

'Realities from Suez' from The New Statesman and Nation (4 August 1956)

Caption: On 4 August 1956, the London weekly political magazine The New Statesman and Nation analyses the geopolitical implications of the nationalisation of the Suez Canal, given the strategic interests of the United Kingdom in the Middle East.

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Suez Realities

It was a leading authority on the Middle East who recently said that the Egyptians were singularly good at bluff and manoeuvre, so that if war were ruled out, Egypt might become a dangerous enemy. The western powers have not yet awakened to the new type of politics which must arise if decisions are no longer to be based on a balance of power in which the threat of war is always in the offing. It was because of this new situation that the Russians could intervene in the Middle East with more boldness than great powers have usually done in each other's accepted hunting ground; and it was because he was terrified by the prospect of another Abadan in Saudi Arabia (which, in view of Soviet encouragement, the United States would be powerless to counter), that Mr. Dulles rejected the British governments subsequent entreaties to withdraw diplomatic support from the Arab states of the southern tier and swing into line behind the Baghdad Pact. Hence the failure of the Anglo-American talks in Washington last January.

If Mr. Dulles was at that time afraid to push things anywhere near the brink of war by supporting British folly over the Baghdad Pact, the Russians also sensed danger in the rapid increase in tension on the Israeli frontier which followed Iron Curtain arms supplies to Egypt. Moscow circulated, a week before the Bulganin-Krushchev visit to London, a Middle-eastern Note calling for a general U.N.-sponsored arms embargo for the area; and during the visit, Sir Anthony Eden and the Soviet leaders appear to have reached some sort of gentleman's agreement in the Middle East. No doubt Sir Anthony pointed out that certain British interests in the area would have to be defended at all costs, and Krushchev accepted this position. Nor is there any reason to think that Moscow has forgotten these conversations. Krushchev's speech this week defends Nasser's legal right to nationalise the Suez company, deprecates bellicose talk in the Tory press, but stresses the general interest of all the powers, including Russia, in keeping free and impartial passage through the canal.

It was a sudden change in U.S. policy of appeasement to Egypt and the southern tier — based, in all probability, on Sir Anthony's appreciation of the London talks — that precipitated Nasser's coup. Last month Washington switched to partial acceptance of the proposals that America had refused to Britain in the January talks. Aramco discontinued advance payments of oil royalties and when negotiations for the renewal of the Dhahran base were opened, the Saudis were astonished to find that the "soft" American line had been abruptly reversed. Two weeks ago, the State Department replaced the two principal advocates of its pro-Cairo policy. But the decision to withdraw American support for the Aswan dam project — though in line with the general nature of the new policy — appears to have been dictated largely by internal political considerations. The cotton lobby, which feared Egyptian competition, played an important part and Congress demanded a substantial cut in the foreign aid programme. Mr. Dulles chose Yugoslavia and Egypt as the victims. In Egypt's case there was diplomatic and economic reasons for withdrawing aid: but the decision was not taken in the context of general western policy in the Middle East. Nor was it a considered one. Indeed, the British government appears to have been informed only 24 hours in advance. At no stage was there coordination of Anglo-American policy. Instead of a joint note, outlining the reason for withdrawal in detail (and which, in accordance with normal diplomatic practice, should have circulated to the Egyptians before being made public), there were simply two separate and abrupt statements. Publication unfortunately (and, as it seems, accidentally) coincided with the end of the Brioni talks. Nasser therefore interpreted the decision as a deliberate and personal rebuff, timed for a moment when its effects on his own position would be greatest. It was inevitable that he should attempt some sort of riposte. Yet no one, either in the State Department or the Foreign Office appears to have calculated what form it would take.

The nationalisation move therefore came as a complete surprise — all the more disturbing to the Foreign Office since Nasser was within his legal rights. For Egypt to nationalise an Egyptian company is a simple act of sovereignty. Our position on this issue is weaker even than in the case of Abadan (whose concession contained a specific anti-nationalisation clause), where an international court found in favour of Persia. True, the 1888 Constantinople Conventions, which guaranteed freedom of access to the canal, were ratified by Egypt under the 1954 Suez Agreement; but on this score also Britain's case is weak. The Conventions were aimed at Britain more than anyone else. We ourselves refused to subscribe to all of them until 1904 (when we succumbed to strong French pressure) and we violated them in both world wars. Worse still, Egypt's refusal to allow access to the canal of ships carrying cargoes to Israel was also a violation; we

condoned this and, in so doing, allowed the Conventions to go by default. Finally, it cannot yet be shown that nationalisation of the company is incompatible with freedom of access. It can of course be argued that Nasser's statement that he intends to finance the Aswan project from canal revenues implies an abrupt rise in the rates; and that to raise charges beyond a certain point constitutes in itself a violation of the freedom of access clause. But, as yet, Egypt has not raised the rates; nor can it yet be proved that the change of regime has led to a deterioration in the services provided by the company. It looks as if the British and French governments are determined to drive Nasser into a position where he interrupts shipping and the Conventions can be invoked. Hence the instruction of the Anglo-French directors (in itself illegal, since the Suez Company's authority is now vested in the new board appointed by the Egyptian government) to all ships to pay canal charges in London or Paris. But Nasser has frustrated this move by withdrawing his order that charges are to be paid in cash in Egypt. Paradoxically enough, it is Nasser who is determined to keep the canal open, and Britain who is determined to close it. And, so far, Nasser is winning.

