

**ANGLO-EGYPTIAN RELATIONS  
IN THE  
AFTERMATH OF THE SUEZ CRISIS**

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**Thesis submitted for the  
Degree of Ph.D. in Politics**

**in the**

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**January 1993**



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## **ABSTRACT**

This thesis examines the reconstruction of Anglo-Egyptian relations in the aftermath of the Suez crisis during the period 1957-1961. The research starts by showing that this relationship was ruptured as a result of conflicts in the foreign policies of the two states. This rupture occurred during the period 1954-1956 despite the fact that all problems in the bilateral field between the two countries were settled in 1953 and 1954. The sudden rupture in Anglo-Egyptian relations created several problems in the field of bilateral relations. These problems generated sufficient pressure on the governments of both countries to force them to meet, negotiate and make compromises on their initial positions in order to reach an agreement.

The research starts with an introductory chapter (Chapter One) which shows the development of Anglo-Egyptian relations up to 1957. The second chapter exposes the problems in bilateral relations between the two states as a result of the rupture in 1956, and their impact on both states. Chapter Three describes the start of the Anglo-Egyptian negotiations, and how Egypt tried to reach an agreement with the United Kingdom in 1957. Chapter Four shows how an agreement was reached between the two states, the U.K.'s efforts to reach an agreement, and demonstrates the negligible impact of the conflicts in the foreign policies of the two states on the negotiations. The fifth and final chapter deals with the reconstruction of official relations and the impact of this on bilateral relations between Egypt and the U.K. and on the region as a whole.

## TABLE OF CONTENTS

<b>Abstract</b>	<b>2</b>
<b>Dedication</b>	<b>8</b>
<b>Acknowledgements</b>	<b>9</b>
<b>INTRODUCTION</b>	<b>11</b>
<b>Chapter 1 : SETTING THE SCENE</b>	<b>39</b>
I      Introduction	39
II     Legality and Pattern of the British Rule of Egypt up to 1952	41
III    Confirmation of Loss of British Control: The 1952 Coup d'État	50
IV     The Road to Suez	54
V      Competition in the Arab World	59
VI     The Final Straw	63
VII    After the War	67
VIII   Conclusion	71
<b>Chapter 2 : FACTORS AFFECTING ANGLO- EGYPTIAN RELATIONS AFTER SUEZ</b>	<b>84</b>
I      Factors Affecting the Relations Between Egypt and the U.K.	86
A — Factors Related to the Respective Power of the U.K. and Egypt	87
1 — Egypt	88

A: Effects of Suez on Egypt's Political System	88
B: Developments in the Egyptian Economy After Suez	92
C: Developments in Egypt's External Relationships	98
<b>2 — The United Kingdom</b>	<b>106</b>
A: Effects of the Internal Changes in the U.K. on Relations with Egypt	106
B: The Change in the U.K. Position on the Arab-Israeli Conflict	109
C: The Effect of Suez on the U.K.'s Foreign Relations.	112
<b>B — Factors Solely Related to Bilateral Issues Between the U.K. and Egypt</b>	<b>116</b>
1 — Importance of Egypt for the United Kingdom in 1957	118
A: The Suez Canal	119
B: British Property in Egypt	122
C: Trade with Egypt	123
2 — Importance of the United Kingdom for Egypt: Why Egypt Needed an Agreement	124

<b>Chapter 3 : THE START OF THE ANGLO-EGYPTIAN NEGOTIATIONS AFTER SUEZ</b>	<b>137</b>
I      Negotiations Between Egypt and the U.K.	
After Suez: 1957	137
II     First Phase of Negotiations between the U.K.	
and Egypt	140
A — The First Round of Negotiations,	
May 5-9, 1957	140
III    Reaction to the Basle Agreement in the U.K.	144
IV    Reaction to the Basle Agreement in Egypt	145
A — The Start of the Anglo-Egyptian Financial	
Talks (Rome)	150
1. Egypt's Attempts at Reconciliation	154
B — Second Round of Negotiations: Autumn and	
Winter 1957	162
V      Conclusion	183
<b>Chapter 4 : FINANCIAL AGREEMENT</b>	<b>195</b>
I      Introduction	195
II     Changes in the Negotiating Stance of Both Countries	196
A — The U.K.	196
B — Egypt	199
III    The Negotiations	202
IV    Note on the Effect of the Regional Conflict on	
Bilateral Issues	216
V      Pressures on the United Kingdom to Reach an	

