we felt that this phrase might be regarded as admitting of a variety of applications, we undertook the task of illustrating what it meant. We pointed out that what we were saying was merely illustrative and was not designed to narrow the broad significance of the proposals themselves. But, as we have said, one form of "institutional agrangement" which comes readily to mind is to be seen by reference to the case of the International Bank for Reconstruction and Development. That bank was created by agreement among a considerable number of nations. It was not incorporated under the law of any one country. It owes its existence to the agreement of many countries. Its powers are

defined by an international document. Without being in the technical sense incorporated under some pre-existing law it has, in fact, by its articles wide powers of borrowing and lending, and banking generally. The International Bank succeeds in its purpose, not only because it has extensive powers, but also

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Caire telegram No. 1947 to Foreign Office

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because in its capital structure and growth it has enjoyed the unquestioned confidence of a great variety of member mations. Its existence has not so far as we know been regarded as derogating from the sovereignty of any nation, though it enjoys a wide immunity from national laws.

We have become conscious of your finaly held view that there is no occasion for a Canal authority possessing an International character, because of your belief that Egypt is herself capable of conducting and ensuring the future of the Canal, and has never challenged the 1888 Convention or its declarations about the freedom of the Canal.

[Copies sent to No. 10 Downing Street].

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6 -) JEILERI TOP SECRET FROM CAIRO TO FOREIGN OFFICE

Cypher/OTP

Sir H. Trevelyen

No. 1918 September 6, 1956.

DISTRIBUTION D: 12.25 p.m. September 7, 1956 R: 1.25 a.m. September 7, 1956

FOREIGN OFFICE (SECRET) AND

WHITEHALL (SECRET) (CABINET) DISCOM

MERCENCY

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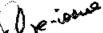
My immediately preceding telegram.

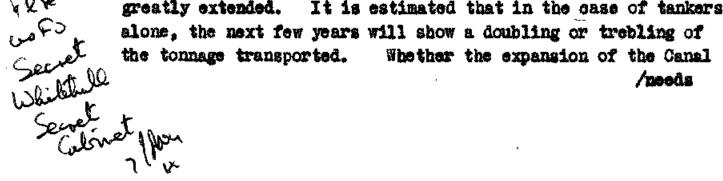
Following is second part.

Begins.

To answer this point, we found it necessary to put before you quite frankly and objectively certain considerations which, from the point of view of the 18 nations we represent, nations who among them represent over 90% of the traffic passing through the Canal, are of vital significance. The traffic through the Ganal has already reached, what might be described, as Even to maintain it in its present shape vaturation point. requires the constant services of a highly skilled, experienced and specialized engineering and transportation staff. This staff has been built up over a long period of years. There has been an increasing intake of Egyptian personnel, but the great majority of the key employees are still nationals of other countries. Such a staff could not be replaced suddenly by people inevitably lacking the necessary technical experience without insurring risks to the effectiveness of the Canal. From the point of view of Egypt berself, therefore, it is desirable that there should be a continuity of skilled operation. Such continuity, in our judgment, cannot be assured unless there is complete mutual confidence between these actually operating the Canal, the Government of Egypt, and the users of the Canal. But the matter does not end there. It is quite clear that in the near future the capacity of the Canal will need to be

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Cairo telegram No. 1918 to Foreign Office.

-2-

needs duplication or widening or deepening or the construction of more by-passes, it will still be true that the capital expenditure required over a comparatively short term may well run into hundreds of millions of pounds. As we have pointed out, finance on such a scale cannot be secured out of the current revenue of the Canal, except possibly by such large increases in dues as would impose grievous burdens upon many millions of people in the world who, in the long run, pay the costs and charges incurred by the cargoes they ultimately buy We have, therefore, urged that the structure of the or sell. body actually conducting the Canal operations should be such as to inspire world-wide confidence and bring about a capacity to raise the necessary capital sums with a feeling of security on the part of those who may be asked to provide them. In short. what we have proposed is that Egypt's sovereignty being fully recornized, the actual operation, maintenance and expansion of the Canal should be reposed in a body (established under international convention), which would include people from various nations, including of course Egypt, with extensive financial powers and responsibilities. As we believe that an international waterway like the Suez Canal should not become an instrument of any national political policy, we did not propose that the members of this body should be the mere delegates of any nation or be under any obligation to observe political instructions. On the contrary, we proposed that the parties to the convention should select them with regard to their personal qualities of ability, integrity and experience. We have explained that, as there would be, we hoped, far more nations accoding to the conventions than there would be seats on the proposed authority. it would be doubly difficult for any one non-Egyptian member to regard himself as the mere delegate of any one non-Egyptian nation. It is true that our proposed convention would be an arrangement made between governments and that original appointments to the proposed authority would be But we firmly believe that with goodwill made by governments. and good faith non-political appointments should be as readily

