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## THE SUEZ CANAL CRISIS

### What Has Happened

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The Suez Canal is an international waterway, conducted hitherto - under a concession fully accepted by Egypt - by an internationally-owned company, in the interests of all the maritime nations of the world.

On July 26th, 1956 the Egyptian Government promulgated a law purporting to nationalize the Suez Canal Company as from that day. Under this law, all the assets of the Suez Canal Company in Egypt were "frozen," and all the staff of the Company, which includes British, French and other non-Egyptian pilots and technicians were to continue to discharge their duties under threat of imprisonment. President Nasser, announcing the law, made it clear that in future the Canal would be an instrument of Egyptian policy. In particular, the revenues would now be applied to Egyptian purposes. "We shall take the income from the Canal - \$100 million a year - and build the Aswan High Dam," he said. With the "\$500 million revenue" from the Company in the next five years, "we will not look to Britain and the United States for their \$70 million grant."

On July 27th the British Foreign Office sent a note to the Egyptian Government protesting against "this arbitrary action which constitutes a serious threat to the freedom of navigation on a waterway of vital international importance."

In the House of Commons, the Prime Minister said:

"The unilateral decision of the Egyptian Government to expropriate the Suez Canal Company, without notice and in breach of the concession agreements, affects the rights and interests of many nations. Her Majesty's Government are consulting other governments immediately concerned, with regard to the serious situation thus created. The consultations will cover both the effect of this arbitrary action upon the operation of the Suez Canal and also the wider questions which it raises."

On July 28th the British Government began

discussions with M. Pineau, French Foreign Minister, and Mr. Robert Murphy, Deputy Under-Secretary of State in the U. S. State Department.

On the same day, the British Treasury issued two financial Orders. The first froze the assets in Britain of the Suez Canal Company. The second forbade transfers from Egyptian sterling accounts in London, except with Treasury permission.

On July 30th the Prime Minister made a statement in the House of Commons in the course of which he said:

**"No arrangements for the future of this great international waterway could be acceptable to Her Majesty's Government which would leave it in the unfettered control of a single Power which could, as recent events have shown, exploit it purely for purposes of national policy."**

At the same time, Sir Anthony announced that all exports of war material to Egypt had been stopped.

On July 31st it was announced that Mr. Dulles, U. S. Secretary of State, would fly to London to take part in the discussions. At the same time, the U. S. Treasury issued a temporary Order blocking all assets in the U.S.A. of both the Egyptian Government and the Suez Canal Company.

On August 2nd the Governments of France, the United Kingdom and the United States issued a statement calling for an international conference on August 16th, the aim being

**"to establish operating arrangements under an international system designed to assure the continuity of operation of the Canal as guaranteed by the Convention of 1888, consistently with legitimate Egyptian interests."**

The statement pointed out that as recently as October 1954, the Egyptian Government



had recognized that the Suez Canal was "a waterway economically, commercially and strategically of international importance," and had renewed its determination to uphold the Convention of 1888. This Convention had provided "for the benefit of all the world that the international character of the Canal *would be perpetuated for all time*, irrespective of the expiration (in 1968) of the concession of the Universal Suez Canal Company."

**It was not questioned, said the statement, that Egypt had a right to nationalize ordinary assets within her territory.** But the act of the Egyptian Government involved more than a simple act of nationalization. It involved the arbitrary seizure of an *international* agency.

Moreover this seizure had avowedly been made so that the Canal could be used to serve the purely national purposes of the Egyptian Government rather than the permanent international purpose established by the Convention of 1888.

Invitations to the Conference in London on August 16th have been extended to parties to the 1888 Convention (Egypt, France, Italy, Netherlands, Spain, Turkey, United Kingdom, and Russia), and other nations largely concerned in the use of the Canal (Australia, Ceylon, Denmark, Ethiopia, Federal Republic of Germany, Greece, India, Indonesia, Iran, Japan, New Zealand, Norway, Pakistan, Portugal, Sweden and the United States).

#### STATEMENT BY THE PRIME MINISTER

In a speech to the House of Commons on August 2nd, the Prime Minister, Sir Anthony Eden, said that the anger and alarm felt by the Governments and peoples of the free world were due to the special character of the Canal. The industrial life of Western Europe literally depended, said Sir Anthony, on the continuing free navigation of the Canal. In 1955, nearly 70 million tons of oil had passed through the Canal, representing about half the oil supplies of Western Europe. Traffic through the Canal moved at the rate of 40 ships a day, and amounted to 154 million tons of shipping — a prodigious figure. Nor did this traffic affect the West alone. Australia, India, Ceylon and a large part of South-East Asia transported a major proportion of their trade through the Canal.