Agreement	224
A — Internal Pressures	225
1: British Evacuees from Egypt	225
2: Trade with Egypt	228
3: Oil	230
B — External Pressures	231
1: Franco-Egyptian Financial Agreement	231
C — The Removal of the Obstacles to the Agreement	233
1: Suez Canal Agreement	234
2: Shell Agreement	235
VI     Remarks on the Egyptian Negotiating Position	236
VII    Financial Agreement	241
A — British Attempts at Using Mediation over the Financial Agreement	242
B — The Conclusion of the Financial Agreement	246
VIII   Conclusion	252

<b>Chapter 5 : THE RESTORATION OF OFFICIAL RELATIONS</b>	<b>267</b>
I     Introduction	267
II    The U.K.'s Efforts at Reconstructing the Official Relationship and Egyptian Objections	269
A — The Mission	269
B — The Reasons for the Egyptian Refusal to Normalise Relationships with the U.K.	280
C —The Resumption of Diplomatic Relations	291

1- Chargés d’Affaires	291
2- Ambassadors	305
III     The Attitude of Both States to the Relations	315
A — The U.K.	315
B — Egypt	320
IV     A Good Start for the Relations	322
A — Decrease in Regional Conflict: Kuwait	323
B — Improvement in Bilateral Ties	326
V     Conclusion	332
<b>CONCLUSION</b>	<b>349</b>
<b>BIBLIOGRAPHY</b>	<b>355</b>

**TO**

**MOHSEN MOHAMED**

**The Historian and The Journalist...My Father**

## ACKNOWLEDGEMENTS

I owe more than the customary gratitude to my supervisor, Dr. Charles Tripp, without whose support, guidance, patience and tolerance this work would never have been completed. Dr. Tripp's guidance and support have enabled me to improve my work no end, and for this and for all his assistance, academic and moral, I shall always be grateful.

I have to acknowledge my greatest debt to Mohsen Mohamed, Hend Abul Saud, Mervat Mohsen and Rahma, without whose help this work would never have started and certainly never been completed. No son has received more love or support from his family. Their help went much beyond physical or moral support. My father's insight and advice was essential, my mother's prayers and my sister's love and concern enabled me to start and complete this research. I owe them more than I can ever repay.

I owe a debt of gratitude to H. E. Mr. Amre Moussa, the Egyptian Minister of Foreign Affairs, without whose support and encouragement I would not have been able to continue my work.

To Professor P.J. Vatikiotis, I owe more than gratitude. Professor Vatikiotis kindly accepted me in the Ph.D. program at S.O.A.S and his advice and assistance to me have never stopped, even after his retirement from full-time academic duties.

I also owe a debt of gratitude to the professors of the Department of Politics of the American University in Cairo, Professor Robert Bianchi, Professor Enid Hill, Professor Gail Gerhard, Professor Walid Kazziha, Professor Dan Tchirgi and Professor Tim (Earl) Sullivan.

I also owe special gratitude to my close friends and second family, W. Youssef and K. Abadir, Dr. Maher Abadir and Mrs. Shahira Abadir and Terry and Georgina Bishop, whose support and encouragement helped me endure the combination of full-time research and a full-time career. I also owe a debt of gratitude to Ms Jane Firbank, who helped me tremendously with the production of my text.

While I gratefully acknowledge my debts to all the persons mentioned above, and many others whom I have not mentioned, I remain solely responsible for any factual errors and the views I have expressed in this study.