made in this case as in the case of the Permanent Court of

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Cairo telegram No. 1918 to Foreign Office.

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International Justice. As we have throughout emphasized, it is essential that if it is to be a truly international waterway as envisaged by the 1888 Convention, there should be no politics in the Suez Canal, whether those of Egypt Gr of any other participating nations.

You have told us with clarity and frankness that you do not believe that the Canal could be excluded from the politics of Egypt. since it is part of Egyptian territory To this we have pointed out that, if the Canal and assets. must remain fully available for any of Egypt's political purposes subject only to the 1888 Convention, then the many nations using the Canal will have to realise that their pattern of overseas trade will be at any time subject to the decision of Egypt alone. We are, of course, conscious of your own view that these considerations are adequately net by the guarantee of freedom under the 1888 Convention. But if that convention is to contain the only limitation, it seems clear to us, as we have pointed out, that there could be, for political purposes, many discriminations in traffic and marshalling control which did not fall foul of the convention: that Canal dues being within Egypt's sole control, differences of opinion as to their level will almost inevitably be fixed by reference to Egyptian budgetary needs with the strong possibility that they would be raised to the maximum that the traffic could bear: and that future development of the Canal might well be controlled by local revenue and works budget considerations, a danger which independent finance by a special international body would entirely avert.

[Copies sent to No. 10 Downing Street]

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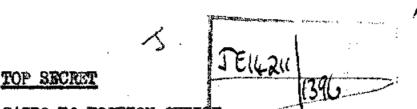
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FROM CAIRO TO FOREIGN OFFI

Cypher/OTP.

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1684

Sir H. Trevelyan No: 1949 September 6, 1956.

D: 12.45 a.m. September 7, 1956. R: 1.55 a.m. September 7, 1956.

EMERGENCY TOP SECRET

My immediately preceding telegram.

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Begins:

Sacret

We have stated and restated that the setting up of such a body as we have proposed would create such a feeling of assurance in the minds of all user nations that the necessary financial provision could be secured, the burden of such matters being no longer the sole responsibility of Egypt herself. We have further emphasized that under our proposals, there would no longer be private shareholders or dividends. The one nation which would secure an annual nett revenue from the Canal would be Egypt, the balance of the revenues being used for the payment of working expenses, for the provision of proper reserves and for the servicing of any capital debt incurred in the course of future finance.

You have repeatedly and vigorously explained to us that the setting up of a Suez Canal authority of the kind envisaged in our proposals would, to the eyes of Egypt, represent either foreign domination or seizure. We have pointed out that from its very beginnings the Canal concession to a company with wide international shareholding was not regarded as demination but as something of great material and political We have pointed out that the truth is that value to Egypt. ne arrangement for the tenancy of the Canal can be either domination or seizure if it is freely agreed to by Egypt. Folewat And it is, as you know that willing and free agreement which Whitehall all of our negotiations have been designed to secure. If any agreed arrangement could still be regarded as inimical to the sovereignty of Egypt iself, every concession granted either by Egypt or any other nation to a foreign company or group for the development of national resources and for local employment and financial gain could be so denounced, It remains only to emphasize two other large matters which arise in the course of our proposals.

The first....

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Cairo telegram No: 1919 to Foreign Office

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- 2 -

The first was our proposal that the new authority, having been constructed by international convention, should be brought into relationship with the United Nations. This was dense in the case of the International Bank by an agreement with the United Nations which had the effect of making the bank a "specialized agency" under the Charter but which, of course, did not enable the United Nations as such to intervene in the conduct of the business of the bank. Association between our proposed authority and the United Nations in a similar fashion would, we believe, give great satisfaction all around the world and would considerably strengthen to probabilities the international confidence and security.

