

SECRETARY OF STATE

CONFIDENTIAL

The Prime Minister thought that the attached article by Norman Clark from the News Chronicle of September 3 might be useful in persuading the Americans that the whole of the Arab world is not behind Nasser.

(Sgd) D. A. LOGAN

September 4, 1956

Copied to:

I.P. Dept.

African Dept.

News Dept. Can you attach?

I believe Nuri finds this sort of thing embarrassing? Levant Dept. See () 7/9.

[Signature]
7/9

The mediation talk is misleading; and
any public suggestion that Nani is not
wholly on Nansen's side is embarrassing
to Nani.

D. J. [Signature] 1959

D. Wilson, African Dept.

3 SEP 1956

Menzies flies in for Cairo talks and gets a cool reception

ARAB WARNINGS GO TO NASSER

Alarm over oil income

From **NORMAN CLARK: Cairo, Sunday**

MR. MENZIES flew in to Cairo tonight—and got a cool reception. Instead of being met by a Cabinet Minister, as protocol demands for a visiting Premier, there was only the military governor of Cairo.

While the Australian Premier and his aides were leaving the airport, Nasser told a Press conference that he had not made up his mind whether to take the Suez dispute to the United Nations.

"I would rather depend on the judgment of world opinion," he said. Then he expressed "great satisfaction" with President Eisenhower's statement last week which—according to Nasser—acknowledged that the only point at issue was freedom of navigation in the Canal.

But, despite Nasser's apparent confidence over the way things are going, I can reveal that new influences are developing in the Arab States which could be brought to bear on Nasser if he remains obdurate.

These new forces centre on the mediation attempt opened by Iraq three weeks ago and rejected by Egypt. This time Iraq is canvassing Arab countries before submitting proposals to Egypt. Most significant is the favourable reception Iraq's plan has had in Saudi Arabia.

Moreover, as British and French military strength is built up in the Eastern Mediterranean, King Saud and other Arab leaders are reported to be growing more apprehensive of becoming embroiled if Nasser's intractability should lead to war.

The bold talk earlier of destroying oil wells and pipelines has given way to more sober considerations.

The Arab oil-bearing countries have come to realize that such a scorched earth policy would not damage the West so much as destroy their own wealth.

But in spite of the moderate counsels of certain Arab diplomats in Cairo in the past week, it is by no means certain that Nasser will listen to reason.

INCENSED

He is said to be incensed by the so-called "British spy ring revelation"—and by the arrival in Cyprus of French troops with whom the Moslem world is already at grips in North Africa.

To the United States Ambassador, Mr. Henry Byroade, this week-end Nasser said: "I expect Mr. Menzies to take two days explaining the point of view of the 17 London conference nations on controlling the Suez Canal. I will need no more than an hour."

Al Goumhoutiya, the newspaper, run by one of Nasser's military friends, says today: "It must be borne in mind that operation of the Canal must remain the exclusive responsibility of the Egyptian Government. We shall never agree to any kind of bargaining."

Nasser's Canal bosses today issued a new order intended to get round the British freeze on Egypt's sterling assets.

Canal dues must in future be paid in transferable currency. But a spokesman said that if ships insisted on paying dues to the old Canal company, in London they would still be allowed to pass through the Canal.

IN A WEEK

In London before going aboard the Viscount that was

E14211/1472 (A)

JE 1421/1474

Minutes

Ent J

Resumption of Parliament

The Prime Minister has begun to think of the speech which he would have to make if Parliament were recalled next week.

2. It is difficult at this stage to know at what stage of events Parliament will be meeting. Nor is it certain whether the Prime Minister would open the debate or conclude it. Nevertheless, he wishes to collect useful material for it now.

3. He will probably want to deal with Opposition criticism under two headings:-

- a) The solution of the Suez crisis must be a peaceful one;
- b) By our military preparations we have run the risk of prejudicing a peaceful solution.

Quotations from Opposition speeches and publications are being collected elsewhere. The Foreign Office are asked to propose the theme for the Prime Minister's speech.

4. Could something be produced say by the end of this week? I can only suggest that the theme might be the seriousness of Nasser's action, its widespread effects, the breadth of agreement among user nations and the determination to see a satisfactory solution (the paper prepared for No. 10 should, of course, broaden the theme into a skeleton for the speech).

Rogan

September 4, 1956.

Mr. Ross

Copy to:

African Dept.

S. of S.

Sir G. Kirkpatrick is drafting, as I understand.