## **INTRODUCTION**

This research aims to examine the restoration of diplomatic relations between a major power and its former client state after the severance of relations between them, as a result of clashes between the foreign policies of the two states in question. In such a case, conflict between the foreign policy goals and orientations of these two states obviously affects bilateral links and ties, leading ultimately to the severance of the diplomatic relations themselves.

The most important variables which are to be examined in this research are the relationships between the two states in the case study, both on the level of bilateral issues and in the realm of larger foreign policy issues. Bilateral issues mean all those problems or outstanding issues between the two states in the narrow area of bilateral relations, such as questions relating to the property and citizens of one state in the other, the level and the status of trade and commercial relations between the two states, as well as the state of official — i.e. diplomatic and consular — relations between the two states. At the same time, the degrees of congruency or conflict of their general foreign policies are also examined, since the rift which occurred between the two states was a result of foreign policy clashes. Such an examination should reveal the extent to which bilateral relations are affected by foreign policy clashes.

In order to conduct this research, it was essential to draw on the relevant approaches in international relations theory which help in explaining the factors which allow for the restoration of relations between a major power and

its former client state. The approaches utilised attempt to provide an understanding of the basic reasons for states' actions. They also shed light on the constraints on states' actions and the factors that influence the leadership of states in choosing a certain course of action at a given time. While each of these approaches is aimed separately at explaining the actions of states, in this research they are used to complement each other so as to qualify the limitations and shortcomings of each.

An important approach utilised is the realist approach, which is based on the postulate that states follow policies in the pursuit of their national interests. [1] The implication of such an assumption is that in order to understand the policy of any state, one has to identify which course of action will best serve that state's national interest. National interest means, in this context, the pursuit of the objective of increasing the power of the state in question. Power, as the objective of the state's actions, denotes political power — that is, the ability of a state to exert influence and affect the actions of other states. [2] Therefore, the perception of how best to increase the power of one's state (to secure the national interest) is either by preserving the status quo, by increasing the power of the state or by gaining prestige through the exercise that power: "government policies can either be to keep power, to increase that power, or to demonstrate power". [3]

However, such an approach (the classical realist approach as represented by Morgenthau) has several inherent limitations. It assumes the autonomy of the political sphere, meaning the separation of the domestic politics of the state from its foreign policy. This means that a state's actions will be based purely on criteria of interest defined as power, where power (political power) is the ability

of a state to influence the power of other states. It argues that the primary consideration for the decision-makers of any state is the effects of their foreign policy on the power of the state, rather than the legality of their policies, or the economic welfare of their society, or the interests of sectors of its economy. [4] Secondly, it assumes that political leaders will always “think and act in terms of interest defined as power”. [5] Thus it assumes that the leaders of states will always have an accurate perception of what is in their state’s national interest. It also assumes that those leaders will follow what it considers to be the “rational” course of action.

In order to make better use of the realist approach in understanding the actions of states, one has to bring out the limitations of realism; firstly, by understanding that although the power of a state may be demonstrated by its political influence and by its military strength and capability, nevertheless these are based on the economic means of that state. The history of the rise of major powers in world affairs illustrates that it was these factors which enabled these major powers to accumulate wealth which allowed them to increase their military capacities to become major powers. [6] The international system is characterised by a gradation of capabilities among the different states in the international community, and the rise and fall of powerful states is a main feature of the international system. [7] Indeed, “the relative strength of the leading nations in world affairs never remains constant, principally because of the uneven rate of growth among different societies and the different breakthroughs which bring a greater advantage to one society than to another”. [8] Therefore, the issue of trade, and the interests of certain segments of the economy which will be affected by the resumption or the severance of a state’s trading relations with another, will affect the way the decision-makers of that state view their foreign policy goals and orientations.

Secondly, it is essential to acknowledge the influence of domestic politics on the foreign policy of states. It is indeed the case that “politics within a government influence decisions and actions ostensibly directed outward”. [9] Moreover, decisions within any government are influenced by the bargaining process which takes place within that system of government. The role of a certain part of a government in the decision-making process can sometimes be clearly visible. At the same time, the bargaining process is not just limited to the different branches of government but also includes the intervention of interest groups from outside government itself. These may include industrialists, businessmen, professional and voluntary associations, syndicates and so on.