Finally, we propose an Arbitral Commission to settle disputes (I say finally because, as you know, there were some paragraphs in the London proposals so contingent in their very nature upon agreement on the main principles that our failure to agree upon the main principles has made it unnecessary to carry discussion There might be disputes as to the upon them to finality). equitable return which Egypt should have from the Canal. There might, in the course of the years, be either disputes promoted by one or more of the constituent nations. Any such matter, if they could not be resolved by agreement, should be arbitrated upon by an independent commission enjoying international confidence. Our proposal did not mean that such an arbitral commission would be the authority to deal with the nermal problems which arise in the course of management, such as claims which might arise in relation to the employment of people or contracts with subsidiary To the extent to which contracts might be entered contractors. inte in respect of such normal matters, they would be contracts made, for the most part, in Egypt and we did not contemplate that in respect of such matters the normal jurisdiction of the Egyptian It would be only in any dispute. courts should be excluded. of a genuinely international character that the jurisdiction of the arbitral commission would be invoked.

At the London Conference, it was agreed by all the nations represented that any arrangement entered into must be completely fair to Egypt and must pay scrupulous regard to Egypt's territorial severeignty. Our whole presentation of the matter to Your Exampliancy has been made in that spirit and with that desire. It is for this reason that we have repeatedly pointed out that while, representing nations who are users of the Canal, we are deeply and urgently.....

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Caire telegram No: 1949 to Foreign Office

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urgently concerned in securing the highest possible measure of confidence and an effective and practical guaranteed freedom and future for the Canal, there are in our proposals marked advantages for Egypt which we have discussed at length but which we now summarize as fellews:

(a) Egypt's severeign property in the Canal being recognized, it is to her great advantage to have that property maintained and improved and made more prefitable as the years go on;

(b) the future financial burdens involved in such maintenance and improvement would be carried and handled by the new authority and therefore Egypt would in fact be relieved of those burdens upon her own revenue and works budgets;

(c) there would no longer be private shareholders drawing dividends and therefore no longer any feeling in Egyptian minds that a waterway on Egyptian soil was being made a source of private profit for overseas citizens or governments;

(d) the practicability of compensating the shareholders of the Suez Canal Company as promptly as possible would be clearly enhanced;

(e) the dangerous tension new existing internationally would be relaxed on terms satisfactory to the user mations and entirely consistent with Egypt's proper dignity and inde pendence.

I think that you will agree that this communication contains a fair and uncoloured summary of the principal views we have put before you. In the light of your considered rejection of the basic proposals put before you, I think you will agree that no good purpose will be served by prelonging our discussion. I say this because, as you knew, the Committee of Five was appointed by the 18 nations

for the sole and express purpose of putting before you the proposals of these nations, expounding them and, if possible, securing agreement to them.

I am, Sir,

Yours sincerely,

Ends.

JJJJJ [Copies sent to No: 10, Downing Street]

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FROM CAIRO TO FOREIGN OFFIC

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JE14211

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Sir H. Trevelyan No.1980 September 7, 1956

D: 12.30 a.m. September 8,1956 R: 1,50 s.m. September 8,1956

IMMEDIATE SECRET

Addressed to Fereign Office telegram No. 1980 of September 7. Repeated for information Washington

Paris

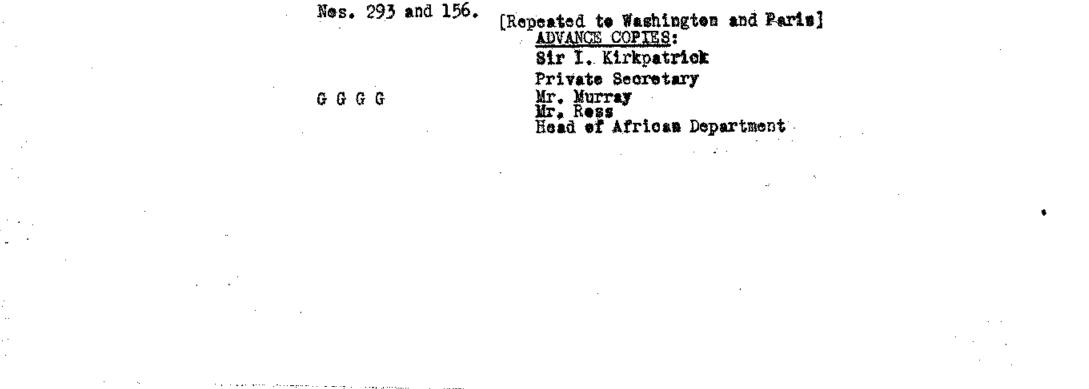
My telegram No. 1969: Menzies Missien. JE 14211 (13976