LDW
8/9

NOTHING TO BE WRITTEN IN THIS MARGIN

1	2	cms	PUBLIC RECORD OFFICE	ins	1	2
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FROM WASHINGTON TO FOREIGN OFFICE

En Clair

FOREIGN OFFICE AND WHITEHALL
DISTRIBUTION

Sir R. Makins

No. 1891

D: 11.43 p.m. September 11, 1956

September 11, 1956

R: 1.50 a.m. September 12, 1956

IMMEDIATE

Addressed to Foreign Office telegram No. 1891 of September 11

Repeated for information Saving to: Cairo Paris

Suez Canal.

Following are questions and answers about Suez Canal at Mr. Eisenhower's Press Conference this afternoon.

Questions:

"Mr. President, Sir, negotiations over Suez seem to have reached a deadlock. I wonder if you could tell us whether this country is prepared to suggest a new approach and if so what that may be ?

Answer:

"As you know from the beginning our country has been dedicated to a peaceful solution of the Suez controversy. Largely through the efforts of Secretary Dulles the Eighteen Nation proposal was compiled and taken to President Nasser, who rejected it flatly, not only to Secretary Dulles' great disappointment but certainly to mine and, I believe, to all of the whole world that is interested in this thing, because that plan did represent the ideas of the Eighteen Nations the way the sovereignty of Egypt could be protected and observed and still the rights guaranteed under the Constantinople Convention of 1888 exercised by the individuals.

Incidentally in that presentation the Committee of Five did an extraordinary job. We owe them a debt and particularly Prime Minister Menzies. He was a model of tact, patience and diplomacy. So now we have come to the point where apparently Mr. Nasser is making a proposal. But, so far as I know to this moment, his proposal said nothing but "lets have a conference".

"There is no substantive point on which to base a conference. There are no details of time or place or anything else that I know of.

/ Nevertheless...

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Washington telegram No. 1891 to Foreign Office

- 2 -

Nevertheless, any suggestions he makes will be earnestly studied in this Government, and in the meantime we remain in the closest kind of diplomatic consultation with every, or with a number of Governments on what should be the next move to make"

Question:

Mr. President, if Britain and France should eventually resort to force would this country back them in that?"

Answer:

"I dont know exactly what you mean by "backing them". "As you know this country will not go to war ever while I am occupying my present post unless the Congress is called into session and Congress declares such a war. And the only exception to that would be in the case of unexpected and unwarranted attack on this nation, where self defence itself would dictate some quick response while you call Congress into action. So, as far as going into any kind of military action under present conditions, of course, we are not.

If, after all peaceful means are exhausted, there is some kind of aggression on the part of Egypt against a peaceful use of the Canal, you might say that we would recognize that Britain and France had no other recourse than to continue to use it even if they had to be more forceful than merely sailing through it.

There are so many things that can occur that I believe it is best to say we are consulting every - - with other nations on every possible line of action that could occur".

Question:

What would you think of the possibility of referring this matter to the United Nations at the present time"?

Answer:

I am certain that it will be referred to the United Nations before anything which you could call a more positive material - - physical positive steps are taken. I dont know whether this is the exact time. The only thing I can do is repeat my statement: we are consulting with all our associates throughout the world on this to see what is the very best next thing".

/ Question:

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Washington telegram No. 1891 to Foreign Office

- 3 -

Question:

Mr. President, is this Government considering cooperating with any other Governments in the application of economic sanctions to Egypt?

Answer:

"Every time that any difficulty like this occurs there are things in motion that are stopped or hurried up. And I suppose you could call them economic sanctions. A program of economic sanctions has never been placed before me as of this moment, never"

Question:

"Mr. President, if the non-Egyptian Suez pilots and engineers quit Saturday, as they have said they would, and Canal traffic is slowed down or stopped, do you think Britain and France would be justified in using force to restore a management acceptable to the non-Egyptian employees"?

Answer:

"I don't know about management. All that the Treaty says, the 1888 Treaty says, these nations are guaranteed the free use of the Canal. Now, if they are guaranteed the free use, then it -- and it says -- and then provides methods by which cooperation with Egypt may be achieved I think that they are justified, probably, in taking steps and conferring with President Nasser looking toward the free use of the Canal. But I don't -- that doesn't mean that they are justified at that moment in using force. I don't think that -- I think this: we established the United Nations to abolish aggression and I am not going to be a party to aggression if it is humanly possible".

Question:

"On the Suez issue Prime Minister Eden and Premier Mollet, in a statement today, said their Governments were in full agreement, to use their phrase, on further measures to be taken in this case. Do your words about our cooperation with other Governments imply that we are a party to any British-French agreements at this point"?