[10]

The classical realist approach, as represented by Morgenthau, is based on certain assumptions. It stresses that political relations are governed by objective rules, rooted in human nature, whereby decision-makers will make rational choices among certain options which are available to them. In this context, and as described above, statesmen will think and act in terms of interests defined as state power. By understanding which policy options serve these goals, one may understand and predict which course of action a state will follow. It is clear that this approach ignores, or at the very least underestimates the moral universe in which political leaders take decisions. More seriously, however, the most contentious assumption of this approach is that foreign policy decisions are in most important respects insulated from domestic or internal political considerations within the state. Such a classical realist approach tends to emphasise in a mechanical and undifferentiated way the modalities of states' actions. These problems with the realist approach lead to a

focus on decision-making processes. This approach enables a better understanding of the influence of domestic politics on the foreign policy of states. It concentrates on how decisions are taken, particularly in the field of foreign policy. The decision-making process has received a great deal of attention throughout the development of the study of politics and international relations. Several supplementary theories have endeavoured to study and analyse the impact of the decision-makers on the foreign policy of a given state. The increased complexity of political systems has contributed to more elaborate theories and models which attempt to explain the ways in which decision-making processes operate, taking into account the character, background and ideology of the decision-makers themselves, as well as the input and constraints of the political system in which they operate. These theories start from basic models, which study the decision-making process in an authoritarian state, to the more complex models which describe the decision-making process in a democracy.

Among such models, there is the Presidential Centre or Leader-Staff Group model, which usually results in personalised diplomacy. [11] This model assumes that the political structure in such a state is organised in a way which allows the ruler almost a free hand in the conduct of the foreign policy of the state in question. It assumes the absence — in that society — of relatively independent political institutions able to contribute to the foreign policy of that state through the restraint they are capable of exercising on the government. Therefore, in such a model, the focus of the study concentrates on the decision-maker himself, in terms of his personality and background, in order to be able to understand past actions and future policy.

These models become more complicated when attempting to analyse situations in democratic societies with a developed bureaucracy, where government decisions are subject to public scrutiny. Among such models are Allison's three models: the Rational Actor Model, the Organisational Process Model and the Bureaucratic Politics Model. The Rational Actor Model, assumes a setting for the decision-making process such that government decisions are based on a rational choice between certain policy options. In such a setting, the decision-maker (or makers) make their choice purely on the basis of a rational analysis of the alternative ways of serving the states' interests. The Organisational Process Model conceives a decision process where the decision taken is the sum of the output of independent government organisations, each of which acts within its own sphere of influence. The third is the Bureaucratic Politics Model. This model assumes that the decision-making process is characterised by conscious decisions of the political leadership, choosing between policy options submitted by competing governmental organisations. The options given by these organisations are, in turn, influenced by the views of that particular part of the government bureaucracy — be it ministries of foreign affairs, defence or the economy — of their indigenous concepts of national interests, as well as of the interests of that segment of the government bureaucracy and the personal interests of those in charge of it. [12]

These models have been developed and refined by others to make them more powerful and to rectify the shortcomings in their original designs [13] thereby making them more useful at explaining and predicting the behaviour of decision-makers within the internal political system in which they operate. For instance, there is the Cybernetic Theory of Decisions, which proposes a cybernetic paradigm for explaining the decision-making process. This suggests

that the course of action adopted by the decision-maker in a given situation is more likely to be influenced by past experiences, rather than by a purely intellectual analysis of the problem at hand. This is in contrast to the analytical paradigm advocated by Allison and others, which assumes that decision-makers will make their decisions after a rational analysis of the problem at hand and that they will adopt a course of action best suited to the national interest, after carefully considering the merits and disadvantages of all policy options.

However, the Cybernetic Theory provides a valuable contribution, mainly through the acknowledgement of the role of the cognitive process and the past experience of the decision-makers when taking their decisions. (14) This acknowledgement is essential in understanding decisions and actions which cannot logically be explained by an analytical paradigm. In addition, it provides a way of seeking to explain the influence of historical processes on political decisions.