What, then, can Britain, France and America do? They have promptly resorted to financial and economic sanctions. These are likely to prove illegal in terms of international law. Moreover, in Britain's case, to block Egyptian accounts is a step of the utmost gravity, which may irreparably damage world confidence in Britain as a central banker. Nor are these moves likely to be decisive, at least in the short term. They amount, in effect, to the freezing of one-third of Egypt's currency reserves. This will cause some dislocation in Egypt's current trading but will not, in itself, cut her off from world markets. True, she has a growing adverse trade balance, and has run down her reserves by 25 per cent, in the last 18 months. But she still holds, at the latest count, some £E86 million reserves in gold and dollars, which we cannot touch, even with American co-operation. Using 1954 figures as a rough basis for calculation, she can carry on for two years — even without assistance from the Communist bloc.

What more can we do — barring forcible intervention, which not even the Suez Group is prepared to contemplate in specific terms? It is at this stage we should pause for contemplation and view the dispute in its wider context. Britain's legal rights in the matter are slender and debatable, but she has — as Egypt must be brought to recognize — vital as well as legitimate interests in the canal. First, any interruption in the free flow of Commonwealth communications has always, and inevitably, been regarded by British governments as a *casus belli*. In any settlement, Egypt must be able to prove that she can provide not only the same services as hitherto, but any alterations required to adapt the canal to modern tanker fleets. Secondly, Britain is entitled to demand that canal charges should only be adjusted by mutual agreement. Present charges — averaging £8,000 a ship — are very high in relation to the amount of capital investment the company is prepared to undertake; and tankers in the 45,000-ton class, which cannot enter the canal with full load, now find it cheaper to transport oil to the East Coast of America via the Cape. Since two-thirds of our oil goes through the canal, to raise charges further would again challenge a legitimate British interest.

A third British interest is the principle raised by Egypt's arbitrary action in nationalising the company. To secure current British standards of living, we require not merely the right of access to Middle Eastern oil, but the right to pay for it in sterling. The Abadan seizure challenged this right, but the final settlement maintained it, since sterling is the exchange medium for oil produced by the consortium. If, however, the Suez nationalisation becomes the prototype for a pattern of confiscations throughout the Middle East, the consequences on our balance of payments will be grave indeed. Broadly speaking, since the war Britain's position in the Middle East has been progressively transferred from a paternalistic, imperial basis to a purely commercial one. The transfer has not been orderly, nor, on our part, willing. Nevertheless, it is clearly in our long-term interests to make it, provided that the protection afforded by British troops can be effectively replaced by the normal protection of business agreements. But if this were to prove unworkable — and the Suez seizure is an unfortunate pointer in this direction — then we might be obliged to revert to paternalism, with unhappy consequences both for ourselves and the Arab countries concerned.

For this reason, if for no other, we cannot accept the *fait accompli* of the Suez seizure. On the other hand, it is scarcely practical politics to expect that the Egyptians will, in any circumstances, be prepared to return to the *status quo ante*. Clearly, Britain and France will be well advised to abandon their aggressive postures and begin negotiations. But negotiation towards what? The obvious answer — and one favoured by the British government — is some form of international control. This could be arranged either through the U.N.

— which would involve serious revision of the Charter — or through a board formed of the countries with a major interest in the canal. In either case, Russia will have to be consulted; indeed, it is difficult to see how Egypt can be brought to accept any reasonable arrangement unless it has Russia's support. Secondly, the form of the settlement will have to pay regard to Egyptian sovereignty. This need not be difficult to arrange. Supervisory control of the canal by an international authority is not incompatible with Egyptian ownership, and Egyptian participation in the profits. Thirdly, since the success of the negotiations will depend at least in part on the speed with which the parties can be brought round the conference table, some concession will have to be made over the Aswan dam. Here, the initiative should come from America, which has effectively provoked the crisis and has, so far, made little effort to solve it. In any event, the West is unlikely to emerge with its dignity completely unimpaired. But then diplomatic blunders have to be paid for somehow; and some commodities are more costly than prestige.