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Section 1

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EGYPT: ANNUAL REVIEW FOR 1950

Sir R. Stevenson to Mr. Morrison. (Received 24th April)

(No. 153. Confidential) *Cairo,*
Sir, *18th April, 1951.*

I have the honour to transmit herewith a General Political Review of Egypt for 1950, to which is appended an Economic Section.

2. The Oriental Secretariat and Chancery have collaborated in the Political Review and the Commercial Secretariat are responsible for the Economic Section. I regret that, due to pressure of work, some delay has been caused in their completion.

3. I am sending a copy of this despatch to the British Middle East Office and to the Governor-General, Khartoum.

I have, &c.

RALPH SKRINE STEVENSON.

Enclosure

General Political Review for 1950

Throughout 1949, action in Egypt on any major issue of domestic or foreign policy was paralysed by the approaching dissolution of the Chamber of Deputies. The question was: Would the Wafd return from five years in the wilderness to a share in, or to exclusive control of, the government of Egypt? Not many doubted that in a reasonably free election the Wafd would win; but free elections are the exception in Egypt, and, determined as Sirry Pasha was to conduct an honest poll, King Farouk was believed to be working for a "balanced" Chamber. In the event, the Wafd secured an overwhelming and popular victory. Few Egyptians, looking back on the achievements of the recent Palace minority régimes, could regret their disappearance, and if the thinking elements of the population saw little to hope for in the return of the Wafd, the broad mass of the Egyptian population was sanguine enough to believe that they would benefit from the change. A new set of questions now presented themselves. Would there be a collision between King Farouk and the Wafd? Would Nahas Pasha retire from politics after being acclaimed by the Egyptian populace? Did the return of the Wafd merely mean a rever-

sion to their previous record of corruption and demagoguery, or would they, sustained by a solid, popular mandate, apply to Egypt's domestic and foreign problems the radical and realist policies which their predecessors (partly on account of Wafdist obstruction) had failed to grasp?

2. By the end of the year 1950 these questions were largely settled. For the first time a Wafd Government and the Palace were working in close harmony, albeit with some stresses in the latter part of the year. The reformist element within the Wafd had just managed to maintain its foothold, but ascendancy had unquestionably passed to Fouad Serag El-Dine Pasha, whose mastery of the Egyptian art of political management had shown itself to be unrelieved by any spark of statesmanship. Though still in effective control when he chose, Nahas Pasha had proved in 1950 to be apparently increasingly indifferent to anything except determination to remain in office.

3. The chief surprises in the Cabinet selected by Nahas Pasha were the choice of Mohamed Salah El-Dine as Foreign Minister and Zaki Abdel Motaal as Minister of Finance—the former a relatively minor figure in the party hierarchy, but a protégé of Nahas; and the latter not even a member of the Wafd. Motaal, Dr. Hamed Zaki (Minister of State), and Dr. Taha Hussein (Minister of Education), styled by their colleagues "the professors," were, however, regarded as the nominees of Neguib Al Hilali Pasha, himself a leading Egyptian jurist and ex-University professor. Hilali himself had refused office. Disliking, and disliked by, King Farouk, he enjoys the support of the intellectuals within the Wafd and is reckoned to be Serag El-Dine's greatest potential rival for eventual leadership. Throughout the year there were recurrent but abortive rumours that he would join the Cabinet; he has, perhaps wisely, kept clear. The lack of cohesion consequent upon this and other divisions was noticeable throughout the year, and from its earliest days the Cabinet developed the habit of airing their dissensions in public.

2

4. There was some relief when, simultaneously with the formation of the Nahas Cabinet, Hussein Sirry Pasha was appointed Chief of the Royal Cabinet, for most people felt that he would serve as a buffer between the King and the Wafd. It soon appeared, however, that Nahas was out to conciliate the Palace to the point of subservience. Whilst in opposition, Serag El-Dine Pasha had maintained contact with the Palace through Kerim Tabet Pasha, the Royal Press Counsellor and close confidant of His Majesty. This association now became the channel of a collaboration between Government and Palace which moved swiftly from a basis of mutual suspicion to one of mutual interest (in the worst sense of the word) from which both principal and agent derived profit or advantage. In such uncongenial company, Sirry Pasha found himself both uncomfortable and unnecessary and withdrew without regret in April.

5. It was soon clear that for all their promises of vast social reforms the Government had no programme. The Minister of Education promised free and universal primary and secondary education. The Minister of Social Affairs announced admirable, if rather ambitious, proposals for social betterment with which he has only been able to make a start, and—potentially the most positive move of all—the Minister of Finance called in a British expert to advise on the Egyptian civil service. But these were individual enterprises; there was no coherent policy for co-ordinating or financing reforms. Nor has any such policy since appeared. The reason is not far to seek. The present Administration has shown that however useful the appeal of "socialism" when in opposition, the Wafd is not inspired by ideas of radical social reform.

6. The failure of the Government to deal with the persistent rise in the cost of living and the shortages of basic food-stuffs are dealt with in the economic section of this report. Politically, this has been of paramount importance, and to it more than to anything else can be attributed the steady decline in the Government's popularity over the year. In March the Government granted an increased cost-of-living bonus to its employees and later made the increase obligatory on all commercial and industrial employers; but this was only a palliative.