Moreover, the acknowledgement of the importance of the perceptions and the cognitive processes of decision-makers rectifies a major drawback of the realist approach, namely the assumption that the leader (or the decision-maker) of the state will follow a “rational” course of action — in pursuit of power — to serve the national interest. It is extremely dangerous, whether for leaders or for analysts, to construct for others what is or is not a “rational” course of action, since it suggests processes of perception and calculation which may bear little relation to the situation of the decision maker. This rational course of action may indeed patently not be adopted by the leaders in question. Consequently, in order to be able to accurately analyse the foreign policy of the states in question, one should not only understand the internal political structure and

how decisions are taken, but also acknowledge the fact that an understanding of the decision-maker's perception of reality is essential in analysing and comprehending his decisions. Decisions-makers, like all individuals, tend to "fit incoming information into pre-existing beliefs and to perceive what they expect to be there". [15] Therefore, the decision-maker's perception of reality may be shaped by his situation, or by the context in which he receives the information appropriate to his decisions.

Moreover, one has to allow for the fact that decision-makers are also influenced by past experience and may have almost automatic reflex responses to problems or crisis. [16] Therefore, allowing for the influences of the decision-maker's cognitive process and perception of reality offers an explanation for why decision-makers take decisions which may be against the national interest (as perceived by others through a rational and detached analysis), or that defy logic or even common sense. In short, the contribution of the decision-making approach should be taken as complementary to the realist approach, so as to guard against the limitations of realism.

Nevertheless, one should also guard against the limitations of the decision-making approach itself. Despite its contribution, it does not escape the problem of discovering where effective decision-making lies, a problem with which decision-making theorists have long sought to grapple. Secondly, it may lead to the assumption that one should concentrate one's study on the pattern of behaviour and the past of the decision-makers, an approach that may lead the student of international relations away from the study of national interest, and the real issues of domestic and foreign policies, in order to draw conclusions derived from the past personal histories of the decision-makers.

These are problems which the study of international relations seeks to understand, and through their resolution to discern the dynamics and patterns which characterize the policies of states. The challenge is to find regularities in the behaviour of states, in order to understand whether there are observable generic regularities between particular kinds of states and their relationships with each other. Without such an attempt at generalisation, one would be left with a particularistic view of the world, in which comparisons are difficult to make, patterns are difficult to see and generalisation becomes impossible. Yet political science, and thus international relations, are founded on the belief that a degree of comparison is not simply desirable, but also epistemologically necessary.

Realist approaches, and decision-making studies, are all, in some measure, seeking to throw light upon the way in which states behave. In order to gain a better understanding of how states act and to find generic underlying themes which motivate the policies of states, it is helpful to select and to study states which stand in particular kinds of relationship to each other — a relationship which may be unique in its detail and in its historical specificity, but which may nevertheless be taken as an example of a general type of relationship. Furthermore, the dynamics of these relationships and the degree to which they may qualify the assumptions on which general theories of international relations are based, will assist in assessing the validity of these theories.

It is for these reasons that the present research focuses on aspects of the sometimes troubled relations between two kinds of states: on the one hand, a state that formerly stood in a subordinate or client position toward an imperial or major power; on the other hand, the major power itself, in the process of

losing its influence and, for a variety of reasons, unable to exert the kind of dominance or patronage it had once exercised over its former client. It is in this context that questions of the redefinition of the imperatives of national security, of the legacies of the previous relationship, of the search for new ways of establishing a relationship on a radically changed footing, as well as of the dynamics of this process, come to the fore.

Specifically, in the context of this research, the ways in which these questions arise at moments of crisis, caused in part by the factors which underpin them, throw into sharp relief the underlying patterns in this kind of relationship. In this context, the fact that both states — the major power and its former client state — will adopt policies which will serve their respective national interests, by seeking to restore official relations, may seem to validate the basic realist assumption that statesmen will seek to serve national interests, despite any negative feelings that they might have towards each other and without attempting to act on some high moral imperative. However, the realisation by the political leaders of both states that restoring diplomatic relations will serve national interests, is likely to have come about as a result of internal pressures, possibly stemming from the problems caused by the very rupture in bilateral relations. This qualifies the classical realist approach regarding the autonomy of the political sphere, since it emphasises the input of domestic political developments on foreign policy decisions.