/ Answer ...

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Washington telegram No. 1891 to Foreign Office

- 4 -

Answer:

"No. They imply nothing that I haven't said; that we are in consultation to see what we believe would be a good step to take".

Foreign Office please pass Saving to Cairo and Paris as my telegrams 121 and 321 respectively.

[Repeated Saving to Cairo and Paris]

ADVANCE COPIES TO:

Private Secretary

Sir I. Kirkpatrick

Mr. Nutting

Mr. Mufrey

Mr. Ross

Mr. Pink

Head of African Department

Head of United Nations Department

Head of General Department

Resident Clerk

2222

A. JELK 211 / 1477 (A)

SECRET

FROM WASHINGTON TO FOREIGN OFFICE

Cypher/OTP.

FOREIGN OFFICE SECRET AND
WHITEHALL SECRET DISTRIBUTION

Sir R. Makins
No: 1873
September 11, 1956.

D: 6.19 p.m. September 11, 1956.
R: 8.31 p.m. September 11, 1956.

EMERGENCY
SECRET

Addressed to Foreign Office telegram No: 1873 of September 11

RECEIVED IN U.S.
1 OCT 1956
SENT TO

Repeated for information to: Cairo, Paris, U.K., Del. New York.

My immediately preceding telegram: Suez Canal. *within*

Following is statement of United States position.

Begins:

Since the Government of Egypt is unwilling to negotiate an accord regarding the use of the Canal in accordance with the 1888 Convention, as proposed by the 18 Nations at London, the United States believes that it is appropriate that the Governments which derive for their vessels the right to the free use of the Suez Canal should associate themselves together for the collective enjoyment and exercise by their vessels of their rights. We do not believe that these rights can be safeguarded if each nation, much less if each ship, fends for itself. We believe that, under the circumstances, practical cooperation on the part of Egypt can only be effectively achieved if the Users are organized so that they can deal jointly with Egypt and Egypt deal with them jointly.

Accordingly, if the United Kingdom alone or in association with others should propose a Users' Association to be organized by the 18 sponsors of the London proposals, or such of them as were so disposed, and perhaps others, the United States would participate in such a Users' Organization. We assume that the Users' Organization would exercise on behalf of the Users the rights which are theirs under the 1888 Convention and seek such cooperation with Egypt as would achieve the results designed to be guaranteed by that Convention. In accordance with this principle the Users' Association would, among other things, provide qualified pilots for the Users' ships; would receive the dues from....

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SECRET

Washington telegram No: 1873 to Foreign Office

- 2 -

dues from ships passing through the Canal, which would be used to defray the expenses of the Organization and to pay appropriate compensation to Egypt for its contribution to the maintenance of the Canal and the facilities of transit; and so far as practical arrange for the pattern of traffic of member vessels through the Canal. It is our view that if the Egyptian Government sought to interfere with such operations of the Users' Organization or refused to take the necessary measures for insuring the execution of the Convention of 1888, that would be a breach by Egypt of the Convention. In this event the parties to or beneficiaries of the Convention would be free to take steps to assure their rights through the United Nations or through other action appropriate to the circumstances.

Foreign Office please pass to Cairo and Paris as my telegrams Nos: 136 and 150 respectively.

[Repeated to Cairo and Paris]

ADVANCE COPIES:

Private Secretary.
Sir I. Kirkpatrick.
Mr. Ross.
Mr. Nutting.
Mr. Beeley.
Mr. Pink.
Mr. Murray.
Head African Department.
Head United Nations Department.
Head General Department.
Head News Department.
Resident Clerk.

JJJJJ

B. J. 4211 / 1477
 (B)

TOP SECRET
FROM WASHINGTON TO FOREIGN OFFICE

Cypher/OTP.

FOREIGN OFFICE SECRET AND
WHITEHALL SECRET DISTRIBUTION

Sir R. Makins
 No: 1874
 September 11, 1956.

D: 6.33 p.m. September 11, 1956.
 R: 7.54 p.m. September 11, 1956.

EMERGENCY
TOP SECRET

Addressed to Foreign Office telegram No: 1874 of September 11

Repeated for information to:

RECEIVED
 1 SEP 1956
 SENT TO U.S.A.

Paris. U.K. Del. New York. ^{within} Cairo.

My two immediately preceding telegrams: Suez Canal.

I told Mr. Dulles that at first sight the statement covered satisfactorily all the points in my letter. Mr. Dulles said it was intended to do so, and he hoped that it did.