7. One of the first measures expected of the Government was the termination of the *état de siège* (Palestine emergency powers) which had been used by the Saadist Government to suppress communism and terrorism,

and to stifle a good deal of less extremist opposition. Fouad Serag El-Dine, as Minister of the Interior, rapidly completed the process begun by Sirry Pasha of releasing internees; but on legislation he moved more cautiously and it was not until May that a law came into force which ended the *état de siège*, whilst retaining a number of its provisions, including a censorship of the press and, pending new legislation concerning societies, the ban on the Ikhwan el Muslimin. Serag El-Dine engaged in clandestine negotiations for the removal of the ban and the return of their sequestered assets in order to keep the Ikhwan el Muslimin out of the hands of the Opposition; but their legal position remained unchanged, though again, as part of Serag El-Dine's political strategy, they were in the latter part of the year being allowed to reorganise openly.

8. The Opposition parties were for a time at a loss in the face of the Wafd-Palace combination. In May, however, a concerted attack was led by Mustapha Marei Bey in the Senate on the subject of the Government's failure to act on reports by the State Audit concerning an allegedly irregular payment to Kerim Tabet Pasha, and the purchase of faulty munitions during the Palestine war. King Farouk, persuaded by Kerim Tabet to regard the attack as aimed at himself, was of a mind to dissolve the Senate, but was persuaded by his Government instead to adopt the Wafdist thesis in an old dispute about the legality of the Senate nominations in 1941, when the Wafd was out of office. On this excuse, decrees were issued on 17th May removing certain Opposition Senators, and nominating Government supporters in their places. This gave the Wafd, with the support of reliable independents, an assured majority. Two months later elections for newly-created Senate constituencies were boycotted by the Opposition, and thus for the first time the Wafd came within sight of an absolute majority in the Senate. The Opposition manoeuvre had cemented the alliance of Palace and Government, but it had also thrown a lurid light on some unsavoury transactions and on the powerful position now held by Kerim Tabet.

9. The Government next tried to smooth over the allegations of scandals concerning arms purchases but, by this time, rumour had become altogether too persistent on this subject. Junior officers in the army were known to be restive about the higher command and the conduct of the Palestine campaign; and when in June a weekly

magazine began to publish details of irregularities, with supporting evidence, the Minister of War had to ask the Procurator-General to conduct an investigation. His enquiries were to last from July into the following year, and although publication of information about it was forbidden, the investigation was to echo through Egyptian politics for the rest of 1950.

10. No member of the Wafd was involved in any of these scandals, but after their return to office, nepotism and favouritism in Government appointments, which had been revived under the Hussein Sirry Coalition Government, flourished increasingly. Moreover, in the spring and early summer, the Government became involved in doubtful manoeuvres connected with the Alexandria Cotton Exchange. Mme. Nahas Pasha, her brothers, possibly Serag El-Dine Pasha, and other members of the Government, were involved in a gamble, the success of which depended at one stage on the enforcement by the Government of changes, having retrospective effect, in the long-standing rules of the exchange. Even King Farouk was not above suspicion of involvement, and it is certain that Elias Andraus Pasha, who at this time first appeared on the scene as unofficial financial adviser to His Majesty, had a large interest in conjunction with Farghaly Pasha, a well-known cotton broker and Wafdist supporter, and Mahmoud Abdul Fath, proprietor of the Wafdist daily, *Al Misri*. The Minister of Finance, Zaki Abdel Motaal Bey, tried at first to make a stand and the question of the legality of the change in the rules was referred to the State Council. Later, however, under pressure from Nahas Pasha and the Palace, Motaal compromised. King Farouk, in the meanwhile, made an appeal through me to His Majesty's Government to buy a quantity of cotton at a time when we were deliberately holding off, though it is possible His Majesty had, in so doing, been completely deluded by Andraus into believing that the move was necessary to protect Egyptian business interests against the machinations of Jewish brokers. Whatever the truth may be, the Minister of Finance later in the summer again yielded over the Government barter agreement with Yugoslavia, engineered to profit the same interests, but his conscience was uneasy and he was proving an increasingly difficult colleague. His training as a jurist, his honesty of intellect and his integrity as a former high official of the National Bank, were an unsuitable background for a Minister of Finance in existing circum-

stances, so he was marked down as "not a good Wafdist," and his removal, though delayed until November, was certain. In July the Prime Minister left to spend the summer in Europe. Soon after, King Farouk did the same.

11. For the King, the year had begun in a blaze of hostile foreign publicity over his reported intention to marry Mlle. Narriman Sadek, a 16-year-old Egyptian girl of middle-class origin, alleged by some to have been already engaged to marry a junior Egyptian official. The King summoned a meeting of the State Council to advise him concerning the betrothal, without His Majesty's consent, in the United States of his two sisters who had been living there under the guardianship of Queen Nazli, the Queen Mother. As a result the Queen was deprived of her Royal title and of part of her property; one of the Princesses was permitted to marry on condition she resided in Egypt, but the other, who was betrothed to a Copt, was severely censored and disowned. King Farouk's handling of this matter was unexceptionable, but the publicity involved at home and abroad depressed still further the prestige of the Royal House. Later during the summer, press reports gave the impression that His Majesty was behaving in Europe with vulgar and extravagant ostentation. When, towards the end of the summer, the arms scandal investigations involved various members of the Royal camarilla, discontent in the army and disillusionment among the people were widespread against King and Government alike.