Moreover, the fact that restoration of relations between the major power and its former client state occurred at a time of heightened regional conflict between the two states, shows that bilateral relations may take precedence over general foreign policy differences, as the former may generate sufficient

domestic pressures inside each state to force the two states to restore relations. The thesis also validates one assumption of realism — namely, that states tend to minimise threats against themselves, and that only after securing themselves will they seek the larger aim of increasing their power. The case study shows how a major power and its former client sought to restore official relations, despite a regional power struggle between them, because each realised that the other state was powerful enough to be able to inflict some damage on its interests in the area.

At the same time, the fact that colonial legacies of the past relationship between the two states resulted in negative perceptions which influenced the decision-makers' view of the desirability of restoring relations, validates the importance attached by decision-making theorists to perceptions (or misperceptions) on the intended course of action adopted by the decision-makers. Indeed, it demonstrates the centrality of the need to understand the framework within which decision-makers operate.

This also qualifies the realists' assumption that statesmen will follow a "rational" course of action in pursuit of their states' national interest, as well as the Rational Actor Model, which makes similar assumptions. "Rationality", insofar as it denotes means-ends calculations, can be seen to be subject to a multitude of influences which need in turn to be examined and explained with reference to the situation of the decision-makers. At the same time, the case study illustrates the Bureaucratic Politics Model of the decision-making focus, especially when reviewing how a decision within the government of a major power may be taken as a result of competition between different segments of the bureaucracy.

This thesis about the restoration of relations between a major power and its former client state, is a thesis on the foreign policy perceptions of the decision-makers. The way in which bilateral and regional issues affect each other, will also affect national interests and the way which these are perceived. Moreover, the thesis illustrates Bull's analysis of the importance of diplomatic relations and how each state (the major power and its former client) may decide to resume relations to avoid the escalation of the conflict between them. Hedley Bull argues that the importance of diplomatic relations can be summarised as follows: they facilitate the negotiation of agreements; allow the gathering of information and intelligence; minimise the effects of tensions and symbolise the existence of normal relations between states. [17] Moreover, diplomatic relations provide the leadership of the two states with the opportunity to resolve misunderstandings through the exchange of confidential messages.

Although diplomatic relations are not a prerequisite for the exchange of messages between the heads of states, nevertheless, the absence of such relations can hinder the delivery of such messages. Furthermore, diplomatic relations facilitate the process of the negotiation of agreements to sort out bilateral differences between them. Moreover, contacts between diplomats and officials of both countries allow them the opportunity to minimise the effects of tensions, since they give both sides the chance to present the rationale behind their policies. Finally, diplomatic representation lends an air of co-existence and normality to bilateral relations. Despite the fact that diplomatic relations can never, by themselves, lead to better relations between states, nevertheless, they may contribute to improving the atmosphere of relations between them.

(18)

To understand the reasons behind the restoration of relations between a major power and its former client state, it is best to utilise the above-mentioned approaches of international relations theory. To start with, one must acknowledge the basic premise of the realist approach, namely that states follow policies in pursuit of national interests. However, one has to be cautious in assuming that decision-makers will consistently follow a straightforwardly predictable course of action based on simple means-ends calculations in pursuit of their state's national interest. Several issues will affect the perception of the leaders or decision-makers of the national interest and the best course of action to serve that interest.

The legacy of the relationship which existed between the major power and its former client during the period of patronage will undoubtedly affect the perceptions of decision-makers of both states regarding each other. Moreover, in the case of the rupture or restoration of official relations, one must acknowledge that this legacy may lead to the rise of certain groups within each country which will actively lobby either for the restoration of relations or for a toughening of the terms that either state will accept for such a restoration. Such lobbies may include segments of the population which were harmed by the severance of the trade links between the two states, and who may try to influence their state's policy for the restoration of official relations and the resumption of such trade links. The issue of trade may also serve the opposite effect, as other groups inside one state may lobby against the restoration of relations between the two states for fear of more competitive industries in the other state.