Sir Anthony repeated his statement, made on July 30th (see above), that it was unacceptable to Britain that the Canal should be left in the unfettered control of a single power, *which could exploit it for national policy*. He pointed out that as recently as June 10th of this year Egypt had reaffirmed, in an agreement with Britain, their respect of the rights and status of the Suez Canal Company. "These undertakings," said Sir Anthony, "are now torn up; and one can have no confidence in the word of a man who does that."

**Seizure by Egypt Imperils Development:** Sir Anthony pointed out that free navigation depended not only on the absence of dis-

crimination, but on continued capital expenditure to enable the Canal to cope with increasing demands made on it. With this aim, the Company had accumulated capital over the years to carry out the essential task of increasing the capacity of the Canal. The net annual revenue of the Company, after providing for taxation and for reserves as is at present done, was about \$30 million. Clearly it would be impossible, with this sum, to compensate the shareholders (some \$200 million), build the dam (total estimated cost \$1,300 million), and at the same time to allot the needed funds to develop the Canal. "*Yet the Canal must be developed if this international waterway is to serve its purpose.*" The current works program was costing \$56 million, and future extension programs needed to cope with the vastly expanded traffic expected in the next 10 to 15 years might cost ten times this amount.

**Military Precautions:** "Colonel Nasser's arbitrary action in breach of Egypt's solemn undertakings, many of them recently given, and without previous consultation or previous notice, reveals the nature of the regime with which we have to deal," said Sir Anthony. Their action in compelling the Canal employees to remain at their posts under threat of imprisonment, was a violation of human rights, to say the least:

"In these circumstances and in view of the uncertain situation created by the actions of



the Egyptian Government, Her Majesty's Government have thought it necessary to take certain precautionary measures of a military nature. Their object is to strengthen our position in the Eastern Mediterranean and our ability to deal with any situation that may arise."

The measures included the movement from Britain of certain Navy, Army and Air Force units, and the recall of some reservists, including certain specialists.

**Basis for a Solution:** The principle of free navigation through the Canal in peace and war is laid down in solemn international instruments, said Sir Anthony. Equally it was necessary to ensure "the efficiency and economy of its operation," and a fair level of dues.

In view of what has happened, "how could we look to the Egyptian Government *alone* to maintain these principles so scrupulously?" And if they were not maintained, the life and commerce of the whole free world would be constantly at risk:

**"The freedom and security of transit through the Canal, without discrimination, and the efficiency of its operation can be effectively insured only by an international authority. It is upon this that we must insist. It is for this that we are working in negotiation at this moment with other Powers deeply concerned, and nothing less than this can be acceptable to us."**

### BRITAIN'S WITHDRAWAL FROM THE SUEZ CANAL BASE

When the Military Government headed by General Neguib came to power in 1952, Britain made a sincere attempt to show its faith in future good relations between Britain and Egypt.

Egypt asked for the question of the Sudan — an Anglo-Egyptian condominium — to be dealt with first. In February 1953 an agreement for the future self-determination for the Sudan was signed by Britain and Egypt; and the Sudan is now an independent State.

The way was then clear for negotiation on the future of Britain's Suez Canal base. Discussion began in April 1953, and after some delays, an Agreement was finally initialled in July 1954. The terms of the final Agreement were that British military forces were to be completely evacuated by June 18th, 1956; sections of the base were to be maintained by Egyptian and British contractors, the British

employees (civilian) to be limited to 1,200; and Britain was to have war facilities at the base in the event of an attack from outside the area on any of the Arab countries or on Turkey.

Article 8 of this Agreement recognized the vital importance of the Suez Canal, and both signatories expressed their determination to uphold the 1888 Convention guaranteeing freedom of navigation.

The Agreement was signed on October 19th, 1954, the preamble expressing the desire "to establish Anglo-Egyptian relations on a new basis of mutual understanding and firm friendship."

Withdrawal of British troops had begun in August, 1954, and the last troops left Egyptian soil on June 13th, 1956.

On July 26th, six weeks later, the Egyptian Government seized the Suez Canal.

### FACTS ON THE SUEZ CANAL

**International Basis:** The Suez Canal, which is 105 miles long, was opened on November 17th, 1869. It was built by a French engineer, Ferdinand de Lesseps, who had secured a concession to form an international company for the purpose, with a 99-year lease from the date of opening.