12. The four main Opposition groups therefore thought it opportune to issue a manifesto criticising in strong terms both the Government and His Majesty's personal entourage; the move, however, proved a failure. The Government prohibited publication (though the manifesto circulated clandestinely), while the King regarded it as impertinent, if not treasonable. On His Majesty's return in October, however, he evinced displeasure with the Government's treatment of the domestic situation and anger at Serag El-Dine Pasha's apparently clumsy handling of the arms enquiry. Nevertheless, in the Cabinet reshuffle of early November, Serag El-Dine Pasha added the portfolio of Finance to that of the Interior. Thus, if his position *vis-à-vis* the Palace had been shaken, his control inside the Government was more firmly established than ever. It was announced after the King's return that His Majesty wished the arms enquiry to take its natural course regardless of personalities, and in early December there were

wholesale changes in the high command of the army, which did something to restore morale. When the new session of Parliament opened in November the Speech from the Throne indirectly but clearly betrayed the Government's anxiety about the deteriorating internal position by its challenging phrases about abrogating the 1936 Treaty. There were, however, some signs that the Government had taken King Farouk's strictures to heart and were making some effort to pull things together.

13. Maître Ahmed Hamza, the new Minister of Supply, showed some intention of tackling the question of food supplies and prices; and Hamed Zaki Bey, who had remained as Minister of National Economy in spite of the rumoured determination of Serag El-Dine Pasha to have him out, revived the Higher Economic Council to undertake general economic planning. By the end of the year, however, few results were to be seen. Nor had the decline in the Government's popularity been arrested.

14. But the Wafd remained entrenched in power. It was not the official Opposition groups but the extremists who were benefiting from popular discontent, which was taking the dangerous form of hatred of the wealthy and privileged classes. The Ikhwan el Muslimin were exploiting this to the full; but, on the other hand, Communist agitation in Egypt was not as active as might have been expected. Of the parliamentary Opposition, the Makramites and Watanists had nothing to lose in kicking over the traces and cultivating extremist groups; but the Saadists and Constitutional Liberals still realised that their hopes of regaining office must rest in King Farouk. The shifting of traditional political alignments during the year had brought Egypt to this situation; and for the time being—until a split in the Wafd or some such radical change supervened—there was no alternative Government.

Anglo-Egyptian Relations

15. It was inevitable that the new Government should make a determined bid to end the impasse in which Anglo-Egyptian treaty relations had remained since 1947. The extremism of their public support for Egyptian "national aspirations" had always been coupled with strong private hints from some Wafd leaders that they were not to be taken at their face value. On the other hand, as ever, no Egyptian dare publicly take other than the popular line on the subject of "evacuation" and "unity of the Valley," but Nahas Pasha now had to

reckon with the knowledge that King Farouk at least was against an open break with Britain. Thus, in the early spring we were confronted with a situation that in some respects promised well for a final settlement between Britain and Egypt, namely, a "popular" Government with a solid parliamentary majority, and a previous record of collaboration with Britain, together with a King in good relations with both Government and Britain. Unfortunately, the Government, a prisoner of its own past while in opposition, decided to adopt the tactics of the oriental bazaar. In March, the Egyptian Ambassador in London was instructed to deliver a challenging note demanding "complete and immediate evacuation" and the "unity of the Nile Valley." In May a verbal reply was delivered by Sir Ronald Campbell to Nahas Pasha, stressing the importance of the military aspects of the problem and suggesting that the C.I.G.S., Field-Marshal Sir William Slim, should visit Egypt to explain the situation to the Egyptian Government. In the interval, the atmosphere had rapidly deteriorated. A violent press campaign, in which the Ministry for Foreign Affairs certainly had a hand, had been worked up against any form of compromise on Egypt's national demands, developing into a general defiance of Great Britain and even the advocacy of a policy of neutrality between East and West. Field-Marshal Slim visited Egypt in June and again a month later and clearly explained the strategic situation, but his words fell largely on deaf ears.

16. In June I succeeded Sir Ronald Campbell as His Majesty's Ambassador and, at my first meetings with Nahas Pasha and Mohamed Salah El-Dine Bey, it was suggested that I should begin preliminary talks with the Foreign Minister. There then began a series of lengthy discussions between us which lasted from July until Salah El-Dine's departure for New York at the beginning of September. No appreciable progress was made, but any doubts about the rigidity of Salah El-Dine's insistence on the nationalist thesis were finally dispelled. Whilst willing and even anxious to accept military co-operation in time of war, he stuck with unshakable tenacity to his objections to the retention of foreign troops in Egypt in time of peace, and to the view that, if Egypt's national aspirations conflicted with the requirements of Middle East regional defence, so much the worse for the latter. It had also become abundantly clear that, whilst Salah El-Dine might personally

hold rather more rigid views than some of his colleagues, the chances of the Government modifying their demands were small.

17. The decision in August of His Majesty's Government to suspend the supply of jet aircraft and Centurion tanks already purchased by Egypt caused new strains. On the other hand, the deterioration of the international situation seemed to enhance the importance of an Anglo-Egyptian settlement, and Salah El-Dine Bey had hopes of soliciting international backing when he went to Lake Success. In this he was disappointed.

