

JE 14211/1408

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FROM CAIRO TO FOREIGN OFFICE

FOREIGN OFFICE SECRET AND
WHITEHALL SECRET (CABINET)
DISTRIBUTION

En Clair

Sir H. Trevelyan
No: 2000
September 9, 1956.

D: 3.15 p.m. September 9, 1956.
R: 4.25 p.m. September 9, 1956.

EMERGENCY

My telegram No: 1998 paragraph 2 (b).

Following is text.

Begins:

Our discussions have been conducted in an atmosphere of courteous frankness and responsibility. But they have, in our opinion, disclosed deep differences of approach and principle which it seems clear that no repetition of debate can affect. In these circumstances, we consider that it would now be helpful that my committee should now set down, in summary and objective form, the underlying 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 following 18 nations represented at the London Conference as follows (I put them into alphabetical order):

Australia, Denmark, Ethiopia, France, The Federal 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 point would be fruitless, since the conference possessed no authority 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....



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Cairo telegram No: 2000 to Foreign Office

- 2 -

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 would 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 tedious 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 early realized on both sides of the table that there were certain central 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 would be a party, a body charged with the operation, maintenance, and development of the Canal. Such a body, we propose, should be constituted of people from various countries, including Egypt, the members would not be subject to political direction, and should be given in the convention, with the free consent of Egypt, wide powers of management, and finance so that it could inspire confidence, deal with the future financial requirements of the Canal, and ensure a non-discriminatory and non-political management of Canal traffic. The proposed body would naturally have due regard for the laws and institutions of Egypt. You have with complete frankness made it clear to us that the existence of such a 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....

Cairo telegram No: 2000 to Foreign Office

- 3 -

We cannot agree with this view. Nowhere in our proposals is there any denial of Egypt's territorial sovereignty. On the contrary, the London proposals expressly recognized these 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. Indeed, as the "tenant" in this analogy would be a body which includes Egypt, herself, the position of Egypt would be even stronger. 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 arrangement" 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 extensive powers, but also because in its capital structure and growth it has enjoyed the unquestioned confidence of a great variety of member nations.

Its existence....

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Cairo telegram No. 2000 to Foreign Office.

- 4 -

Its existence has not, so far as we know, been regarded as derogating from the sovereignty of any nation, even though it enjoys a wide immunity from national laws. We have become conscious of your firmly held view that there is no occasion for a Canal authority possessing an international character, because of Your Excellency's 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. 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 Canal has almost reached what might be described as saturation point. Even to maintain it in its present shape requires the constant services of a highly skilled, experienced and specialised 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. From the point of view of Egypt herself it is desirable that there should be a continuity of skilled operation. Such continuity, in our judgement, cannot be assured unless there is complete mutual confidence among those actually operating the Canal, the Government of Egypt, and the users of the Canal. But the matter does not end there. It is clear that as a result of increased traffic Egypt can enjoy very substantial and increasing benefits from the Canal if the Canal can retain the confidence of its principal users. The number of tankers passing through the Canal could double or treble in a few years if such confidence exists. To deal with such traffic, expansion of the Canal will be necessary. Whether expansion consists of widening, deepening, constructing by-passes or even duplicating the Canal, the capital costs will be substantial. If these costs are to be met over a period of time from Canal revenues without serious current reductions in Egypt's income from the Canal, or without the imposition of burdensome increases of dues,

/they must be

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Cairo telegram No: 2000 to Foreign Office

- 5 -

They must be derived from funds accruing from an increase in traffic - an increase which would come only if the users would maintain confidence in the Canal. And it must be remembered the increased dues would impose grievous burdens upon those many millions of people in the world who, in the long run, pay the costs and charges incurred by the cargoes they ultimately buy or sell. If expansion would not be necessary, it would be because the users' confidence would be lacking and many of them would have found ways to avoid remaining dependent on the Canal. The benefit, therefore, which Egypt might have gained would be materially lessened. We have, therefore, in the interest of Egypt and the users, urged that the structure of the 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 because of a prevailing 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 recognized, 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 the political policy of any nation or nations, we proposed that the members of this body should not 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. It is true in a sense that our proposed convention would be an arrangement made between Governments and that original appointments to the proposed authority would be made by Governments. But we firmly believe that, with good will and good faith, persons so appointed could serve in a non-political manner in this case as readily, for instance, as do the judges of the Permanent International Court of 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 or of any other nation. Your Excellency has 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 and assets. To this we have pointed out that, if the Canal is to 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 realize that their pattern of overseas trade will be at any time subject to the decision of Egypt alone.

We are,

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Cairo telegram No. 2000 to Foreign Office.

- 6 -

We are, of course, conscious of your own view that these considerations are adequately met 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 Budget considerations; a danger which independent finance by a special international body would entirely avert. 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 obtain an assured annual net revenue from the Canal would be Egypt. Your Excellency has repeatedly and vigorously explained to us that the setting up of a Suez Canal body of the kind envisaged in our proposals would, to the eyes of Egypt, represent either foreign domination or seizure. We have pointed out that the truth is that no arrangement for the tenancy of the Canal can be either domination or seizure if it is freely agreed to by Egypt. And it is, as you know, that willing and free agreement which all of our negotiations have been designed to secure. It remains only to emphasize two other large matters which arise in the course of our proposals. The first was our proposal that the new body, having been constructed by international convention, should be brought into relationship with the United Nations. This was done in the case of the International Bank by an agreement with the United Nations which had the effect of making the bank a "specialised agency" under the Charter but which, of course, did not affect the freedom of the bank in the conduct of its business.

