

CHAPTER 6

Egypt and the Suez Canal

In July of 1956, when Egypt nationalized the Suez Canal, many observers condemned this action without realizing that Egypt was doing what would be legally acceptable for it to do twelve years later. The original agreement, by some interpretations, might even be construed to permit the legality of such action as early as 1956. The final agreement for the management of the Suez Canal, however, provided that the Canal would be turned over to Egyptian control and ownership 99 years from the date of its completion (see Doc. 1). Since the Suez Canal began operation in 1869, under the terms of the agreement it would have been transferred to Egypt in 1968. Justifying its action in nationalizing the Canal twelve years early, Egypt cited reasons of national security, economic necessity, and indemnity for economic deprivations caused by the construction and operation of the Canal. It was a bold move on the part of Colonel Gamal Abdul Nasser, insecurely established leader of a bankrupt and highly nationalistic people. With one stroke he could hope to secure the economy of his country and at the same time play upon and heighten nationalistic fervor.

To be a pawn in the international economic and political game was not in any sense a new role for the Suez Canal. Its very inception logically involved immense economic and political complexities. The construction of the Canal was opposed by Great Britain, then maritime leader of the world, which considered its own economic and political control to be threatened by the scheme for a short cut to the Indian Ocean. On the other hand, the venture was fervently supported by France and other Western European nations who saw in the Canal a resurgence of the possibilities of power for Western Europe, since the smaller merchant fleets could profit considerably from the shorter route to important trade centers. Finally pressured into accepting an eventual accomplishment of the Canal in spite of opposition, Great Britain did the next best thing from the English point of view and undertook to gain control of the new

Suez waterway. In effecting this, use was made of an old agreement with the Ottoman Empire granting Great Britain informal control in the southern Middle East, and another, in 1882, which permitted formal occupation of Egypt. Much of the history of the Suez Canal and of twentieth-century Egypt centers in Britain's political, economic, and military maneuvers designed to seize and maintain control of this vitally important waterway.

When Egypt became a British protectorate at the close of World War I (see Doc. 2) Britain, with informal international approval, assumed guardianship of the Canal—a responsibility continually complicated by increasing tension between Egypt and Great Britain over Egyptian independence and by the increasing international importance of the Canal in the modern world.

The culmination of the power struggle between Great Britain and Egypt came with Egypt's nationalization of the Canal in 1956. In order to examine Egypt's justifications for such action we must look further into the beginning of the Canal and the organization of the Suez Canal Company.

The inclusion of Egypt in the affairs of the Suez Canal Company was a recent development in the management of the Canal. Egypt had supplied almost half of the original cost capital and for ten years supplied four-fifths of the construction labor for the project. Although in addition it also maintained the Sweet Water Canal which was necessary to the function of the Suez, Egypt did not realize any return from its investment.

In debt as a result of these economic drains and domestic mismanagement, Ismail, the Khedive, was forced to sell Egypt's shareholdings in the Canal Company which amounted to 44 per cent. These shares were purchased in 1875 by the British government in a brilliant move by Disraeli. Even the 15 per cent of the net profits allotted to Egypt under terms of the original agreement were transferred to France in part satisfaction of other debts.

While Egypt was removed from any control over Canal operations and left to suffer substantial financial loss, the operation of the Canal itself further threatened the Egyptian economy. Previous overland trade took to the waterway for transit. Even the new Cairo-Suez Railway had to be abandoned. The construction and operation of the Canal left Egypt in a state of bankruptcy and dependence upon Britain, from which she is only now recovering.

In 1922, Egyptian pressure for independence resulted in the establishment of an independent monarchy in Egypt; but the price of independence was to reserve to Britain almost the same rights and influence it had

exerted under the protectorate—a defense of Egypt and the Canal and the security of the British government and British military installations in Egypt. Egypt's increasing resentment of British control, and Egyptian pressure for a voice in the operation of the Canal led to bitter disputes which were temporarily eased by the Anglo-Egyptian treaty of 1936, decreasing British control over Egypt but continuing British protection of the Canal. Britain managed, indeed, to maintain substantial control of Egyptian affairs until the disruptions caused by World War II. The exigencies of the war and some pro-Axis sentiment in Egypt again strained Anglo-Egyptian relations.

At the close of World War II attempts by Great Britain to bring the government of Egypt again securely under its control were met by violent anti-British demonstrations. Egypt demanded removal of all British forces and military installations (almost a billion dollars in military installations and some 84,000 troops), union with the Sudan, and control of the Canal. From 1944 until the last British troops left Egypt in 1956 relations between the two countries gradually deteriorated. Though they were close to agreement at times, political changes in Egypt or Great Britain would again result in further breaches. Throughout this period, however, Egypt continued to win concessions. Some British troops were evacuated and military bases consolidated in the Suez area, and in 1949 extensive concessions were made to Egypt by the Suez Canal Company, admitting more Egyptians to management of the Canal and providing further sharing of profit from the operation of the Canal.