18. Meanwhile the Prime Minister began to show impatience at the lack of progress and made it clear in September that a public demonstration was to be expected from the Egyptian side unless His Majesty's Government could make some concession; and sure enough, in the Speech from the Throne in November, unilateral abrogation of the 1936 Treaty was threatened. There followed a number of student demonstrations in Cairo and Alexandria. At the same time, Nahas seemed anxious not to let matters go too far. In spite of threats, no declaration of the abrogation of the treaty was made—and the sharp reaction of the British public undoubtedly caused some hard thinking in Egypt. It was later agreed that when the Minister for Foreign Affairs went from Lake Success to London to lead the Egyptian delegation for Anglo-Egyptian financial talks, he should resume political discussions with His Majesty's Government. I was recalled at the end of November to London for these discussions, which lasted until 24th December, when they were temporarily suspended to enable both sides to take stock.

The Sudan

19. All other aspects of Anglo-Egyptian relations during the year were naturally overshadowed by the main problem. Although the Sudan had not figured very much in the discussions, it had been made clear by the Egyptian Ministry for Foreign Affairs that no settlement which ignored this aspect of the national demands would be acceptable.

20. Day-to-day co-operation on Sudanese affairs went, on the whole, less smoothly than under previous Governments. The new Ministers and their supporters showed themselves to be just as ignorant as their predecessors of Sudanese affairs, and just as unwilling to learn. No politician or official of any standing made the effort to visit the Sudan, and all lent willing ears to

the nonsense talked by Ismail el Azhari, leader of the Ashigga Party, who spent the first half of the year in Cairo and was very active in seeking interviews with Ministers and the press. The interest of the Egyptian Government in the welfare of the Sudanese manifested itself in a series of protests to the Governor-General about such matters as Sudan trade with Israel and the fact that the Governor-General had allowed the Legislative Assembly to debate self-government. There is no doubt that the year did nothing to dispel the prevalent Egyptian belief that the British administration of the Sudan was working actively for the separation of the Sudan from Egypt.

Other Foreign Relations

21. Egypt's seat on the Security Council, far from enhancing her prestige outside the Arab world, served rather to emphasise her lack of concern for international affairs, except in so far as they touched her directly. She took an independent line on only one occasion, and that when it was most capable of harming her interests: having subscribed to the resolution condemning North Korean aggression on the Southern Republic, she refused to support the resolution calling for aid to the victims of that aggression. Her reasons were, the Foreign Minister alleged, the ineffectiveness of United Nations resolutions on the Palestine problem, and the belief that the two opposed political systems were equally "imperialist." This exhibition of spite and self-advertisement embarrassed the other members of the Arab League, impaired Egypt's relations with the Western Powers, and failed in the object of calling sympathetic attention to her "national aspirations."

22. Thus, apart from Anglo-Egyptian relations, Egypt's main efforts in the international field were concerned with domestic Middle Eastern affairs with an occasional extension of the horizon to include Pakistan and India. At the end of 1950 she was no nearer ending the state of war with Israel than at the beginning; relations between the two States were conducted through the Mixed Armistice Commission with some strains but without any serious clashes. The most serious consequence of this state of war was the continued subjection of traffic through the Suez Canal to contraband control; and Egypt clung to her major political bargaining weapon against Israel by continuing to insist on the right of the quarter-million Palestinian refugees in the Gaza strip to repatriation. In November, however,

Egypt gave her vote at Lake Success to a programme for the reintegration of refugees which admitted the possibility of both repatriation and resettlement outside Palestine.

23. The dismal policy of whipping in a more or less recalcitrant League of Arab States behind Egyptian leadership continued under the Wafd Government with full Palace approval. The policy found expression on three important occasions. Well-founded rumours that Jordan was planning to conclude peace with Israel led Egypt in March to sponsor a resolution in the Arab League condemning these negotiations, and, as a result, Jordan chose not to break with the League and postponed her treaty indefinitely. The proclamation of the annexation of Eastern Palestine to Jordan in April led to renewed "ganging-up" against her under Egyptian auspices; and, at one point, the Egyptian Government, backed by an intensive press campaign, seemed determined upon the expulsion of Jordan from the League. This time she overreached herself; other member States backed down and Egypt was mortified to see King Abdullah refusing to save the League's and Egypt's faces by accepting a resolution that he held ex-Palestine territory "in trust." The whole question was tactfully dropped.

24. The annexation of Eastern Palestine had been followed by the British, United States and French joint declaration of the three Powers' interest in the tranquillity of the Middle East and their disapproval of attempts to alter the *status quo* by force. Illogical though it may seem, amidst the occasional boasts of preparations for "a second round" in Palestine, there is in Egypt considerable apprehension of an Israeli attack, an apprehension accentuated by the certainty of Egypt's inability to meet it. On this account the Tripartite Declaration caused considerable relief, which, however, did not find public expression. In June Egypt subscribed to a common formula adopted by the Arab League for a reply to the declaration rejecting the implication of tutelage which they professed to read into it.

25. The disastrous meddling in Syrian politics which had caused so much tension between Iraq and Egypt in 1949 was happily not continued on the same scale in 1950, and when Nazem Al Kudsi visited Egypt in November he was given an assurance that the Egyptian Government had no intention of interfering in Syria's internal affairs. Consequently, although Iraq and Egypt were at odds over various questions, their

relations in 1950 were on the whole more cordial; and in September an Iraqi Minister presented his credentials after the legation had remained virtually vacant for three years. Nevertheless, Iraq joined Jordan in refusing to sign the Arab Collective Security Pact, which the Egyptian Government had contrived, in the summer of 1949, to frustrate an Iraqi-Syrian union; and it therefore remained a dead letter to the end of the year.