/Association

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Cairo telegram No: 2000 to Foreign Office

- 7 -

Association between our proposed body and the United Nations in a similar fashion could, we believe, give great satisfaction all around the world and, if adopted, would considerably strengthen international confidence and security. We also proposed an Arbitral Commission to settle disputes. There might be disputes as to the equitable return which Egypt should have from the Canal. There might, in the course of the years, be other disputes involving one or more of the constituent nations. Any such matters, 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 normal 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 contractors. To the extent to which contracts might be entered into 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 Courts should be excluded. It would be only in any dispute 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 sovereignty. Our whole presentation of the matter to Your Excellency has been made in that spirit and with that desire. It is for this reason that I have repeatedly pointed out while, representing nations who are users of the Canal, we are deeply and urgently concerned in obtaining 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 follows.

(a) Egypt's ownership of the Canal being recognized, it is to her great advantage to have the Canal maintained and improved and made more profitable as the years go on.

(b) The future financial burdens involved in such maintenance and improvement would be carried and handled by the new body and, therefore, Egypt would in fact be relieved of them.

(c) Egypt alone would draw profit from the Canal.

(d) A just and fair method of compensating the shareholders of the Suez Canal Company would have been agreed upon.

(e) The....

Cairo telegram No: 2000 to Foreign Office

- 8 -

(e) The dangerous tension now existing internationally would be relaxed on terms satisfactory to the user nations and entirely consistent with Egypt's proper dignity, independence, and ownership, and thus a world contribution would be made to the peaceful settlement of international problems. It is the understanding of the committee that you have taken the position that you are unable to accept the basic proposals put before you. I would be grateful if Your Excellency would inform the committee whether or not its understanding is correct, supplementing your statement with such views as you may care to express. If, unfortunately, the understanding of the committee is correct, the task entrusted to the committee by the 18 Powers of presenting and explaining these proposals and ascertaining the attitude of the Egyptian Government with respect to them would have been carried out. In such an event, there would appear to be no alternative other than for the committee to request Your Excellency to receive it at your early convenience so that it may be prepared, after a final conversation with you, to take its leave.

I am Sir,

Yours sincerely,

(R.G. Menzies).

ADVANCE COPIES:

- Private Secretary.
- Sir I. Kirkpatrick.
- Mr. Nutting.
- Mr. Ross.
- Head African Department.
- Head News Department.
- Resident Clerk.

XXXX
JJJJ

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FROM CAIRO TO FOREIGN OFFICE

En Clair

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Sir H. Trevelyan

No. 2010

September 9, 1956

D. 5.00 p.m. September 9, 1956

R. 7.40 p.m. September 9, 1956

EMERGENCY

My telegram No. 1998, paragraph 2 (d).

Following is text of Nassers reply dated September 9.

Begins:

Your Excellency,

I have received your letter of September 7, 1956 relating to the meetings held between us and the committee headed by you and representing 18 of the Governments which participated in the London Conference on the Suez Canal. Your committee will recall that during these meetings, I took up various basic points and commented upon them. You have referred to the 18 countries as representing over 90% of the users of the Canal. Beside this being distinctly a statistical exaggeration, our understanding of the "users of the Canal" includes those countries which, even though they have no ships passing through the Canal, use the Canal for the passage of the bulk of their foreign trade. An illustration of this would be such countries as Australia, Thailand, Indonesia, India, Pakistan, Iran, Iraq, Saudi Arabia, Ethiopia and the Sudan. Furthermore, the principle of sovereignty, the right of ownership and the dignity of nations are all deeply involved in this problem. At least in appearance, the starting point of the present crisis was July 26, 1956 when, in the exercise of one of its prerogatives the Government of Egypt nationalized the Company which bore the name of "The Universal Maritime Company of the Suez Canal".

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That the Government of Egypt was fully entitled to nationalize that Egyptian company cannot be seriously contested. In nationalizing that Company the Government of Egypt stated unequivocally that it considers itself bound by the 1888 Convention

/guaranteeing

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Cairo telegram No. 2010 to Foreign Office

-2-

guaranteeing the freedom of passage through the Suez Canal and its readiness to give full and equitable compensation to the shareholders. Furthermore, on August 12 the Government of Egypt announced its willingness to sponsor with the other Governments, signatories to the Constantinople Convention of 1888, a conference to which would be invited the other Governments whose ships pass through the Suez Canal for the purpose of reviewing the Constantinople Convention and considering the concluding of an agreement between all these Governments reaffirming and guaranteeing the freedom of passage through the Suez Canal. Parallel to this nowhere and no date could be found where or when the Government of Egypt violated any of its international obligations concerning the Suez Canal. At the same time, for nearly fifty days, and in spite of the difficulties created by France and the United Kingdom and by segments of the former Suez Canal Company, the traffic through the Canal has been going with regularity and efficiency. The crisis and the so-called "grave situation" are, therefore, artificially created by the above mentioned quarters as witness among other things

- (a) statements containing threat of force;
- (b) mobilization and movements of troops by France and the United Kingdom;
- (c) inciting employees and pilots working in the Suez Canal to abruptly abandon their work by France and the United Kingdom and some officials of the former Suez Canal Company and
- (d) hostile economic measures taken against Egypt.