After considerable stalling, the Egyptians revealed that Nasser was in Alexandria today. He offered to see Mr. Menzics tomorrow at mid-day but Mr. Menzies decided that this was too late. The letter was therefore handed to Fawzi tonight by my Australian colleague since Mr. Monzies is still unwell.

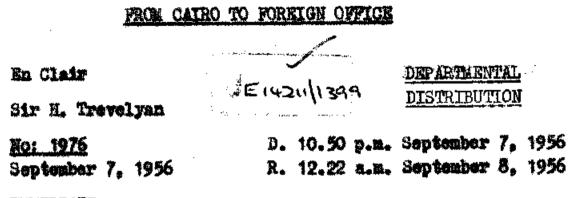
2. Mr. Menzies feels that he cannot send a reply to your message in your telegram No. 2745 until Nasser has replied or been given a reasonable time to reply to the letter. Members of the Australian delegation are inclined to estimate a reasonable time at 18 hours.

3. Mr. Menzies handling of his own mission has been extremely successful. They unanimously agree on the course to be followed as well as on the text of the letter. Mr. Henderson, who came to see me this evening was firm that they had no authority to discuss any proposition other than the proposals of the 18 Powers. The Mission have decided that they will give ne information here to representatives in Caire of the 18 Pewers but will state only that Mr. Menzies will present the report of the Missian to you as chairman of the conference. Mr. Menzica will give no Press statement either on leaving Caire or on arrivity in London.

Fereigs Office pass Washington and Paris as my telegrams



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Addressed to Foreign Office telegram No. 1976 of

September 7.

Repeated for information to: Karaohi,

Beirut (for R.I.O.) Begdad, Tebran, Ankara, New Delhi, Damascus.

According to Gombouria, which gave fullest version Jafri made following points.

- (a) Pakistan had always sided with Arab States. Particularly Egypt, notably as regards Israel which she did not, and would not, recognize.
- (b) Pakistani amendments of Dulles' proposal at London Conference had affirmed Egyptian sovercignty over Canal and caused sight participant Powers to renounce policy of violence
- (c) Pakistan had declared, and still insisted, that any solution not voluntarily accepted by Egypt must be excluded. Negotiations were guaranteed to solve any international problems.
- (d) As a result of Pakistans efforts, Menzies committee had been sent to Egypt to hold discussions with Masser with a view to reaching peaceful solution.

(a) Pakistan Koraion Winistry spokasman companying

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officially on Nasser's remarks to an Indian newspaper, had said that Pakistan supported Egypt regarding legality of nationalizing Canal Company, that Pakistan /believed

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Cairo telegram No. 1976 to Foreign Office.

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believed in Egypt's right to run Canal in a way consonant with her sovereignty, and that all credit was due to Pakistan for diverting the Western Powers from policy of violence they originally announced.

- (f) News of resignation of Mohamed Aly's ministry was not yet confirmed. If true, it was due to internal party affairs in answer to question whether resignation was connected with Pakistan's position at London Conference.
- (g) Pakistan was opposed to military pressure and disturbed at United Kingdom calling for assistance of French forces in Cyprus.
- (h) Former Pakistani Ambassador in Cairo had resigned for family reasons, not in protest at Pakistan's sttitude at London Conference.
- (1) Was optimistic about current discussions between Nasser and Mensies committee.
- (j) Counter proposals put by Masser to committee were at present subject of discussion hence talk of possibility of holding another conference in Geneva was premature in answer to question about possibility of holding such a conference.
- (k) He regarded use of force as improbable, but said that Pakistan would separate from Commonwealth and Bagdad Pact if Western Powers used force (in answer to direct question on this point).
- (1) Pakistan had been invited to take part in Mensies committee but Hamid el Hag had refused because he believed that Egypt must have first and last work and that Pakistan should not participate in any negotiations involving enhancement for Egyptian

Government.

