'The West defied' from Il nouvo Corriere della Sera (28 July 1956)

Caption: On 28 July 1956, the Italian newspaper Corriere della Sera analyses the reasons why the Egyptian President Nasser nationalised the Suez Canal.

Source: Il nuovo Corriere della Sera. 28.07.1956, n° 177; anno 81. Milano: Corriere della Sera. "Sfida all'Occidente", auteur:Guerriero, Augusto , p. 1.

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http://www.cvce.eu/obj/the_west_defied_from_il_nouvo_corriere_della_sera_28_july_1956-en-d4c7003b-7591-42dc-96dd-d117e484f34a.html

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The West defied

The refusal of the United States and Britain to finance the construction of the Aswan Dam and Gamal Abdel Nasser’s response have left us with a very grave situation. One side is going to have to give way. And in this case, giving way means accepting final defeat. If Nasser gives way, his government will fall. And if the Western powers give way, Britain will all but lose its position in the Middle East and oil supplies will be at serious risk. And the day Britain loses its oil, it will be on the road to insolvency and the loss of its status as a great power.

At the end of the Palestine war, it was the pressure from the American and British Governments that persuaded Israel not to push its victory to the extreme conclusion. From then on, the two governments pursued a patient policy designed to achieve a balance and directed towards two objectives.

The first objective was to safeguard peace in the region, and thus to prevent further conflict between the Arabs and the Israelis. The second was to retain the friendship of both the Arabs and the Israelis, or at least the friendship of one, without incurring the enmity of the other. Reconciling those objectives was difficult, but not impossible. The Arabs were short of arms. To prevent them attacking Israel, however, they had to be denied weapons or supplied only to a level where Israel’s military superiority was not compromised. That policy was encapsulated in the Tripartite Declaration of May 1950. Of course, the Arabs objected and insisted they should be supplied with more weaponry. But the Western powers always found good reasons or excuses — to do with exchange, currency, purchaser insolvency and so on — to refuse or to supply smaller quantities. And, like it or not, the Arabs had to make do with that, for the obvious reason that they could not turn to other suppliers.

The day the Soviet Government supplied Egypt with weapons, the situation changed completely. The United States had for years been according the Arab countries millions of dollars (Egypt alone was in receipt of $40 million a year). The Soviets provided no money; they provided arms — said to be worth $100 million, but, as we now know, in fact worth $250 million. The Soviets did not provide them free of charge: they were paid for in cotton. And, in one fell swoop, they won the friendship of the Arabs. That was a very clever move on the part of the Soviets; but, thinking about it, it is no surprise that they did it, only that they did not do it sooner.

From then on, Nasser became completely ‘intractable’. Setting himself up as the leader of the Arab world, he gave orders, made propaganda against France in North Africa, against Britain in Jordan and throughout the Middle East, in Libya and East Africa against America, and, above all, he threatened Israel.

Hoping to buy over and placate Nasser, the Americans and British bestowed all kinds of favours and aid on him. But, as always, the policy of appeasement was a miserable failure. Nasser accepted the favours and aid and became more hostile. And so the Americans and British took the big gamble: they offered to finance work on the Aswan Dam: $70 million would be granted immediately, and another $130 million subsequently — $200 million in World Bank loans. With just one condition: Egypt was to refuse all assistance from the Communist countries.

Nasser took seven months to reach a decision, and during those seven months, among other things, he undermined the position of the British in Jordan and recognised the government in Peking: a gratuitous gesture of defiance towards America. Thereafter, he announced in Washington and London that he was minded to accept their money. Washington and London withdrew their offer to provide finance. Nasser responded by ‘nationalising’ the Suez Canal Company, and, at the same time, declared the ‘Canal zone an Egyptian military area’.

The announcement came abruptly, adding to the impact of the gesture.

The Canal, as we know, was the brainchild of Ferdinand de Lesseps and was built using French money. Britain opposed the project, fearing that the Canal would have made India more easily accessible to rival powers. The Canal was opened in 1869, and, seven years later, without consulting the British Parliament, Disraeli bought a bundle of shares in the Suez Canal Company from Khedive Ismail for £4 million. The Rothschilds provided the loan for the purchase. From then on, the British Government held 43 % of the shares. France remains the majority shareholder. The Company has its headquarters in Paris. Subsequently, the Egyptian Government exerted constant pressure to obtain a share in the Company's management and profits, and got both. The original concession was for 99 years, and is therefore due to expire in 1969. Under a recent agreement, at that date, full ownership of the Canal is to revert to the Egyptian Government.

The military base in the Canal zone is another matter. It was built by the British during the occupation. This was an exclusively British project, and had nothing to do with the Canal's management, though its main purpose was to protect the Canal. When Britain gave way and signed the agreement, it was the largest British base abroad.

The last British units left in June, and now, a month after their departure, Nasser is placing the British-built base on a war footing against the British. To 'nationalise' also implies paying for what is being nationalised. How does Nasser intend paying? According to Article 1 of the decree nationalising the Company, the State is to compensate all shareholders in the Company on the basis of the share price quoted on the Paris stock exchange, etc. But Nasser has also declared that revenue from the Suez Canal Company, amounting to $100 million, will be used to build the Aswan Dam. If it is Nasser's intention to build the dam using revenue from the Suez Canal Company, what will he use to compensate the shareholders? The obvious conclusion is that he has no intention of compensating them at all. Indeed, Article 1 of the decree nationalising the Canal goes on to say that the shareholders will be paid at the date when the legislation enters into force, which should mean at once. But the text goes on to make clear that this means after all assets have been transferred from the Company to the Egyptian State.

The Company will not hand over the assets it holds outside Egypt. The French and British Governments have already forbidden it to do so. And Nasser will refuse to compensate the shareholders. In other words, he will expropriate all he can get his hands on.

At the time of writing, frantic consultations are taking place between Washington, London and Paris. The impression is that, oddly enough, no one foresaw what Nasser would do. It is not possible to tell whether or how the three governments will react. But it would be better not to react at all than to react with a lack of agreement or resolution.

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