2. He then made the following comments directly related to the text of the statement. He said we would notice that its departures from paragraph 6 of your telegram No: 4136 were of relatively minor nature.
See notes of 11/9

(a) It brought in the conception that some portion of the dues would be paid to Egypt. This is the formulation of the preliminary point he made to me yesterday, (paragraph 3 (a) of my telegram No: 1865).
See notes of 11/9

(b) He drew attention to the phrasing of the references to the setting up of the Association. He thought it important to indicate that the Association could be on the widest possible basis.

(c) The final sentence about action to be taken in the event of Egyptian interference had been re-worded to cover the point he made to me yesterday (paragraph 3 (b) of my telegram No: 1865).

3. See my immediately following telegram.

Foreign Office please pass to Paris and Cairo as my telegrams Nos: 151 and 137 respectively. [Repeated to Paris and Cairo].

ADVANCE COPIES: Private Secretary. Sir I. Kirkpatrick. Mr. Ross. Mr. Nutting. Mr. Murray. Mr. Pink. Mr. Beeley. Head African Dept.. Head United Nations Dept.. Head News Dept.. Head General Dept.. Resident Clerk.

SECRET

FROM WASHINGTON TO FOREIGN OFFICE

Cypher/OTF

FOREIGN OFFICE (SECRET)
AND WHITEHALL (SECRET) DISTRIBUTION

Sir R. Makins
No. 1875
September 11, 1956

D: 7.15 p.m. September 11, 1956
R: 9.05 p.m. September 11, 1956

EMERGENCY

SECRET

Addressed to Foreign Office telegram No. 1875 of
September 11.

RECEIVED	15
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Repeated for information to Paris Cairo UKDel New York

My three immediately preceding telegrams: Suez Canal. JE 14211/1477G - with ...

Mr. Dulles then dealt with the following points arising on
your telegram No. 4159: 14349

(a) Payment of Dues.

He said that initially the United States Government would only be able to ensure that United States flag ships paid these to the new organisation and that the application of this requirement to ships under the Panamanian and Liberian flags would require further consultation. Mr. Dulles said that the Secretary of the Treasury was ready to issue a Treasury licence requiring American flag ships to pay dues not to the Egyptian Government, but to the new association. He warned me that this might not be able to take effect until C.A.S.U. had actually come into existence, but it was his intention that it should be set up without delay.

(b) United States supporting statement.

Mr. Dulles said that such the best procedure from his point of view was to use the occasion of his weekly Press conference on the morning of Thursday, September 13 to make this. He would open the conference with a prepared statement. He sincerely hoped that this would meet the case and I recommend that you should agree. It will ensure the maximum publicity and effect, and the statement will come out before the close of the parliamentary debate.

/ (o)

SECRET

Washington telegram No. 1875 to Foreign Office

- 2 -

(c) Proposal for Meeting of Three Foreign Ministers.

Mr. Dulles said he would like to reflect upon this proposal. In this connexion he was concerned at the prospect of C.A.S.U. being an entirely Western organisation. Although there was provision in his scheme for other than Users, the first joiners would be the main Users and these were of course almost entirely Western countries. If we could bring in one or two Asians he thought it would be immensely helpful. Turkey would probably come in. Pakistan was doubtful owing to the governmental crisis. There was some chance that Iran and Ethiopia would play. Perhaps France, the United Kingdom and the five members of the negotiating group could form a kind of working committee to bring the organisation into being.

(d) Finally, Mr. Dulles said that his draft proposal for C.A.S.U. had inevitably been compiled in great haste, and that it must not be taken as representing the United States government position in every detail.

See my immediately following telegram. *JE 14214 / submitted with this*

Foreign Office please pass to Paris and Cairo as my telegrams Nos. 152 and 138 respectively.

[Repeated to Paris and Cairo].

ADVANCE COPIES

- Private Secretary
- Sir I. Kirkpatrick
- Mr. Ross
- Mr. Nutting
- Mr. Murray
- Mr. Pink
- Mr. Beeley
- Head of African Department
- Head of United Nations Department
- Head of General Department
- Head of News Department
- Resident Clerk

4444

7
 (162) 1956

AFRICAN
 EGYPT

TE14211/1479/G

FROM Washington
 (R. R. Haines)
 SECRET
 No. 1879
 Dated Sept. 11
 Received in Registry— Sept. 12

Suez : U.S. Position on long-term
Considerations.
 The President is concerned with working out a system which avoids undue dependence on the Canal in the future; additional strain on U.K.'s and France's balance of payments was also mentioned

References to former relevant papers
 TE14211/1478 G
 1477 G
 1432 G
 Dept 4/2

MINUTES
 The Elath - Haifa pipeline (bottom of page one) is strongly used by Israel. Do we know if any oil company is interested? It would be a very risky investment, and might provoke an Arab oil boycott, but that risk would not matter once it became fairly clear that we faced such a boycott in any case. Such a pipeline would enable us to bring Persian, or any Arab oil that might still be available, to this country without going round the Cape. It would mean forcing the Straits of Tiran, but that would not be difficult, and since we are postulating an Arab oil boycott, would hardly increase the danger

(Print)

(How disposed of)

(Action completed) 	(Index)
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References to later relevant papers
 TE15310/1142.