From the start, British shipping predominated in the Canal. In 1875, Disraeli, then

Prime Minister, bought from the Egyptian Khedive nearly half the Company's shares at a price of £4 million.

At first, Britain took little part in the direction of the Company's affairs; but in 1882 the Khedive called on British troops to protect the destruction of the Canal by rioters. After that, Britain was allotted a share in the administration of the Canal commensurate with her finan-



cial and commercial interest, and was indeed tacitly recognized as the custodian of the Canal, exercising on behalf of Egypt the guardianship of the Isthmus of Suez. Nevertheless Britain tried to put the running of the Canal on a permanently international basis, and eventually an international Convention was signed in 1888 establishing that the Canal was to be "always free and open, in time of war as in time of peace, to every vessel of commerce or of war, without distinction of flag."

**The Suez Canal Company:** The Universal Suez Canal Company is registered in Egypt, but with its main office in Paris. Administration is in the hands of a Board of 32 Directors, consisting of 16 French (including the President), 9 British, 5 Egyptian, 1 Dutch and 1 United States members.

The Company's principal source of income is the dues payable by ships passing through the Canal. This is offset, of course, by the very heavy cost of upkeep and development. The Company's financial results for the year 1955 were as follows:

	\$ mill.		\$ mill.
Receipts .....	98.6	Depreciation .....	1.4
Expenditures .....	52.3	Insurance, equip-	
Net receipts ....	46.3	ment and	
Brought		reserves .....	5.7
forward .....	0.3	Improvement .....	8.6
Net profits .....	46.6	Distribution of	
		profits .....	30.6
		Carry forward..	0.3
		Total .....	46.6

By agreement, the Egyptian Government receives 7% of the gross profits, with a minimum of £E 350,000.

**Development:** When the Suez Canal was opened in 1869 it had a width of 177 feet at surface level, and a depth of 26 feet. There have been continuous programs for expansion, and today the Canal has a width of 510 feet and a depth of 46 feet, permitting passage of vessels drawing up to 35 feet. The eighth works program, begun in 1956, is designed to enable the Canal to handle still more and larger ships, aiming at a daily average of 45 ships (25 in 1948), with tankers drawing 36 feet at normal speed. The works include the digging of two new by-passes and the deepening and widening of sections of the Canal. Maintenance is also a vast problem, with constant dredging over long stretches where sand from the desert

is blown into the water.

**Distance Saving:** Using the canal, instead of the Cape route, the sea journey from Bombay to London is 6,260 miles, a saving of 4,460 miles. From Sydney, the canal journey is 11,630 miles, a saving of 1,220 miles. From Kuwait to New York, the canal route is 8,500 miles, a saving of 3,500 miles.

**Traffic:** Shipping passing through the Canal has increased from 55 million tons in 1948 to 115 million tons in 1955. Of the total in 1955, 28% was British.

The number of transits in 1955 was 14,666, of which 4,358 were under the British flag, followed by Norwegian (1,835), Italian (1,376), French (1,217), Liberian (1,096), Panamian (904).<sup>\*</sup> All the other maritime nations participated in the remainder, including 380 transits for the United States and 171 for Russia.

The movement of cargo increased from 22 million tons in 1946 to 107 million tons in 1955. In 1955, 20 million tons was North-South cargo, including large quantities of manufactured metal goods, machinery, cement and fertilizers for the countries of South and South-East Asia. Of the 87 million tons of South-North cargo in 1955, 67 million tons (or 77%) was petroleum or petroleum products. The principal destinations of oil cargoes were: Great Britain (20.5 m. tons); France (12.1 m. tons); the U.S.A. (8.6 m. tons); Italy (7.3 m. tons); and the Netherlands (7.3 m. tons).

The growth of oil cargoes is phenomenal. In 1951 the total was 43 million tons. The growth to 67 million tons in 1955 indicates the trend. Estimates of oil companies suggest that within a few years some 90 to 100 million tons of oil products would be expected through the Suez Canal.

Though smaller in tonnage, the other South-North cargoes — cereals, ores, metals, textiles, rubber, tea, meat, etc. — are *vital to the economies of both the exporting and importing nations*. Britain, of course, has a very large stake. It is estimated that almost 25 per cent of Britain's export and import trade is with countries normally reached via the Suez Canal. But the freedom of the Canal and its constant development clearly affect all the nations of the world.

<sup>\*</sup>The nationality of owners is, of course, often different from the flag.