In spite of such concessions Egypt's nationalistic determination increased, while Britain was unwilling to concede complete defeat in Egypt. The controversy was debated before the Security Council without resolution. Egypt even appealed, without success, to the United States to replace Great Britain in Egypt. Under pressure from complications such as the Arab-Israeli war, the Egyptian blockade of Israeli shipping, and the heightened significance of Suez in the Cold War, and with the encouragement of other Arab nations, Egypt repudiated all political ties with the West. Further, it abrogated all Anglo-Egyptian treaties. Refusing to recognize the abrogation, Great Britain, with the support of the United States, took steps to defend its remaining strength in Egypt. Egypt interfered with British canal shipping, and Britain replied with military strength. Violent clashes took place between British troops and Egyptian demonstrators. There was considerable property destruction and loss of life on both sides. The 1952 coup by which the Egyptian army took control of the government and ousted King Farouk quieted hostilities

temporarily, but it soon became clear that the new government would consolidate by utilizing and emphasizing nationalistic tensions. Further demonstrations and bitterness finally resulted in an agreement on the withdrawal of British troops (see Doc. 15). The last British troops left Suez in June of 1956.

Egyptian claims of economic deprivation as a result of the Canal were in large part true, even though increased Egyptian authority in the Suez Canal Company since the late 1940's had begun to produce financial return.

Egypt's claim to national security as further justification for the nationalization of the Canal is intimately bound up with its struggles against Great Britain for self-realization as a nation. Foreign control of the Canal brought continual foreign intervention in the national life of the country. Egypt learned in its struggles with Great Britain that it was virtually helpless as long as foreign military vessels could line the Suez against it. Egypt went to war with Israel in 1948, confident of a quick and easy victory, only to be pushed back until Israel was within striking distance of the Canal. Great Britain came to the defense of Egypt by suggesting that a threat to the Canal would bring military intervention on the part of Great Britain.

With the failure of its armies, Egypt utilized its last resource against Israel—it denied Israel's right to the use of the Canal and together with Saudi Arabia closed off Israel's only other southern sea exit through the Gulf of Aqaba. Although Article I of the Suez Canal Convention clearly states that the Canal shall be open to all ships of all nations in peace or war, Egypt defended her action on the basis of Article X, which provides that the terms of the convention shall not hinder Egypt in measures necessary to her self-defense (see Doc. 1).

It is in the American tradition to sympathize with peoples struggling against foreign domination for full realization of political rights. We can be sympathetic with Egyptian goals so long as Egypt does not, in the pursuit of its national rights, violate the security of other nations. It becomes a more involved question when, in view of Cold War politics, free transit of the Suez is necessary to defend Western democracy. Nor can we count on the reliability of a government based upon dictatorship.

A great deal of Egypt's resources in recent years has gone into the purchase of arms from the West and from the Soviet Union, but Egypt's poor economic situation prior to the nationalization of the Canal was not altogether due to intensive military mobilization. Egypt had a simple agrarian economy for centuries. Prior to British control, the economy was one of primary subsistence, capable of supporting only a small, stable

population. British control and British capital established for Egypt a one-crop economy. That one crop was cotton. Desirous of greatly increased crop yields for purposes of export, Britain regulated the Nile waters through dams and irrigation projects. Although the uncontrolled annual Nile floods were not a reliable method for crop irrigation, each flood left behind it a deposit of rich silt that continually replenished the soil exhausted from the year's planting. British dams and irrigation provided instead a regular water supply that temporarily increased crop yields profitably. Because of these very dams, however, the land, no longer replenished by annual deposits of rich silt from Nile flood waters, grew poor and unyielding. As might be expected, during the period of increased crop yields, Egypt also developed one of the highest rates of population increase in the world. The fellaheen, the Egyptian peasant class, were soon overcrowded, but were too poor to buy fertilizers for their now worn-out soil. Egypt's resources, already diminished by the Suez Canal, were inadequate to restore the disrupted economy, so that its fortunes came to depend more and more upon the fluctuations of the world cotton market.

Egypt's economic position remained much the same throughout the early years of the twentieth century. Limited industrialization and utilization of the few natural resources available improved the situation somewhat, but by 1955 the economic position was still a desperate one and President Nasser determined upon a complete restoration of Egyptian economy. Reviving an Egyptian dream of previous centuries, he announced a proposal for the building of a tremendous dam across the Nile at Aswan, a vast irrigation and power project which would cost an estimated \$1.3 billion dollars. Nasser appealed to the West for aid and in December of 1955 was offered by Washington and London \$70 million in outright grants and \$200 million more in loans, with assurance of more to come. In his desire to consolidate the Arab World under his leadership, Nasser, playing upon anticolonial, anti-Western fervor, turned also to Russia for aid with the dam. It was during this period that Egypt contracted with Czechoslovakia to purchase considerable shipments of arms and planes. Finally on July 19, 1956, Egypt announced to the West that it was now ready to accept the West's offer of aid in the matter of the Aswan project.