9/

of Arab hostility.

J. Hillon
 12/9

Levant Dept

ER Dept 12/9

So far as I know only the Israelis have thought of such a pipe-line. According to WTM Telegram N. 1994 the Americans think the political difficulties would probably turn the scales against it.

(copy attached)

R. Kinnear
 12/9

According to a memorandum prepared by the Israeli Embassy in London (and left with African Dept.) the Elath-Idaifa (16") pipe line wd take about a year to complete. Assuming that the following supplies of oil were still available:

Kuwait	54.8 m.t.p.a.
Iran	16 (million tons per annum)
Qatar	5.4
Bahrain	1.5
Neutral zone	1.3
	<hr/>
	79.0 m.t.p.a (1955 production)

it wd be out of the question for a single 16" line to carry more than a small proportion of this. All the present pipe lines to the Mediterranean carry only 47 m.t.p.a. As a long term proposal for reducing our dependence on the Canal it wd also be unthinkable as it wd prejudice the position

Minutes.

prejudice the position of other oil companies in the Middle East (Iraq and Saudi Arabia) and involve a boycott.

No British Oil company has seriously considered having anything to do with such a pipe line.

The pipe line from Basra through Turkey is entirely new to me. Eastern Dept. have not heard of it.

J.R. Ballard 12/9

I spoke to Mr Bealey accordingly.
Discussed by ME (0)

Committee this morning. Their decisions will be our guide
X AW 13/9

NOTHING TO BE WRITTEN IN THIS MARGIN.

Minutes.

M.E(O) Committee decided on
 Sep 13 (M.E(O)(58) 16th meeting)
 "that we saw insuperable
 political difficulties in the
 pipeline through Israel". This
 was communicated to
 Washington by telegram (No. 2024)
 Washington

Rob. Ward 17
 9

Many thanks.

Levant Dept. (M. Lawrence)
 28/9

[Signature]
 25/9

TE 15310/M.E.

NOTHING TO BE WRITTEN IN THIS MARGIN

SECRET

FROM WASHINGTON TO FOREIGN OFFICE

Cypher/OTP

FOREIGN OFFICE (SECRET) AND
WHITEHALL (SECRET) DISTRIBUTION

Sir R. Makins

No. 1879
September 11, 1956.

D. 8.58 p.m. September 11, 1956.
R. 11.11 p.m. September 11, 1956.

EMERGENCY
SECRET

JE
JE 14211 / 1479

Addressed to Foreign Office telegram No. 1879 of September 11.

Repeated for information to New York (UKDel)
ALREADY IN U.S.
11 SEP 1956
Canal.

Repeated for information to New York (UKDel)

Paris

Cairo.

3514211/1478 & 3514211/1477 } submitted with this
3514211/1479 }
G

My telegrams Nos. 1872-1876 and your telegram No. 4155: Suez

JE 14211
14320
see notes

Mr. Dulles then said that the President wished him to draw my attention to certain longer term considerations. The President believed strongly that we must think ahead in terms of minimising our dependence on the Canal. Whichever way things went in the present crisis there must in the future be danger of Canal traffic being interrupted, even if Nasser accepted C.A.S.U. The present proposal certainly had the advantage of not formalising matters too much, in particular it did not involve some new treaty. It might be, therefore, that Nasser would accept it and at least let it go on for a while on a de facto basis. This view, however, was probably over-optimistic and we must count on the possibility that ships would be prevented by the Egyptians from going through the Canal. (Things would, of course, be much worse if the interruption occurred through the use of force since we should then lose the pipelines as well). In the immediate future, therefore, and in the longer run we must clearly concentrate on means of avoiding undue dependence on the Canal. We had a programme which would enable us to deal with the re-routeing of ships and redistribution of oil. This should be explored further and improved, and we should consider all sorts of other possibilities such as additional pipelines and building of bigger tankers. He referred specifically to the possibility of the Elath-Haifa line. This could be completed in six to nine months, but of course raised political difficulties.