26. Egypt's response to various attempts emanating from Pakistan to establish Pan-Islamic solidarity was only lukewarm. She had taken part in a preparatory Islamic Economic Conference in Karachi and, after some hesitation, joined in a further conference at Tehran in October. Growing scepticism in Egypt about the fruits of Egypt's Arab policy made the public equally unresponsive to wider schemes of Islamic union.

27. The campaign already mentioned in favour of Egyptian neutrality was given new impetus by a Syrian delegate to an Arab League meeting in an outburst against alleged Anglo-American pressure on the Arab States to make peace with Israel. Its intrinsic appeal is indisputable, but it is also a strong element in the ideas of those who, whilst acknowledging that Egypt cannot remain neutral, believe that other countries must be made to bargain for her support, and that she must use the threat of "neutrality" in haggling for her price. Mohamed Salah El-Dine Bey is of this school; and the Egyptian attitude on Korea reflected the same ideas. Of Russian sponsorship for "neutralist" agitation there was no sign; and even when in December a committee was formed in support of the "Peace Movement," the inspiration again appeared to be nationalist rather than Communist.

Nile Waters

28. The problems connected with the projects for harnessing and sharing between Egypt and the Sudan the waters of the River Nile provided more instances of the unsatisfactory relationship between the two Governments. The year started with hopes that it would soon be possible to commence negotiations with the Ethiopians concerning the construction of works to provide "century storage" at Lake Tsana. In January, Sirry Pasha had agreed to a method of negotiation and to the formation of a delegation whose composition and status was agreeable to His Majesty's Government and the Government of the Sudan. Once in

power the Wafd repudiated Sirry's promises, and many months were spent in trying to persuade them to change their minds. Eventually Osman Moharram Pasha, who was acting as Prime Minister, and Ibrahim Farag, the Acting Minister for Foreign Affairs, gave their agreement to a document which settled the three main points at issue. These were that the interests of the Sudan should be safeguarded during the negotiations by Sudanese delegates who would participate in the negotiations on an equal standing with their Egyptian counterparts, that Great Britain as a co-dominus should sign the final instrument making the agreement with Ethiopia applicable to the Sudan, and that the question of sovereignty over the Sudan should not be prejudiced by anything done or said in connexion with these negotiations. Unfortunately the Minister of Public Works refused to submit this document to the Council of Ministers until it had received the approval of the Minister for Foreign Affairs who was then abroad. By the year's end this approval was not forthcoming. There were likewise fruitless discussions about the Egyptian proposal to construct a dam at Merowe, and the Sudan Government's request that they should be permitted to raise the level of the Sennar Dam by 1 metre. The Sudan Government were unwilling to give their consent to the construction of a new dam on Sudanese soil unless the Sudan could expect to benefit from it. The Egyptians were similarly unwilling to give their consent to the increase in the storage capacity of the Sennar reservoir until approval had been granted to the Merowe project. As neither party was willing to give way a deadlock resulted.

29. There was little new in connexion with the Owen Falls scheme. Desultory discussion took place as to who should be responsible for the payment of compensation for lands inundated by the raising of the water level in Lake Victoria, but the subject was shelved pending further studies of the scheme by the Uganda Government. Thus, Osman Moharram Pasha, who, when he came into office, was full of resolutions that political questions should not stand in the way of practical progress, and that the various projects in view should be pushed ahead as fast as possible, had little to show for his efforts. One thing had however become clear. The Egyptian Government, despite its pretensions concerning the "Unity of the Nile Valley," was not prepared to subordinate any of its own interests to those of the Sudan. They did, however,

show signs of realising that negotiations carried out on an *ad hoc* basis were unsatisfactory and that a revision of the Nile Waters Agreement of 1929 would become necessary in the near future. The survey of all land capable of irrigation in the Sudan is therefore being pushed forward as fast as possible, but it is not thought that the Sudan Government will be in a position to discuss the overall division of the Nile waters on a long-term basis until the end of 1952.

Suez Canal Company

30. The disagreement between the company and the Egyptian Government about the appointment of the two Egyptian directors who were due to be appointed immediately under the 1949 Agreement was finally settled in the month of September. One of the two Palace nominees, Abboud Pasha, was elected, while the second place was filled by Wacyf Boutros Ghali Pasha, whose name had originally been proposed by the company. In order to avoid similar difficulties in the future the company obtained the Prime Minister's agreement to a more precise definition of the clause in the 1949 Agreement which states that appointments shall be made by the company after consultation with the Egyptian Government. Elias Andraus Pasha (see paragraph 10 above) was nominated Commissaire Spécial by the Egyptian Government.

Interference with Shipping in the Suez Canal

31. No progress was made towards relaxation of contraband control of Suez Canal shipping. Indeed, in June the Council of Ministers imposed further restrictions by instituting a "black-list" of ships which had carried goods on the contraband list to Israeli ports, and by demanding that captains of vessels proceeding through the Canal carrying "contraband" goods should certify that the goods would be consumed in the country of destination, and not re-shipped. Two notes of protest were sent to the Egyptian Government by His Majesty's Government and by the Governments of other interested maritime Powers. No reply to the second note of protest had been received by the end of the year.

32. British shipping interests suffered little actual loss, though inconvenience was caused to owners and agents. The most serious aspect of the question continued to be the ban on tankers bound for the Haifa refinery.

British Schools

33. The transfer of Victoria College, Cairo, from temporary quarters to its own new buildings at Maadi marked an important step in the development of British grammar school education in the Middle East.