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Cairo telearen No. 1976 to Foreign Office.

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Asram's account, brief and less comprehensive, 2. contained following additional points.

- (a) Jafri expressed wish to speak frankly because he noticed existence in Egypt of considerable misunderstanding of Pakistan's position.
- (b) Pakistan's efforts at London Conference had resulted in important delegation coming to Egypt instead of British warships.
- (c) Asked about Pakistan's position if force was used, Jafri said "I think in that case we would withdraw from Bagdad Pact and pact would immediately collapse and coase to exist, if Britain set about such an aggression".
- (d) Pakistan, like Egypt, was following independent policy. It was not bound by London Conference and disapproved of any political, economie or military pressure on Egypt to impose solution of Canal problem against Egypt's will. Entire people of Pakistan stood by Egypt.
- (e) Jafri hoped Pakistan would find support from Arab Powers in her problems.
- No other newspapers reported Press conference. 3.

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FROM WASHINGTON FOREIGN OFFICE

Cypher/OTP

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Sir R. Making <u>No. 1831</u> September 7, 1956

D: 3.25 a.m. September 8,1956 R: 5.10 a.m. September 8,1956

IMMEDIATE

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Addressed to Foreign Office telegram No. 1831 of September 7. Repeated for information to U.K.Del. New York

Cairo

Paris

My immediately preceding telegram.

JE 14211 12.996 Fellewing are Mr. Dulles's connents on your telegram Ne.4066

Begins.

We are, as you know, sympathetic to the idea of the principal users of the Canal agreeing upon their rights under the 1888 Treaty and taking concerted action to exercise their rights. This action, in our opinion, should comprehend the development of a uniform system for handling the dues to be paid by ships passing through the Canal. Also, we believe it should deal with the question of the pilots and perhaps some other matters such as arranging the pattern of traffic and the system of signals and aids to navigation, perhaps also, the dredging of the Canal. It seems to us that the Treaty of 1888 [grp.undec. ? creates] a sort of an international easement and that those estitled to benefit therefrom have the right, and perhaps the obligation, to maintain and operate their easement.

It does not seem to us that we should acquiesce in the exercise by Egypt of functions which are more properly those of users than of the sovereign through whose territory the casement passes. Obviously all this would take time. Also, it

might lead to a clash with Egypt which, while it would provide a clearer basis for Security Council action, would also entail major economic consequences.

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Washington telegram No. 1831 to Fereign Office

I do not feel at all confident that we are propared for these economic consequences. It may take as much time to make preparations for these as it will to achieve some programme of concerted action by the users.

Have you any precise fermulation of how you propose to handle the matter of transit dues ?

Ends.

Please pass to Cairo and Paris as my telegrams Nes. 124 and 138 respectively.

[Repeated to Cairo and Paris]

ADVANCE COPTES: Private Scoretary Sir I. Kirkpatrick Mr. Ress Mr. Murray Mr. Pink Head of African Department Head of United Nations Department Resident Clerk

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FROM MASHINGTON TO FOREIGN OFFICE

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Sir R. Mokins <u>No. 1852</u> September 7, 1956. FUNEIGN OFFICE SECRET AND MATTENALL SECRET (CABINET) DISTRIBUTION

D. 3.50 a.m. September 8, 1956. R. 5.25 a.m. September 8, 1956.

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SECRET

Addressed to Foreign Office telegrem No. 1832 of September 7.

Repeated for information to: U.K. Del.New York

Ca1ro

Paris My immediately preceding telegram. JE 14211 (142 m (142 m Following are Mr. Dulles' comments on your telegram Junion) 57. JE 1421(1200 -10. 1067. JE 143 11/1397 G

Begins.

Our suggestion for a Users Agency is, we would say, an effort to implement the 1888 Treaty rather than to implement the London proposal of eighten,

That proposal frankly sought a new treaty with Egypt. It gave Egypt rights and advantages which Egypt could not demand under the 1888 Treaty. On the other hand, the Users would gain greatly by thus obtaining Egyptian cooperation.