With all this going on we have been repeatedly made to listen to references to a "peaceful solution" and to "free negotiations" in order to achieve such a solution. Need one emphasize the contradiction between the palpitating reality and professed aim? If there is anything which flagrantly violated and disdained the letter and spirit of the Charter of the United Nations it is such acts of attempted intimidation, economic pressure and incitement of sabotage. In distinct contrast to this the Government of Egypt has announced its full readiness to negotiate a peaceful solution in conformity with the purposes and principles of the Charter of the United Nations. This remains to be the policy and the intent of the Egyptian Government. We have studied most carefully all these proposals submitted in and outside the London Conference with regard to this problem /including

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Cairo telegram No: 2010 to Foreign Office

- 3 -

including the proposals of the 18 countries which the Committee represents. We find ourselves in agreement with the 18 countries when they state that the solution must:

- (a) respect the sovereign right of Egypt;
- (b) safeguard the freedom of passage through the Suez Canal in accordance with the Suez Canal Convention of October 29, 1888;
- (c) respect Egypt's right of ownership;
- (d) ensure the efficient and dependable operation, maintenance and development of the Canal.

When however, we come to consider the ways and means proposed by the committee to attack these objectives we find that they are self-defeating and that they lead to opposite results from those aimed at. The "definite system" as proposed by the committee would, in fact, mean "taking over the operation of the Canal" as circulated by the sponsoring Government immediately before the conference among the Governments invited and in substance maintained throughout, in spite of the variance of expression. The system proposed is bound to be considered and treated by the people of Egypt as the hostile infringing upon their rights and their sovereignty all of which precludes real cooperation. It can, moreover, be asked whether it was the Suez Canal Company which guaranteed the freedom of passage through the Canal? Was it not indeed the Government of Egypt who safeguarded, and still safeguards, that freedom of passage? Would this freedom be, or could its actual practice be, safeguarded by the proposed Suez Canal Board? Is it not to be expected that this board be not a source of comfort and help, but a source of misunderstanding and trouble? In all this we keep constantly in our mind the vital importance of genuine international cooperation as distinct from domination of any country, be it single domination as the one which Egypt just get rid of, or collective domination, as would inevitably be considered the system proposed by the committee. Any attempt to impose such a system would indeed be the signal for incalculable strife and would plunge the Suez Canal into the turmoil of politics, instead of as the committee professed to want, insulating it from politics. Whatever the system of operation of the Canal is going to be, it will depend on the close, full and willing cooperation of the people of Egypt, among whom and through whose country the Canal runs. It is obvious that such indispensable cooperation cannot be had if the people will consider the operating body as hostile and as against their sovereignty, their rights

and their....

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Cairo telegram No: 2010 to Foreign Office

- 4 -

and their dignity. Strangely enough, those who pose as protagonists of "insulating" the Suez Canal from politics have been the authors of many acts which diametrically contradict this announced purpose. What is the "internationalization" of the Suez Canal, the convening of the London Conference on the Suez Canal within the most part tactically selected invitees, the delegating of the Five Member Committee, the threats, the deployment of armed forces and the economic measures - what are all these, if not politics? You have mentioned that the delegates of any nation represented in the proposed Suez Canal Board should not be under any obligation to observe political instructions. They will, nevertheless, be nationals of their respective countries and subjects of their respective Governments and it will be extremely unlikely that they will be immune from the influence of such relationships. The similes you have put forth of the International Bank and the International Court of Justice do not, in our opinion, either hold or convince. We believe that the real insulation of the Canal from politics would best be guaranteed by a solemn and internationally binding commitment in the form of a reaffirmation or a renewal of the 1888 Convention either of which, as we have already declared, is acceptable to us. It has been alleged that the Government of Egypt aims at discriminating against one of the countries you represent, namely the United Kingdom, and that the Government of Egypt has among its objectives the disruption of British economy and the interruption of the line of trade and supply of the United Kingdom through the Suez Canal. It is clear beyond cavil that nothing could be farther from the truth and no one could validly point out one single reason why, and for what useful purpose, the Government of Egypt should entertain such policy. International confidence was mentioned by you. I have in this connexion called your attention to the fact that confidence is a two way proposition and that, while the confidence of other nations is important, that of the Egyptian people is at least of equal importance in this respect, and it cannot be had if the Egyptian people are, as a result of certain acts and policies, imperilled to doubt and less faith in the existence of international justice and the rule of law in international relations. If the real objective is to secure the freedom of passage through the Suez Canal the answer is there, namely that passage through the Canal has always been and continues to be free. The only danger to this freedom of passage stems from the threats, the re-deployment of armed....

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Cairo telegram No: 2010 to Foreign Office

- 5 -

of armed forces, the incitation of employees and workers to sabotage the operation of the Canal and the economic measures against Egypt. If, on the other hand as it seems, the objective is to amputate and to sever from the very body of Egypt one of its main points, if the aim is to deprive Egypt from an integral part of its territory, we should be told of it. It should be abundantly clear by now that Egypt by the very nature of things is vitally interested in the maintenance of peace and security, not only around the Suez Canal but also throughout the area in which it exists and all over the world. It should be equally clear that, if only by sheer self interest, Egypt is devoted to the freedom of passage through the Canal and is equally devoted to the concept of an efficient enlightened and progressive operation of the Canal without any discrimination or any exploitation whatsoever. I wish to refer in this last connexion to my having mentioned to the committee that the Government of Egypt is ready to enter into a binding arrangement concerning the establishment of just and equitable tolls and charges. As for the future development of the Suez Canal to which you referred, I wish to reiterate that the Government of Egypt is determined to do everything possible in this respect that it has already announced its intention to carry out the development programme which was planned by the former Canal Company and other programmes of much wider scope and longer range. It is our announced policy that the Suez Canal authority is an independent authority with an independent budget empowered with all the necessary powers without being limited by Government rules and systems. We have also announced our intention to earmark an adequate percentage of the revenues of the Canal to its future development and to deviate none of the revenues needed for such development to other channels. Both for the development and for the operation of the Canal, the Government of Egypt does, and will always be ready to, benefit by the knowledge and experience of highly qualified experts from all over the world. The crux of the present situation is, in our opinion, that the proposed system, in itself and, in what has accompanied it, and what it involves, aims at securing for a group of the users of the Canal control of it by their taking over its operation. The paper which was circulated among the countries invited to the London Conference shortly before it was convened and which seems to be until now a guide as to the still maintained objectives of the sponsoring countries reads: Proposal for the establishment of an

International Authority...