/2. He

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SECRET

Washington telegram No. 1879 to Foreign Office

*see speaker's
submission - 2 -
with this*

2. He then referred to my statement earlier in the day (your telegram No. 4155, paragraph 2) that we were prepared to face the economic consequences to ourselves of economic pressure on Nasser. He realised that this would mean an additional strain on our balance of payments, and had asked the Secretary of the Treasury what could be done to help. Mr. Humphrey then said that the Treasury had looked into the situation. The Export/Import Bank was the only avenue for short term help. It would be possible for the Bank to issue loans to cover the export of United States oil. It would not be the intention to give such loans to all countries. Mr. Dulles interjected that Germany, which had ample foreign exchange resources, would no doubt not qualify and that possibly only the United Kingdom and France would do so. Mr. Humphrey added that there would inevitably be some limit as to the accommodation which could be given in this way. It would take the form of a line of credit though the detailed terms would have to be worked out later. This was not of course a permanent arrangement (he thought we would not desire this in any case) but merely something which was intended to help us over a rough spot.

3. At this point Mr. Arthur Flemming, the Director of the Office of Defense Mobilisation, joined the meeting. I said that I had referred Mr. Dulles earlier in the day to a document giving estimates of the strain on the balance of payments both of Europe and of the United Kingdom. On looking against this document I noted that the assumption was that both the pipelines and the Canal were closed, whereas we could perhaps make a more optimistic assumption in the event of C.A.S.U. that only the Canal would be closed. I had asked for your estimates on this alternative assumption. Mr. Flemming said that their calculations were that in this case the strain would only be reduced by approximately one fifth.

4. Mr. Dulles then said that he would like me to discuss all the matters that he had referred to in this connexion with Mr. Arthur Flemming and the other interested United States authorities. I said that I was at their call and that in these talks I would associate the Economic Minister with me. We are having our first talk this afternoon.

/s/ In

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SECRET

Washington telegram No. 1879 to Foreign Office

- 3 -

5. In conclusion, I pointed out to Mr. Dulles that the French had now been fully informed on the subject of C.A.S.U. and he would no doubt wish to consider whether most, if not all of the ensuing conversations, should not be carried out on a tripartite basis. Mr. Dulles said he would do so. He pointed out that the present communication had been made to me alone on account of the Prime Minister's statement in the House of Commons. He thought it would be appropriate that I rather than the State Department, should inform the French Ambassador of the United States reply. I shall do this as soon as I can.

Foreign Office please pass to Paris and Cairo as my telegrams Nos. 155 and 141 respectively.

[Repeated to Cairo and Paris]

ADVANCE COPIES:-

Private Secretary
Sir I. Kirkpatrick
Mr. Nutting
Mr. Murray
Mr. Ross
Mr. Pink
Head of African Department
Head of News Department
Head of United Nations Department
Head of General Department
Resident Clerk

SSSSS

Enter

3E
JE 14211 / 1481

TOP SECRET

Record of Conversation between the Foreign Secretary and the Pakistan High Commissioner on September 6

The Pakistan High Commissioner called on the Foreign Secretary on September 6 to enquire if there was any news of the progress of the Menzies Committee's discussions in Cairo.

2. Mr. Selwyn Lloyd said that reports seemed to show that a complete deadlock had been reached. Mr. Ikramullah said that this was not surprising. Both sides had taken up firm attitudes and could not be expected to reach agreement straight away.

3. In the course of a general discussion the High Commissioner said that his Foreign Minister had had to face much criticism on his return but he was glad to say that the Pakistan Cabinet had unanimously supported the position he had taken up at the Conference. Pakistan public opinion, however, upon which Indian propaganda was continually working, would probably not support H.M.G. in action to enforce Egyptian compliance.

4. Speaking of his colleagues at the Conference the High Commissioner said that the Indonesian Foreign Minister had seemed to be unhappy in the rôle of a supporter of India and Russia. This had subsequently been confirmed by the Indonesian Ambassador. Sir Claude Corea had also given him the impression that personally he would have preferred to have supported the Dulles proposals. His speech had been deliberately ambiguous although, in accordance with his instructions, it had included a sentence expressing support for the Indian proposal.