34. On the outbreak of war the buildings of Victoria College, Alexandria, were taken over as a British naval hospital and the school was shortly afterwards removed to Cairo, where it was housed in the requisitioned buildings of the Italian School at Shubra. At the end of the war, with the reopening of Victoria College, Alexandria, so clamorous was the need for a similar institution in Cairo that it was decided to maintain the corpus of Victoria College, Cairo, in its temporary quarters until the funds could be raised, a site chosen, and the buildings completed, of a new school in or near Cairo. All this has now been accomplished at a cost of about £E. 200,000, of which some £E. 60,000 have still to be raised. The school accommodated 121 boarders and 447 day boys, and candidates for entry out-number vacancies by four to one. Well over 90 per cent. of the boys are of Egyptian or neighbouring nationality. The successful launching in the Islamic world, in these hard times, of an institution on the lines of a good British Public School is an achievement of which we can be proud.

Social and Labour Affairs

35. During 1950 the Wafd Government showed considerably more energy than its predecessors in tackling social problems. One of the more important steps taken has been the passing of a law authorising the introduction of a non-contributory pensions scheme for widows, orphans, totally disabled persons, and men and women over 65. Though the pensions payable are small, the scheme represents an important beginning, and it is intended that it should be followed by a contributory scheme once administrative experience has been gained. In rural areas measures of varying effectiveness have been taken to improve the standards of housing, increase the number of social centres, and continue work on the long-term project for supplying drinking water to all the villages of Egypt.

36. The trade union movement has continued to make only slow progress and has received little official encouragement. In February the Government, without prior consultation, published a proclamation doubling the rates of high-cost-of-living

allowance payable to workers in industrial and commercial establishments. Most of the industrial unrest that occurred during the year was caused through the difficulties experienced in implementing this decree. Later in the year a number of Government employees of various occupations and grades stopped work for periods of up to three days in support of claims for improved conditions. The Government refused to discuss these claims until they had considered the report, prepared by Mr. Sinker of His Majesty's Treasury, on the reorganisation of the civil service as a whole. This report was presented in November and it remains to be seen how far it will be adopted.

37. During the year Egypt has widened contacts on social matters with the outside world. In November Egypt was host country to a United Nations Seminar of Arab States, at which problems of rural welfare were discussed. In October Dr. Ahmed Hussein, Minister of Social Affairs, visited the United Kingdom at Mr. Bevin's invitation, and subsequently visited France and Geneva. On his return he announced his intention of seeking expert assistance from the International Labour Organisation, the United Kingdom, France and (under the Point Four Plan) the United States.

38. Further measures of social reform have been promised for 1951. But the value of these will be strictly limited unless they are accompanied by long overdue measures of economic, fiscal and administrative reform.

Economic Section

39. In the Speech from the Throne on 16th January, the Wafd Government announced its economic programme, which included:—

- (1) The creation of a Ministry of National Economy to develop new and existing resources of national wealth.
- (2) The active pursuit of work on the Aswan Dam hydro-electric project.
- (3) Development of Nile control works to augment the supply of water for irrigation and improvements in land drainage and irrigation.
- (4) Measures to reduce the high cost of living.

There is no doubt that quite a large part of the population had great hopes that the Wafd—the first Government for some years which commanded a real majority—would improve their standard of living by carrying out this programme.

40. Unfortunately these hopes have, after one year, been very much disappointed. It is necessary, however, to keep a balanced view of the Wafd's performance. They had it is true, raised extravagant hopes by their promises before the election, but the brutal facts of the Egyptian economic scene, run directly counter to these promises and hopes. These facts are:—

- (a) The corruption and inefficiency of the Administration, which seem to be worsening.
- (b) The limitation of land. The Ministry of Public Works published this year a statement of its schemes for 1950-75 in some detail; even supposing that all of these were realised, in 1975 the number of cultivable feddans per head would still be what it is now (0.32). There is a limit even to the waters of the Nile (though much can still be done in the way of conservancy); but irrigable land is certainly limited and there is no sign of any check to the rate of increase of the Egyptian population, which is at present about 400,000 per annum.
- (c) The lack of industrial employment. Few Egyptians desire to emigrate, and if they did it is difficult to see where they could go. Industry still employs a number under 500,000, and there are many obstacles in the way of increasing this figure significantly.
- (d) The international economic situation. Towards the end of the year the increasing armament of the world, and the Korean war, caused a serious rise in the price of all essential commodities.

41. With these points in mind, it may be convenient to deal with the main points of the Government's programme as set out in the Speech from the Throne:—

(a) *The Ministry of National Economy*

Much was hoped from this creation, the main point of whose charter appeared to be that it should co-ordinate the various projects of other Ministries. It was soon seen, however, that Ministers had no desire for their projects to be "co-ordinated" in this way (which would have undoubtedly meant the rejection or at least postponement of many of them), and that the Minister of National Economy had no power of enforcement. So far the Ministry has done little more than study projects which do not seem to interest

other Ministries. Its request for the loan for a limited period of a British planner and national economist has not yet been met.

(b) *The Aswan Dam*

Although a certain quantity of machinery had already been ordered against tenders for the electrification of the dam, the new Minister of Public Works early announced his intention of reconsidering the whole project. In a sense this was a sound plan, since previously tenders had been called for odd pieces of work; on the other hand, it soon became clear that the Minister was intent on carrying through the enormous undertaking of the electrification, together with the steel works and fertiliser plant to be run on the power so generated, at the earliest moment, without considering whether the national economy could bear the cost or whether these schemes were the most likely to have the required rapid effect on the standard of living. A credit of £E. 3,500,000 has been voted for the electrification scheme, but there is still no hint of how the further £E. 21,500,000 required is to be raised. (A figure of £E. 80 million has been suggested by the Minister as required for the completion of the trio.)