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Cairo telegram No: 2010 to Foreign Office

- 6 -

International Authority for the Suez Canal. France, the United Kingdom and the United States are in agreement that at the conference a resolution shall be tabled for setting up an International Authority for the Suez Canal on the following lines.

2. The purposes and functions of this International Authority would be

- (i) to take over the operation of the Canal;
- (ii) to ensure its efficient functioning as a free, open and secure international waterway in accordance with the principles of the Suez Canal Convention of 1888;
- (iii) to arrange for the payment of fair compensation to the Suez Canal Company;
- (iv) to ensure to Egypt an equitable return which will take into account all legitimate Egyptian rights and interests. Failing agreement with the company or with Egypt on either of the last two points, the matter would be referred to an Arbitral Commission of 3 members to be appointed by the International Court of Justice.

3. The constituent organs of the International Authority would be

- (1) a Council of Administration, the members of which would be nominated by the Powers chiefly interested in navigation and sea-borne trade through the Canal;
- (ii) the necessary technical, working and administrative organs.

4. The Powers of the International Authority would, in particular, include

- (1) the carrying out of all necessary works;
- (ii) the determination of the tolls, dues and other charges on a just and equitable basis;
- (iii) all questions of finance;
- (iv) general powers of administration and control.

We are convinced that any unbiased study of this circular would leave the reader with but one conviction, namely, that the purpose is to take the Suez Canal out of the hands of Egypt and put it into some other hands. It is difficult to imagine anything more provocative to the people of Egypt than this.

An act....

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Cairo Telegram No. 2010 to Foreign Office

-7-

An act of such a nature is both self-defeating and of a nature to generate friction, misunderstanding and continuous strife. It would be, in other words not the end, but the beginning of trouble. I would like, on the other hand, to reaffirm that the policy of my Government remains to be:

- (a) - the freedom of passage through the Suez Canal and its secure use without discrimination.
- (b) - The development of the Suez Canal to meet the future requirements of navigation.
- (c) - - The establishment of just and equitable tolls and charges, and
- (d) - Technical efficiency of the Suez Canal.

We trust that the Suez Canal will thus be insulated from politics and will, instead of being a source of conflict, become again a link of cooperation and of mutual benefit and better understanding between the nations of the earth. Furthermore, we are confident that, by carrying out this policy, and extending its good will in every direction, Egypt will best be able to contribute to the welfare and happiness of the world as well as to its own happiness and welfare.

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FROM WASHINGTON TO FOREIGN OFFICE

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Sir R. Makins
No. 1826
September 7, 1956

D: 1.43 a.m. September 8, 1956
R: 3.15 a.m. September 8, 1956

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Addressed to Foreign Office telegram No. 1826 of
September 7.

Repeated for information to Paris. *green*

Your telegrams Nos. 4087 and 4088: Canal dues.

These telegrams arrived during a meeting with Mr. Dulles and M. Alphand and the Minister read out the text of your draft instructions.

2. Mr. Dulles said he would like to have more time to study the matter. As he had said this morning (my telegram No. 1823, paragraph 7), our proposed action would cause severe practical difficulties in regard to oil requirements, if our ships were refused passage through the Canal; and although progress was being made in discussion with the oil companies it would be a difficult matter to take the actual policy decisions which would be required to meet the new situation.

3. He was not sure whether he agreed with the legal basis of our action. Moreover the claim that Nasser's nationalization decree was not valid was the least satisfactory form of presentation from the political point of view. He once again referred to the superior merits of first setting up the "User Club" which would, of course, cover a wider field than the collection of Canal dues.

4. He emphasised that these were only his preliminary comments, but I very much doubt he will be prepared to support our representations until we have secured closer agreement on the whole framework of our action.

Please pass to Paris as my telegram No. 133.
[Repeated to Paris]

G G G G



FROM CAIRO TO FOREIGN OFFICE

J

Rn Clats

FOREIGN OFFICE AND WHITEHALL
 DISTRIBUTION

Sir H. Trevelyan

25/9/56

No. 2003

D:4.57 p.m. September 9, 1956

September 9, 1956

R:6.35 p.m. September 9, 1956

URGENT

Addressed to Foreign Office telegram No. 2003 of September 9

Repeated for information to: Washington P.O.M.F.F.
 and Seving to: Paris.

My telegram No. 1991. 25/9/56

Akbar today carried further front page article by Heykal. In appearance the committee would take back with it Egypt's viewpoint and minutes of its meetings with Nassar, just as the London Conference minutes and Dulles's proposals had come with it to Egypt. Substance, however, which lay in the discussions, views and attitudes set forth in the minutes, was greater than appearance and should not be underestimated. The committee had explained its viewpoint. Egypt had proved desire for cooperation. The issues had been clarified, and in any important problem this was real preparation to finding solution if all parties wanted solution.

2. Four files had been driven into gulf dividing two sides.
 - (a) Agreement on the seriousness of the situation.
 - (b) Agreement on the desirability of seeking peaceful solution.
 - (c) Agreement on maintaining Egyptian sovereignty.
 - (d) Agreement on respecting the 1888 Convention. The remaining operation was to construct bridge on these files. This is what had not yet been agreed on. Egypt considered that bridge should not be too heavy and should fit files.