5. In reply to a question, the Foreign Secretary said that the Government of Iraq were absolutely firm and had often emphasized the importance which they attached to the reduction of Nasser's prestige and position. H.M.G. had been encouraging the Iraqis in their recent approaches to the Saudi-Arabians. The Iranian Foreign Minister also had been extremely emphatic. The High Commissioner agreed, but added for the Foreign Secretary's personal information that he had been told by a Pakistani friend who had it from Khrushchev himself, that when he was in Moscow the Shah had undertaken to withdraw from the Bagdad Pact in due course. In their conferences, however, the Iranian Foreign Minister had at no point given any indication of the weakening of Iran's support for the Bagdad Pact.

6. Finally, the High Commissioner had said that it seemed to him a great pity that Krishna Menon, with the advantage

/of knowing

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of knowing exactly what Nasser would accept, had so played his hand at the Conference that the Indian proposal had been rejected. He would have been much better advised to have given his blessing to the Dulles Proposals and to have put his own forward as a fall-back position, after the example of the Spanish delegation.

FROM AMMAN TO FOREIGN OFFICE

V J

En Clair

FOREIGN OFFICE AND
WHITEHALL DISTRIBUTION

Sir C. Duke

No.1250

September 10, 1956.

D.3.38 p.m. September 10, 1956.

R.5.20 p.m. September 10, 1956.

Addressed to Foreign Office telegram No.1250 of September 10

Repeated for information to

Beirut

Cairo

P.O.M.E.F.

My telegram No.1215.

JE11924/51

JE14271/1453

2.(sic) Falastin in an editorial published on September 8 says that Sir Anthony Eden's policy is causing a split among his Ministers, the British people and the Commonwealth. His policy does not have the full support of the people as is shown, it says, by statements made at the T.U.C. Congress, by the Archbishop of Canterbury's statement, by the "anxiety of the Labour Party leaders", by the "Press crusade" on Eden's policy and by the split among Ministers. The article says that parliament will call upon Sir Anthony to account for his actions.

3. Al-Jihad, on the same day, praises King Hussein for his action in supporting President Nasser and in telling the three Western representatives that Jordan regards aggression on Egypt as aggression on her territory. "A number of States realise that King Hussein's statements are serious". The American Chargé d'Affaires has not advised American subjects to leave Jordan and has stated that America is seeking a peaceful solution to the problem on the basis of free navigation through the Canal and guaranteeing Egypt's sovereignty. The United States seems to be afraid of the strength of the Arabs..... she recognised Egypt's sovereignty. "France appears to be longing for further crimes and will have a further sad lesson when the Arabs declare a merciless war against her". "What applies to France also applies to Britain who has persecuted the Arabs, sucked their blood and surrendered their homeland to the Jews".

B B B

11 SEP 1956
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CONFIDENTIAL

C.9/56

Information Office,
British Embassy,
Washington.

August 13th 1956

"THE SUEZ CANAL - FACTS AND FIGURES"

On August 8th, the Egyptian Embassy in Washington issued a mimeographed pamphlet with the above title. It is very ably written, and may be given a fairly wide distribution in this country. Although it is generally better tactics to concentrate on stating the British case rather than on answering Egyptian propaganda point by point, you may find the following notes of some value if you come across the Egyptian pamphlet, or arguments based on it.

The history of the Suez Canal is readily available in a number of books (or, for that matter, in Central Office of Information reference paper R.2451 of August 22nd 1952). There is, therefore, no point in going over the distorted and partisan version contained in the pamphlet. The degree of objectivity to be found in the pamphlet can best be judged by the following examples taken from the last four pages (which deal with recent events).

(a) Egypt's decision to nationalise was "mainly actuated by the desire to improve and expand the Canal....." Compare Nasser's speech announcing the decision, in which he said his intention was to extract from the Canal \$500 m. in the next five years to cover the foreign exchange costs of the Aswan Dam.

(b) The pamphlet alleges that the Canal Company have neglected improvements, and that present facilities are "barely adequate to cope with current traffic". The Company have, in fact, carried out enormous programmes of improvement and development since the war, including two new by-passes. The present £18 m. programme of improvement, which was to have been completed in 1958, would, according to varying estimates, cope with expanding traffic until somewhere/1960 and 1970. A greatly accelerated investment programme will be necessary to ensure that the Canal can carry the traffic expected in subsequent years. Because the Company obviously could not embark on capital expenditure on which there would be no return, they have recently been trying to interest shipping and oil concerns in the problem of improvements beyond this period. The Egyptian Government are no more able to finance these capital improvements, than they are to finance the High Aswan Dam. Against gross Canal revenues of some £35 m. annually, and net income of some £10 - £12 m., Nasser seems to think he is going to finance tens of millions of pounds worth of essential improvements, together with compensation to shareholders (£70 m.), communist arms (something like £80 m.), and the High Aswan Dam (perhaps another £400 m.) into the bargain.