It may not be practical in the long run to use the Canal without Egyptian cooperation, but it seems to us that since our basic rights flow from the 1888 Treaty, we should not assume that Egypt can and will mullify those rights or that there are no alternatives other than to accept Egyptian terms or to seek by force to impose our own.

It does not seen to us that it carries much conviction to say that we have rights under the 1888 Treaty unless we try in good faith and reasonably to use those rights. If we do try to use them and Egypt takes forcible action to prevent such use, then, and perhaps only then, will Egypt be an aggressor or guilty of a threat to peace.

/Theoretically,

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Vashington telegram No. 1832 to Poreign Office

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Theoretically, of course, each nation having rights to use the Canal could attempt to use these rights without concerting its action with others as a practical matter, this would lead to confusion and a breakdown of the Canal operation which could be attributed to the users rather than to Egypt. Therefore, we should act as though we had rights, and, having them, concert for their effective use.

You speak of "future Egyptian membership". We think of our proposal for a concert of users as a provisional arrangement and not a substitute in the long run for apother arrangement which would involve Egyptian participation. But this, when it came about, would probably be something quite different than the interim User agency which might now be adopted as a makeshift.

As previously indicated, it is our thought that the User Agency would be set up to perform functions broader than the mere collection of dues.

Ends.

Please pass to Cairo and Paris as my telegrams Nos. 125 and 139 respectively.

[Repeated to Cairo and Paris].

ADVANCE COPIES

Private Secretary	Sir I. Kirkpetrick		
Mr. Ross	Mr. Murrey		
Mr. Pink	Head of African Department		
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FROM FOREIGN OFFICE TO VASITINGTON

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<u>No. 4102</u> September 8, 1956. D. 3.47 p.m. September 8, 1956.

EMERGENCY

SECRET

Addressed to Washington telegram No. 4102 of September 8. Repeated for information to Paris [Immediate] New York (UKDel) [Immediate] Cairo.

Your telegrams Nes. 1828 - 1832 [of September 7] Suez Canal.

Mr. Dulles' response is most disappointing. We seem to be further apart than at any time since July 26. I cannot accept the present United States thinking that the two problems of settling the Canal issue and deflating Nasser can be separated either as to timing or method and there appears to be little common ground between us at the moment as to how to achieve either of these objectives.

2. Please convey to Mr. Dulles my grave anxiety at the present state of our consultations and seek to impress upon him the absolute necessity for effective action urgently. Any further dawdling along will be fatal since

(a) with every day that passes Nasser is strongthening his hold on the Canal;

(b) the Western powers will lose further face rapidly unless we can show some clear and speedy reaction to his rejection of the 18 power proposals (it seems reasonable to assume that he is going to reject them);

(c) the friendly régimes which still exist in the Arab world are in great and increasing peril.

3. We all share dislike for military measures. It has been repeatedly stated over here that they are the last resort but acceptance of that proposition makes all the more necessary urgent alternative action, both with regard to the Security Council and payment of transit dues. We have said that we are attracted by

Mr. Dulles' idea of a Users club. I cannot however understand how Dulles having himself suggested the scheme outlined in you?

/telegram No. 1804

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Foreign Office telegrem No. 1102 to Washington

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telegram No. 1804 can now argue that the users of the Canal have a doubtful right to refuse payment of transit dues to the Egyptian authority.

4. With regard to the Security Council we have no hard and first views about the text of a resolution. If Mr. Dulles has other concrete ideas by all means let him put them forward and let us discuss them urgently. But it seems to me exceedingly difficult to avoid going to the Security Council as the next and urgent step unless some satisfactory alternative has been agreed and publicly indicated. What precisely is Mr. Dulles' alternative? With regard to the suggestion of a letter to the President of the Security Council, see my telegram No. 774 to UKDel New York.

5. In short I must ask you to make a further attempt to impress upon Mr. Dulles the urgency and gravity of the present situation and the grave dangers if we do not continue to act resolutely together. I feel at the moment that I do not know where the United States Government stands on any of these matters.

6. In view of the probability that Mollet and Pineau will be here for consultations on Monday, the scener you can send me the result of Mr. Dulles' further lucubrations the better.

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