SEP 10 1956
 CAIRO
 TELETYPE UNIT

3. Dulles had been right in saying that discussions should deal with substance and that it was a mistake for two sides to bind themselves to hollow expressions fit only for propaganda. Talk of international administration was mistake of this kind. It would immediately be confronted with talk about Egyptian / sovereignty ..

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Cairo telegram No. 2003 to Foreign Office

- 2 -

sovereignty. The substance must be handled another way. It was illogical to put forward or impose solution and then start discussing the problem.

1. The problem had various aspects.

- (a) Freedom of navigation.
- (b) Maintenance and development of the Canal.
- (c) Keeping of Canal out of politics.

International administration did not answer any of these. It could not protect freedom of navigation. Egypt was only authority that could, and it lay in her interests to do so. She had no reason to discriminate against any Power or endanger any Power's interests. If she closed Canal to British ships, for example, this would mean war. In the impossible event of Egypt choosing to make war on Egypt, what could international administration do anyway? They would be thrown into Canal immediately. Similarly, it was not in international administration's power to see to maintenance and development. It could not widen Canal without Egyptian consent. As for removing Canal from politics, how could proposed international administration, with obvious political ancestry do this? It was a mistake to define the way before defining the aim. The aim should have been defined first and search for the way should have come afterwards, unless question was something else altogether.

Pass to Washington as my telegram 300 and to Paris as my telegram No. 282 Saving.

[Repeated to Washington and Saving to Paris].

ADVANCE COPIES TO:
Private Secretary
Sir I. Kirkpatrick
Mr. Nutting
Mr. Ross
Head of African Department
Head of News Department

2222

TOP SECRET

FROM WASHINGTON TO FOREIGN OFFICE

TE 14211
1423

J. O. Leach
Fuller Leach
(Carroll)
~~PR 1326~~

Cypher/OTF
Sir R. Makins
No. 1838
September 8, 1956.
EMERGENCY
TOP SECRET

D. 1.06 a.m. September 9, 1956. L.T.
R. 11.15 a.m. September 9, 1956.

Addressed to Foreign Office telegram No. 1838 of September 8.

RECEIVED IN C.S.
1 SE 1956
SENT TO DEPT.

Repeated for information to Paris New York (UKDel),
Cairo, SE 14211 G

Your telegram No. 4102: Suez Canal. *Spence att'd*
I saw Mr. Dulles this evening. Mr. Romatree was with him, and the Minister accompanied me.

2. I expressed the concern which you felt at the present state of the consultations between us and said that we seemed to be drifting apart. I made the points in paragraph 2 of your telegram and observed that Mr. Dulles had seemed to pour cold water on the two proposals that you had made at a moment when it was essential that there should be clear and quick response to the anticipated refusal by Nasser to negotiate on the basis of the proposal of the eighteen. I emphasized that, of course, the use of force was a last resort, but that we must be ready with a positive alternative proposal. The French Ministers were coming to London on Monday, and Parliament was meeting on Wednesday.

3. I was beginning to deal with the United Nations point when Mr. Dulles handed me a message from the President to the Prime Minister, the text of which is contained in my immediately following telegram (not to all). After reading it, I said that this was a most important communication which was in part an answer to the representations which I had been instructed to make to him.

4. I then returned to possible steps in the United Nations and said that in view of the objections which Mr. Dulles had raised to the text of our proposed letter to the President of the Council and to our proposed resolution, you have been giving some thought to the proposal that we should confine ourselves at this stage to a simple letter which did not propose immediate United Nations action. I showed him text in New York telegram No. 551 to the Foreign Office but I did not leave a copy with him as it was drafted for some reason as an Anglo-French communication rather than a tripartite communication. It seems to me that to divide ourselves from the Americans in this way on this matter at this point is not only unnecessary but would have the most unfortunate consequences. I explained to Mr. Dulles that this draft had not yet been considered by Her Majesty's Government, and therefore I would not give it to him. Mr. Dulles, after looking at the text, said his first reaction was good. He was confirmed in his view

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SOS for War (22)
10.17 Board of Trade
No. 10 32, 33, 34, 35
23. PS/Pro

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Washington telegram No. 1838 to Foreign Office

- 2 -

that this was the best procedure, and he liked the draft. He had two points on the text. In the first paragraph he thought it would be better to say:

"With regard to the situation created by the action of the Egyptian Government in attempting unilaterally to bring to an end the system of international operation of the Suez Canal".

In the second paragraph, he thought it would be safer to say:

"Of the 22 States 18 representing between them over 90% of the main interest in the Canal".

5. We then turned to the question of the payment of dues. Mr. Dulles responded with a general statement. He said that you must not think that the United States Administration were not as deeply concerned as Her Majesty's Government by this situation or any less conscious of its gravity. He had never seen the President more deeply worried about anything. But they saw no end to the consequences of military intervention. It would be possible to occupy key points, but in the President's view there were not enough troops and resources to put out all the fires that would be started. Of course, Nasser could not be allowed to win in this contest. He must be cut down, but the President did not think that either the threat of or an attempt at military action would work. Long range methods would be more effective. Economic pressures on Egypt could be maintained. The jealousies between the Arab States could be fomented. The Administration felt it was a handicap to be operating on the tight time schedule which had hitherto been imposed. It excluded what, in the United States view, were the most dependable possibilities of action. The President did not exclude the use of force in the last resort. Between us we could get Nasser down, and the United States Administration were quite determined that this should happen. If Nasser obstructed the canal and used force, they would use it too. But they did not believe that the methods and the tempo which we were advocating were the right ones.