(c) *Development of Nile Works*

A reference has already been made to the long-term projects planned by the Ministry of Public Works. Work is commencing on the Owen Falls Dam in Uganda (whose object is to increase the storage capacity of Lake Victoria). Further, a new barrage is planned at Fareskour, about 20 miles upstream from Damietta, as a counterpart to the one under construction at Edfina (by a French firm), on the Rosetta branch. At the end of the year, Sir Cyril Fox, a British geologist, was invited to make a study of the Wadi Rayan project. It is proposed that this depression should be filled for storage, or as protection against floods, and the water used for irrigating the desert. The objection to this plan hitherto has always been that the water might seep through the sides of the depression and flood the neighbouring district of Fayoum.

(d) *Measures to Reduce the Cost of Living*

In December, 1949, the cost-of-living index number was 281.4 (June-August

1939=100); twelve months later it was 306.4—a rise of 15 points. It must be realised that this index is worked out by taking the Government fixed price for the various articles contained in it, and that these were often available to consumers only at much higher black market prices. Before the index reached 300, a senior official in the Ministry of Commerce calculated that, if the real prices at which articles could be obtained were used, the figure should be at least 350. A proclamation of 20th February, made effective from 1st March, ordered an increased cost-of-living bonus for all Government servants and those employed in commerce and industry. This measure was open to two objections:—

- (i) It penalised the employer who had paid his staff better in the past.
- (ii) Unless accompanied by some effective measures to increase supplies of the main commodities, it would be almost entirely inflationary.

42. In March, the Minister of Commerce and Industry outlined a thirty-point plan for reducing the cost of living. The chief points were:—

- (i) The absorption of surplus money in vast industrial and social projects as a deflationary measure.
- (ii) Revision of the customs tariff on imported food-stuffs.
- (iii) Heavy Government imports of food.
- (iv) Strict price control.

Many of the schemes proposed remained merely on paper, and as the cost-of-living index shows, the action which the Government did take was ineffective.

Industry

43. The major event of the year was the call by the Ministry of Commerce for offers for the erection of a steel works near Cairo, using iron-ore from Aswan. In November it was announced that offers had been received from one French, two German and one Italo-American firm. The cost is estimated at about £E. 15 million, and the plant will produce about 300,000 tons per annum, mostly in the form of simple sheets and bars; it is stated that it should save about £E. 4-5 million yearly in imports. Perhaps the most significant feature of this project is that no British firm or group took any serious interest whatever—a matter which receives further comment later.

44. Elsewhere, the fertiliser factory planned by Abboud Pasha near Suez neared completion, in spite of delays caused by shortage of certain essential supplies. When completed, this will eventually produce 400,000 tons of calcium nitrate annually, and will probably be one of the finest industrial plants in the world.

British Interests

45. The reluctance of British firms to engage in the steel project has already been mentioned, moreover there are no British firms working at present on any large public works contracts (a sphere in which the United Kingdom was once supreme in this country). The reasons given are, the refusal of the Egyptian Government to employ consulting engineers, and the continual administrative interference to which firms are subjected. Further, there is a general lack of confidence on the part of many British firms in the *bona fides* of the Egyptian Government in carrying out any part of a contract. However, these are all difficulties which some foreign firms are prepared to face, and a significant feature of the year was the reappearance of German names in Government adjudications. A German firm was awarded the contract for the Egyptian Mint; a German firm has put in the lowest tender for a bridge at Sohag; and one of the two German firms is confidently expected to be awarded the steel contract.

46. On 4th November the three year period of grace for firms to comply with the "Company Law" (No. 138 of 1947) expired. Most British firms had made a successful attempt to comply with the provisions, even though with some resulting loss of efficiency, and the Minister (Commercial) was able to obtain further time for companies which had not yet completed the task. The Ministry of Commerce has shown itself on the whole accommodating in such questions as giving exemption to certain exports, extending the period of grace, &c., wherever firms can show that they have made a genuine effort to meet the provisions.

47. Throughout the year, there has been a continual debate over Article 6 of the Law, which requires 51 per cent. of the capital of all new companies to be reserved to Egyptians. Statistics have shown that little, or no, capital from outside Egypt has been subscribed, since this law was enacted, towards

the formation of new companies. In response to repeated requests from many quarters the Minister of Commerce has agreed that this article should be altered. It is generally expected that the new clause will allow foreigners to control companies except those dealing with sections of the economy which are considered vital to the national interest. The terms of the amendment have, as yet, not been agreed.

48. Oil companies had their special troubles, centring on their demands for rights of development to be given with prospecting permits and for Egyptian oil prices to be raised to the same level as world ones. Having allowed the Government a time limit in which to give satisfaction on the first demand, the Standard Oil Company withdrew altogether from Egypt early in the year, having expended some 12 million dollars in prospecting and having developed nothing. In negotiations on these subjects, nationalist interests have naturally played a large part.