Washington replied with a refusal, echoed by London, which registered doubt of Egypt's financial ability to undertake the project "in present circumstances." Two days later Russia announced that it too had no intention of offering aid to finance the dam. It was five days after that, on July 26, that Nasser in a violent anti-Western speech proclaimed the nationalization of the Suez Canal (see Docs. 18 and 19).

Some experts judge the Aswan dam project itself to be unsound and are of the opinion that any solution to power and irrigation problems along the Nile would necessitate a series of developments extending back into the Sudan in order to include the sources of the river. This would require certain agreements between Egypt and the Sudan. Moreover, neither the Sudanese, nor the Ethiopians, from whose territories spring the main tributaries of the Nile, had agreed to Egypt's proposal for a division of the Nile waters. The refusal of London and Washington was not based on these criticisms, however. It was a diplomatic stroke designed to undermine Nasser's power.

The Suez Canal was the one asset remaining to an economically unsound Egypt, and Nasser promptly utilized this one remaining advantage. Egypt assumed control of the Canal with promises of complete compensation to shareholders if all the Suez Canal Company assets were surrendered to the Egyptian government. France and Britain's answer was to freeze the assets both of the Suez Canal Company and of Egypt itself. As the issue was brought before the United Nations, Nasser warned that any intervention would bring about the closing of the Canal.

Thus the matter stood until October 29, 1956, when Israel broke the political deadlock by invading Egypt's Sinai Peninsula for the announced purpose of clearing out Egyptian "commando" nests said to be responsible for increasing raids on the Israeli frontier. Within twenty-four hours, Great Britain and France without United Nations sanction, and reportedly without the knowledge of the United States, issued an ultimatum to the contending parties which called for a cease-fire in twelve hours or British and French troops would intervene. Israel accepted. Egypt refused. British and French forces then entered the area along the Suez Canal and bombed Egyptian military installations. In reply to this action Egypt sank hulks to block the Canal and Syria blew up the oil pipelines which crossed its territory from Iraq. Within a week British and French forces succeeded in occupying two-fifths of the Suez Canal area. Israel occupied both the Sinai Peninsula and the Gaza Strip. A further complication was offered by Russia and Red China who threatened to send "volunteer" troops to Egypt.

In the United Nations, Security Council action was deadlocked by British and French vetoes. The issue, then referred to the General Assembly, was debated in an emergency session called to discuss both the crisis in the Middle East and the Hungarian Civil War. The result was an order requiring both a cease-fire and the withdrawal of British, French, and Israeli troops from the Suez area. The order was to be enforced by a

United Nations Emergency Force consisting of troops from small neutral countries, but it was not until December 22 that the British and French completed the removal of their troops. A month later Israel had withdrawn from all but the Gaza Strip, though it was March 4 when finally, under threat of world sanctions, the Israeli forces vacated this violently contested strip of territory and the United Nations forces moved in to safeguard the frontier.

The arguments advanced by the antagonists in the dispute are to be found in Documents 20-28, which consist of speeches before the United Nations both in criticism and in defense of the Anglo-French-Israeli action. Document 29 includes the major United Nations Middle Eastern resolutions offered during this period

If, as many contend, the Anglo-French action was taken merely in defense of the Suez Canal, it resulted not so much in defense as in damage to the Canal and the disruption of oil transmission through major Middle East pipelines. If the action was a measure taken in prevention of a major war, at least this objective was gained since no major war developed from a sequence of events which can surely be termed a major world crisis. But if, as some observers suggest, British-French intervention was a bold move made in collaboration with Israel to destroy Nasser's power, restore Anglo-French control of the Suez, and recoup economic losses in the Middle East, it failed indeed. Egypt continues to control the Suez Canal and Nasser emerged in a stronger position than before, while Britain and France suffered world-wide censure. Moreover, anti-Western and anti-Israeli feeling has been increased throughout the Middle East.

The report to the United States Senate from the Senate Committees on Foreign Relations and Armed Services, dated February 14, 1957, is illustrative of the gravity with which the United States government viewed this crisis in the Middle East. The following is a selection from that report:

Soviet bloc economic or technical assistance has been extended to Egypt, Sudan, Syria, Turkey, and Yemen and has been offered to Iran, Israel, Lebanon, Libya, Pakistan, and Saudi Arabia. Soviet bloc arms have been furnished to Egypt, Syria, and Yemen, and have been offered to Saudi Arabia and Sudan . . .

Concurrently with the burgeoning Soviet political and economic activity in the Middle East, there has been a complete destruction of the British and French position in the area. This position was given its final blow by the Anglo-French invasion of Egypt, but it had been in decline long before.

The net result of these and other events of recent years is that the situation in the Middle East is very dangerous. Syria has moved much closer to the Soviet bloc. Jordan is faced with chaos. Egypt has mortgaged its future

cotton crop to pay for Communist arms, large quantities of which have been lost through capture or destruction. Egypt has also lost the revenues of the Suez Canal. Iraq, Iran, and Saudi Arabia are suffering from the loss of oil revenues brought about by blockage of the Canal.

Bearing in mind this survey of the many tensions and complexities which have contributed to the crisis in the Middle East, let us review briefly the philosophies underlying the response of the United States to these problems.