6. He then said he had been working on his idea of a canal users agency and he gave me to read the "outline of a proposal for a voluntary association of Suez Canal users" which proposed the immediate formation by the eighteen of an executive committee of five, a director, and definite terms of reference. I said this gave precisely the indication

/which you

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Washington telegram No. 1838 to Foreign Office

- 3 -

which you wanted that the United States Administration were considering concrete and detailed proposals, and I asked whether I could send you the text. Mr. Dulles said that though he had discussed the plan in general with the President he would have to do some more work on it, but he promised to let me have a document outlining his proposals tomorrow.

7. In reply to a question by Mr. Rountree as to how this association might get started, I said that the first thing would be to open a bank account into which the Canal dues can be paid. Mr. Dulles seemed to think this was a constructive idea. There was also some inconclusive discussion as to whether the proposal should be launched at a conference of the eighteen or through the diplomatic channel. Mr. Dulles said that he regarded his proposal as a temporary one which might perhaps last for a year, eventually it might be replaced with an arrangement in which an Egyptian Government participated.

8. I told Mr. Dulles that I would stand ready to receive his proposal tomorrow and in the meantime report the conversation to you. I commented that his ideas fitted in well with the suggested procedure in the United Nations. If we decided to take action on these lines, it was clearly premature to call the Security Council together.

9. I will telegraph some further comment tomorrow.

Please pass Cairo and Paris as my telegrams Nos. 127 and 141 respectively.

[Repeated to Cairo and Paris].

[Copies sent to No. 10 Downing Street].

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MMMMMM

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FROM WASHINGTON TO FOREIGN OFFICE

31
JE 14211
1425

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WHITEHALL (SECRET) () DISTRIBUTION

Sir R. Makins
No. 1844
September 9, 1956

D: 9.56 p.m. September 9, 1956
R: 5.56 a.m. September 10, 1956

EMERGENCY
TOP SECRET

RECEIVED IN C.B.
1 SEP 1956
SENT TO DEPT.

31/14211/14246

My immediately preceding telegram: Suez Canal.

I saw Mr. Dulles this evening. He had Mr. Arthur Flemming, the Director of Defence Mobilization, and Mr. Reuntee with him. I was accompanied by Mr. Coulsen.

2. Mr. Dulles said he had been working on his proposal for a voluntary association of Suez Canal Users and he was now able to hand me a text (see my immediately following telegram). p.w.A.
3. After reading it through, I said this seemed to me a most interesting and constructive proposal. The following clarifications which emerged from our subsequent discussion may be helpful.

Paragraph 4, last sentence: This is put in with a query, as at the moment neither of us know here what was the final Egyptian reply to the Committee of Five.

Paragraph 8. Mr. Dulles said he had included this provision about membership because he did not think it would be useful to have every Tom, Dick and Harry in the Association with full voting rights. He, therefore, considered it wise to lay down a minimum quota. He thought the optimum size of the Association should be 22 to 25. Other governments which so wished could be affiliated with the Organisation under paragraph 9.

Paragraph 10. Mr. Dulles had settled on Rome as the Headquarters of the Association by the process of elimination. He had rejected Istanbul and Geneva for fairly obvious reasons.

Paragraph 11. Mr. Dulles' idea is that the Executive Group should consist initially of the same countries as the members of the Negotiating Group in Cairo, provided that they are willing to serve. He added that the language about the composition of the Executive Group was the same as that used in the proposal of the eighteen as regards the composition of the board.

/ Paragraph 13.

TOP SECRET

Washington telegram No. 1844 to Foreign Office

- 2 -

Paragraph 13. This also echoes a similar language in the proposal of the eighteen, and Mr. Dulles considers this would be a useful gesture.

Paragraph 16. It is in Mr. Dulles' mind that the "designated vessels" should be naval vessels.

Paragraph 21, second sentence: This is intended to cover Panama and Liberia, Mr. Dulles was doubtful whether, in view of her special position, Panama would be willing to join the Association and he thought credit should be taken for the ships under Panamanian registry but in United States or other ownership.

4. In general, Mr. Dulles said that he had tried to stress in his paper the rights which, in his view, accrued to the signatories of the 1888 Convention. His view was that the abrogation by Egypt of the concession did not mean that all the rights under the convention passed to Egypt. Many of them passed to the users of the Canal and he had therefore set out in his proposal all these rights. I said that you were particularly interested in this point and I thought that his paper made his view sufficiently clear.

5. I then asked whether I could communicate his proposal to you. He replied: "yes: on two conditions."

(a) That it was treated with the highest secrecy and not allowed to leak;

(b) That it was not communicated to the French until the proposal was agreed between us.

I pointed out that this last condition placed you, and to a lesser extent, myself, in considerable embarrassment. You had the French Ministers arriving tomorrow and I had M. Alphand already on my doorstep. The French had already acquired a general idea of the plan. Would it not be possible for you to give a general outline of the proposal to the French, perhaps without attributing it specifically to the United States Administration? Mr. Dulles saw the point, and said that this would be all right provided the paper was not textually communicated (i.e. you could use your own paraphrase), and provided you could ensure that the French did not "leak".

TOP SECRET

Washington telegram No. 1844 to Foreign Office

- 3 -

6. Mr. Dulles added that he realised that his proposal did not cover compensation to the shareholders, a point to which the French attached particular importance. But he thought that this would have to be left on one side for the moment and taken up separately later. He hoped, of course that sooner or later Egyptian cooperation would be secured, and that the Egyptian undertaking to compensate the shareholders could then be taken up.

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- Private Secretary
- Sir I. Kirkpatrick
- Mr. Nitting
- Mr. Murray
- Mr. Ross
- Head of African Department
- Head of Economic Relations Department
- Mr. Wright
- Resident Clerk

LLLLL

TOP SECRET

FROM WASHINGTON TO FOREIGN OFFICE

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Cypher/OTP

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Sir R. Makins

No. 1845

September 9, 1956.