49. A new law was promulgated (No. 156 of 1950) whose object was the control of all insurance undertakings in Egypt, including reinsurance, marine and capitalisation companies. (At the date of promulgation, of the ninety-three companies permitted to transact insurance business in Egypt, as many as forty-four were British.) The main purpose of the law was to compel such firms to keep a much larger proportion of their capital in the country than hitherto.

50. The forms of pressure exerted on foreign firms referred to above have two ends in view:—

- (a) To remove the levers of economic power from foreign to Egyptian hands.
- (b) To find further means of employment for the ever-growing numbers who cannot be absorbed by agriculture. There is little sign that this pressure will relax. Many Egyptians would admit privately that the Government is driving away capital and skill which Egypt needs to develop her resources; extremely few would dare to say so in public. There is a further point which is rarely, if ever, mentioned. Much of the weight of Egyptian higher technical education is placed on the side of commerce (this faculty turning out some 4,000 students a year); far less attention than necessary is paid to the production of skilled practical engineers

or high-grade artisans, without whom no economy largely staffed by Egyptians can expect to develop. There would seem scope here for Government intervention to redress the balance.

Shipping

51. Towards the end of the year, after the question had been discussed for some time, the Government decided in principle to grant a subsidy to the Egyptian mercantile marine. This action is in line with a growing tendency here to flag discrimination, which has led the Government, in several recent trade agreements with foreign countries, to include a clause (though sometimes only in the form of a suggestion) dealing with the percentage of trade to be carried in the ship of the two contracting parties in each case.

52. Congestion at Alexandria Docks reached very serious proportions in 1950, due to the requisitioning of quays for unloading the vast quantities of cereals imported by the Ministry of Supply and to the fact that several quays are being converted to passenger quays or having the depths alongside improved by dredging. Discharge has been slowed up in consequence and valuable shipping time lost. In the opinion of many experts much of this congestion could be relieved if a modern discharge and silo storage system were to be installed; the Government has had such a project under study for some time, but no definite decision has yet been taken.

Electric Power

53. With the building of enormous numbers of new flats, especially in Cairo, the shortage of electric power began to be serious; no current could be supplied for lifts in many of them, and cuts had to be made in shop lighting. Urgent steps were taken during the year to carry out the building of the new North Cairo power station (being erected by a French group) to ensure its completion by 1953. At the same time the Ministry of Public Works prepared plans for a South Cairo power station (costing £E. 7 million) and another in the Mahmoudiah Canal at Alexandria (costing £E. 4 million). Here again, however, it appears that, since there is no control over demands for new consumption, the supply will continually lag behind and the gap must become ever greater.

Cotton

54. The spectacular operations of a small but very powerful group on the futures market has already been mentioned. This corner (in June futures for Ashmouni) and the high prices of cotton prevailing generally were assisted by—

- (a) the small carry-over from the previous year;
- (b) the restrictions placed on United States exports;
- (c) stockpiling by various countries in connexion with rearmament purposes;
- (d) increasing consumption by areas previously too poor or backward to be able to absorb the commodity.

55. The height of prices during the year caused perhaps more serious discussion than usual to be given to two perennial topics in this sphere:—

- (a) The possibility of the Government importing quantities of cheap Indian cotton against the exports of higher quality and priced Egyptian—the object being to produce low-priced textiles for the local market. (An argument often used against this scheme is that it would involve too difficult a technical alteration in the spinning machinery at the mills, but this is probably an exaggeration. The real objection comes from all those who have cotton to sell and have not the least interest in making internal prices low.)
- (b) The nationalisation of cotton. Most exponents of this view are rather vague about the details of their schemes, but probably most of them mean the purchase by the Government of the whole crop at fixed prices for resale at probably higher prices abroad, so that it will have ample funds for a planned programme of imports, chiefly of foods. Here again, the strongly entrenched cotton interests would put up a very hard fight against such a threat.

Commodities

56. A feature of the year was the number of large barter agreements made with such countries as the U.S.S.R. and Yugoslavia for wheat and maize against cotton. There was a considerable suspicion that the deals with the U.S.S.R. and Yugoslavia were

arranged purely to allow the cornering group to dispose of a large portion of cotton which they would otherwise have had to sell at a loss.

57. One of the few foods of which Egypt has any sufficient quantity for export is rice, and the Ministry of Supply insisted this year on payment in hard currency, which prevented purchases by the British Ministry of Food.

Trade

58. The United Kingdom retained its position of Egypt's principal supplier and the money value of its imports was the highest yet reached.

1949
37,985 (21.3 per cent.)

1950
41,323 (19.4 per cent.)

(£E. thousands; percentage of total imports)

The 1950 total might, however, have been considerably lower, except for the large purchases in the latter half of the year which were occasioned by the international situation. The lower percentage needs comment. We have been meeting serious competition since the war from Belgium in the iron and steel trades and in 1950 Germany once more appeared as a potentially dangerous rival, with imports totalling £E. 6,149,000, or one-fifth of ours. Since Germany's exports are largely of the same types as ours it follows that, should theirs increase, our percentage of Egyptian trade is likely to fall, though the absolute value of it, should there continue to be a continuing general expansion of such trade, might increase.

Our purchases from Egypt were:—

1949
23,594 (17.3 per cent.)

1950
37,909 (21.9 per cent.)

(£E. thousands; percentages of total exports)

Conclusion

59. The year saw no signs of any such rise in Egyptian industry as would be likely to absorb any appreciable part of the surplus population. Few foreign firms (and fewer British ones) were expanding their operations, in view of their uncertainty over the intentions of the Egyptian Government.