(c) "It is in Egypt's own interest to maintain the operation of the Canal at maximum efficiency". Agreed: it is also in Egypt's interest to maintain international confidence in her economy, both by responsible economic policies, and by honouring contractual obligations. Nasser has done his best to destroy that confidence. His instinctive response to the sight of a goose laying golden eggs seems to be to reach for its neck and strangle it. We cannot allow a vital international waterway to depend on a faint hope that the Egyptian Government will rationally pursue its own best interests. It is in any case hardly consistent of the Egyptians to claim that Egypt will operate the Canal efficiently, when at the same time, to keep the Canal working, they are forced to threaten the foreign employees of the Company with imprisonment if they leave their jobs. It is sheer impudence on the part of the Egyptians to claim credit for their zeal to maintain the operation of the Canal when they first take action calculated to sabotage its operation, without discussion or warning, and then have to create a sort of slave-labour status for the
Company's/

- 2 -

Company's employees in order to keep traffic moving.

(d) "85% of the old Canal Company's employees were Egyptians". This is a fraudulent use of statistics. Only one in five of the Canal pilots is Egyptian, and the Egyptian Government have recently (before nationalisation) impeded the efficiency of the Canal by refusing to give visas for qualified non-Egyptian pilots, and trying to force the Company to lower its standards in order to accept Egyptian ones. The administration of the Canal has been almost entirely French, and the 85% must be (apart from the 35 to 40 Egyptian pilots) composed entirely of labourers. Even so, our figures suggest that there are about 340 Egyptians out of a total of 1300 - 1400 employees. The author of the pamphlet is probably including the 500 or 600 Maltese, Italian and Greek workers as Egyptians, or also talking about casual labour employed by the Company.

(e) The Egyptian Government has "made it very clear" that it has "no intention of increasing" tolls. Two months ago, in signing its latest financial agreement with the Canal Company, the Egyptian Government also "made it very clear" that it had full confidence in the Company, and that the agreement would continue in force until the expiry of the Concession in 1968.

(f) The pamphlet claims that Egypt has never interfered with freedom of traffic in the Canal. But -

- (i) In 1951 the Egyptian Government connived at a withdrawal of Egyptian labour from the Canal Company. The Canal was kept moving as a result of the assistance given by the Royal Navy and the British Army in the Canal Zone.
- (ii) Egypt is interfering with Israeli traffic. The argument that only certain Israeli ships are stopped, and that there is a legal case for doing so, ignores the fact that this argument was produced before the Security Council and rejected. The author of the pamphlet must have forgotten that, in stopping Israeli ships, the Egyptian Government is acting in defiance of a Security Council resolution.

JE 11/21/1489

2 out of 2 J

The Italian Minister gave me this morning the substance of the report in which the Italian Ambassador to Cairo described his interview with Colonel Nasser. The interview, according to Signor Prunas, lasted for half an hour. Colonel Nasser followed the Ambassador's statement with close attention without indicating in any way whether he agreed or disagreed. He took particular note of the Ambassador's statement that the Italian Government was completely at one with the other Governments as regarding the principles laid down in the London proposals as indispensable to a settlement. He thanked the Ambassador for the friendly character of his communication but declined to comment on the grounds that discussions with Mr. Menzies were still proceeding. Colonel Nasser appeared calm but well aware of the gravity of the situation.

A. D. M. Ross

(A. D. M. Ross)
September 7, 1956.

Copies to:

Sir J. Ward
Southern Department
African Department

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SECRET

RECORD OF CONVERSATION BETWEEN THE SECRETARY OF
STATE FOR COMMONWEALTH RELATIONS AND SIR CLIFTON
WEBB, NEW ZEALAND HIGH COMMISSIONER IN LONDON ON
6TH SEPTEMBER, 1956.

The New Zealand High Commissioner came to see me to ask about the Suez situation. I said that our latest information was that the talks were not going too well and that Nasser was not likely to compromise but we could not certainly foretell the outcome of the Menzies mission.

2. Parliament had been recalled because we felt that it must be told about developments and it seemed probable that Mr. Menzies would return before that. We must wait to decide the next step until we heard from him an account of Nasser's attitude.

3. Sir Clifton said there was much to be said for going to U.N.O. but the procedure was endless and we might get badly bogged down. It could not possibly authorise the use of force as Russia would veto any resolution to that effect. They would not make the mistake they made in Korea by absenting themselves again.

4. I said we would keep him in close touch with the situation.

H.

Commonwealth Relations Office.

6th September, 1956.