D. 1.25 a.m. September 10, 1956.

R. 5.47 a.m. September 10, 1956.

EMERGENCY

TOP SECRET

SE 1421/1425

Attached

RECEIVED IN C.B.
1 11 1956
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My telegram No. 1844 and my immediately preceding telegram.

Suez Canal.

Following is text of Mr. Dulles' proposal.

Begins.

Outline of proposal for a voluntary Association of Suez Canal Users.

I. The need for User cooperation.

1. The Convention of 1888 provided that the Canal "shall always be free and open" and gave "every vessel of commerce or of war, without distinction of flag" a right of use of the waterway. All parties agreed "not in any way to interfere with the free use of the Canal" (Article 1). Moreover, the parties "agreed to respect the plant, establishments, buildings, and works of the maritime Canal" (Article 3). The agents of the Signatory Powers were "charged to watch over its execution" (Article 8), and Egypt, which was then a part of the Ottoman Empire and on whose behalf the Treaty was signed by Turkey, was bound to take ("shall take") the necessary measures for insuring the execution of the Convention (Article 9).

2. The

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Washington telegram No. 1845 to Foreign Office

-2-

2. The rights thus accorded under the Convention of 1888 constitute a perpetual easement to use the Canal freely.

3. It is obvious that the users' rights can best be exercised by cooperation as among the users and as between the users and Egypt through whose territory the Canal passes. Such cooperation was deemed assured at least until 1968 by the concession to the Universal Suez Canal Company which is referred to in the Treaty of 1888. However, the Government of Egypt acted unilaterally to annul that concession; and while the legality of that action is open to serious question, the Government of Egypt itself treats the concession as annulled and the cooperative arrangement evidenced thereby as terminated.

4. In the face of this situation the seven nations which constitute the only indisputable survivors of the signatories to the 1888 Treaty, together with eight other nations which, with the foregoing, represent over 90% of the ownership of shipping through the the Canal, together with seven other nations whose pattern of foreign trade shows distinctive dependence on the Canal, met at London to consider the situation. Eighteen of the twenty two, including nations of Europe, Asia, Africa, America and Australasia, agreed on proposals for cooperation with Egypt which gave Egypt the maximum participation which they deemed compatible with their own rights under the 1888 Convention. These eighteen-Power proposals were carried to Egypt by a committee of five and explained to the Government of Egypt. The Government of Egypt rejected these proposals and did not suggest any alternative proposal for cooperation (?).

5. Under the circumstances it has become both appropriate and necessary that the Governments of the users should organize as among themselves for the most effective possible enjoyment of the rights of passage given by the 1888 Convention. Of course, each user could exercise that right independently. But the requirements for pilotage and for a co-ordinated pattern of traffic are such as to make user cooperation a practical necessity.

/ 6. Accordingly

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Washington telegram No. 1845 to Foreign Office.

-3-

6. Accordingly, in order effectively to carry out the stated purpose of the Convention of 1888 "to guarantee at all times and for all the Powers the free use of the Suez Maritime Canal", the Governments subscribing hereto have agreed to create and join a voluntary cooperative association of Suez Canal users (CASU).

II.

7. Basic purposes of CASU

The Association (CASU) will function according to the following principles

(1) to organize the use of the Canal by member controlled vessels so as to promote safe, orderly, efficient and economical transit; and

(2) to assure that such use will, as among member controlled vessels, be impartial and uninfluenced for or against any ship or cargo by reason of the policies of any Government;

(3) to cooperate with Egypt in the discharge by Egypt of its obligation to take the new measures for insuring the execution of the 1888 Convention;

(4) to coordinate generally, on behalf of the members, the rights of user granted by the 1888 Convention, with scrupulous regard for the sovereign rights of Egypt in consonance with the 1888 Convention.

III. The form of organization.

8. Membership in the Association.

The association shall consist of the Governments subscribing hereto and it shall remain open to all nations, whose nationals or ships of registry have been users to the extent of gross tons or more of the Canal or whose foreign trade has, to the extent of% or more passed through the Canal, on the basis of the last calendar year's figures available, and the Governments of which accept the principles above set forth.

TOP SECRET

Washington telegram No. 1845 to Foreign Office

- 4 -

9. Other Governments which desire to obtain the benefit of the facilities of CASU may become affiliates on a basis of equality by indicating such desire and by subscribing to the principles above set forth in section II.

10. Organization

The headquarters of the association will be established at Rouss.

11. The nations members of the association will create an executive group consisting of five nations which shall be chosen from among their members with due regard to use, pattern of trade, and geographical distribution; the composition of the executive group to be such as to assure that its responsibilities will be discharged solely with a view to achieving the best possible operating results without political motivation in favor of, or in prejudice against, any user of the Canal.

12. The term of office of the members of the executive group shall be one year, with eligibility for re-election.

13. The Executive group would make periodic reports to the United Nations and would be authorized to develop such further relations with the United Nations as may be agreed upon by the association and the United Nations.

14. The executive group will be responsible for giving general policy guidance to the administrator, hereafter referred to, in carrying out the objectives of the association. It shall be responsible for approving the scale of salaries and wages of the employees and shall prepare the annual budget, for approval by the association, on the basis of which will be calculated the fees payable by ships using the facilities of the association.

15. Members of the association will advance to the executive group a working fund of \$ to be reimbursed out of fees collected from ships using the facilities of the association.

16. The ship-scheduling points, unless otherwise determined by the executive group, shall be designated vessels of one or more of the member Governments stationed in the ports of access of Port Said and Suez as expressly authorized by Article 7 of the Convention of 1888.

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Washington telegram No. 1845 to Foreign Office

- 5 -

17. The association shall, upon the recommendation of the executive group, designate an individual administrator to administer the operations of the association and the members will give such assistance to the administrator as may be useful for the effective operation of the association.

18. The administrator, subject to the authority of the executive group, shall have the following powers:

(a) to establish and control the scheduling for ships using the facilities of the association;

(b) to allocate pilots to the masters of such ships;

(c) to employ the personnel necessary for the operation of the association, including the hiring and training of pilots;

(d) to make such rules and regulations for ships using the facilities of the association as in his opinion will best insure free and unobstructed transit of the Canal;

(e) to take the steps necessary, under the direction of the executive group, to insure the maintenance and repair of the Canal, and the facilities incidental thereto, and to remove obstructions from the Canal should they occur;

(f) to collect fees from ships using the facilities of the association which the executive group shall establish as equitable and necessary to defray the costs of the operations of the association, without profit to any member;

(g) to make available the services and facilities of the association to ships of any nation at all times. (Ships of members or affiliates of the association, however, shall, whenever necessary, have priority in the use of the services and facilities of the Association.)

IV.

19. The Association's relations with Egypt. The association will cooperate with the Egyptian Government to insure that the Canal remains free and unobstructed to shipping. The administrator, under the guidance of the executive group, will maintain such relations with the Egyptian Government as may be acceptable to the Egyptian Government and necessary to

/ effect

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Washington telegram No. 1815 to Foreign Office

- 6 -

effect such cooperation. It will reimburse the Government of Egypt for any expenses reasonably incurred by it in connexion with the performance by Egypt of the measures to which Egypt is obligated, by the Convention of 1888, to assure the free and open use of the Canal.

V.

20. Settlement of Disputes. Disputes arising between members of the association relating to their rights and obligations as members of the association, or as users of the Canal shall be settled by the executive group.

VI.

21. Meetings of the Association. The association shall act by meetings of its members. Affirmative action will require a vote which represents both a majority of the members and a majority in terms of the registry of member tonnage through the Canal during the last calendar year for which statistics are available. If the nation of ship registry is not a member of the association, then the tonnage shall be credited to the member nation whose nationals possess ownership of such tonnage.

VII.

22. Withdrawal of members or affiliates. Members of the association or affiliates may withdraw from the organization at any time by giving notice to the executive group.

Ends.

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Private Secretary
Sir I. Kirkpatrick
Mr. Nutting
Mr. Murray
Mr. Ross
Mr. Wright
Head of African Department
Head of Economic Relations
Department
Resident Clerk

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SECRET

FROM FOREIGN OFFICE TO WASHINGTON

Cypher/OTP.

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No: 4136
September 10, 1956.

D: 6.09 p.m. September 10, 1956.

EMERGENCY
SECRET

Addressed to Washington telegram No: 4136 of September 10

Repeated for information to:

Paris [Immediate]. Cairo [Immediate]. U.K. Del. New York
[Immediate].

SE 1421 / 1475 G

Your telegram No: 1845 and connected telegram.

Suez Canal.

I am sending you by separate telegram detailed comments on Mr. Dulles' proposals for a "users club". The position here is as follows.

2. On Wednesday at 2.30 the Prime Minister has to make a speech in the House of Commons announcing the policy of the United Kingdom Government on the situation caused by Colonel Nasser's summary rejection of the 18 power proposals. This summary rejection will be a second blow to Western influence in the Middle East unless it is followed at once by a statement of a clear and decisive western policy in the light of it.

3. Our initial reaction to Nasser's action on July 26 was to make military preparations which failing an agreed settlement satisfactory to us, would enable us to resume physical control of the Canal. We readily cooperated with the United States Government in promoting the London conference and seeking a peaceful settlement. That effort has failed. Therefore our original plan of resuming physical control of the Canal would appear to be the next logical step. *Prise*

4. In Washington telegram No: 1772 [of August 30] Mr. Coulson reported Mr. Dulles as having said that he considered that in the event of the talks with Nasser failing, recourse must be had to the United Nations. That was, indeed, our

view and....

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Foreign Office telegram No: 4136 to Washington

- 2 -

view and discussions have been taking place between us as to how to frame our request to the President of the Security Council for a meeting and a subsequent resolution. I have said throughout that such action would be extremely dangerous unless we had complete assurance of United States support.

5. Mr. Dulles now says that he is not prepared to support us in any recourse to the Security Council. This presents Her Majesty's Government with a difficult choice.

6. Mr. Dulles has put forward the alternative proposition of a users' club. For that to be a practical alternative to going to the Security Council, it would be necessary for the Prime Minister to announce on Wednesday Anglo-American agreement upon this course. He would have to be able to say that the users' organization was to be set up forthwith with British, American and French participation at least; that all dues payable by the users' ships would forthwith be paid to the new organization; that the new organization propose to exercise the rights of members under the 1888 Convention; that pilots would be provided for its ships; and that it would call upon the Egyptian Government to provide the necessary cooperation to enable the organization to function. It would have to be stated that if the Egyptian Government sought to interfere with the operations of the organization or refused to extend the necessary cooperation on land, then the Egyptian Government would be regarded as being in breach of the Convention of 1888, and users could take such steps as seemed fit to them to enforce their rights. Anything short of that would not be regarded as an indication that we meant business.

7. You should discuss this with Mr. Dulles. You should say that unless the Prime Minister is able to state what is set out in paragraph 6 about the users' club and particularly American participation and the immediate payment of dues to the users' organization, he will be unable to withstand pressure for an early debate in the Security Council at our initiative.

8. In view of Wednesday's debate you will realize the extreme urgency of Mr. Dulles' reply.

JJJJJ