Therefore, in order to understand the reasons for the restoration of a relations between a major power and its former client state, and while accepting that states' foreign policies seek to serve their national interests, one must allow for the influence of two factors: firstly, the effects of the legacy of the previous relationship on the perception of the decision-makers; secondly, the possible rise of interest groups from within either or both states which may pressure the decision-makers for or against the restoration of relations.

In addition, one may locate certain tangible issues, relevant to bilateral relations between the major power and the lesser power (its former client state) which lead to the restoration of official relations. Firstly, the fact that foreign policy clashes may be able to disrupt and sever bilateral links, despite the settlement of bilateral differences, suggests that after the end of the patron-client relationship, there may remain structural imbalances between the major power and its former client. This imbalance may lead to the souring of relations, even after the settlement of those problems which had previously existed in the bilateral field between the two states. Therefore, due to this structural imbalance in the relationship, problems leading to a crisis and the possible severance of the relationship are likely to surface. If the focus were not on bilateral issues, these structural imbalances might be expressed in other areas, such as in the realm of the two countries' respective general foreign policies.

Secondly, the abrupt severance of relations between the major power and its former protectorate, as a result of general foreign policy clashes, will cause the emergence of new problems in the field of bilateral relations between the two states. Such problems may convince the states in question of the importance of restoring official relations in order to serve their national interests. Some of

these problems may arise from the severance of the trade links between the two states, leading to either state being denied the import of some strategic goods from the other, or the denial of a facility or a service to one state which it believes to be strategically important. These problems will create increasing internal pressures within each state, which force the governments of both states to address them. This internal pressure could emerge from the sectors of the population which were particularly affected by the severance of the relations, and it may force the governments of the two states to meet, and discuss ways of resolving their differences. Eventually, they may force both governments to make sufficient compromises to resolve these problems. Furthermore, it is possible that the desire for the resolution of these problems will convince both states of the need to ensure their successful resolution. Thus, although it may seem logical that problems in the bilateral field between states may sour their relations, nevertheless, it may indeed be these bilateral problems (resulting from the abrupt severance of relations) which will force the two states to meet, eventually contributing to the restoration of relations. This may occur even if the foreign policy clashes between the two states in question are not only maintained but intensify and develop in other areas.

Thirdly, although problems in bilateral relations may serve as the catalysts for the restoration of relations between the major power and the lesser power, they will work against a background of animosity between the two states, due to the problems of their past relations and particularly due to the abrupt manner of the severance of the relationship. This may lead to significant developments. The first is that the issue of restoration of official relations will involve more than the resolution of the outstanding problems between the two states. These issues include the perceptions of the leaders or decision-makers of both states

of the policy of the other state, legacies of the colonial past with all the inherent value judgements of both states' decision-makers and their perceptions of the effects of the restoration of official relations on the state's prestige and power, especially in view of persisting competition in the field of both states' foreign policies. The second issue is that, during the negotiations, the perception of each state of the relative strength or weakness of the other will affect its bargaining position. This means that if either state believes that the other is in a weak position and that it badly needs an agreement, this will lead to the softening of its negotiating position and increase its efforts to reach an agreement.

The case study through which these themes and processes will be examined in this research is the restoration of Anglo-Egyptian relations in the aftermath of the Suez War, a process (i.e. the restoration of official relations) which lasted from 1957 until the beginning of 1961 (when diplomatic relations were finally upgraded to ambassadorial level).

This case study is particularly relevant as it contains all the pertinent variables, in terms of the relations between the two states prior to and after the final break between them. The history of their relations prior to the break in 1956 was that of a major power versus a lesser state which had been both a protectorate and a client. The problems between the two states following Egypt's change of regime in 1952 soured the atmosphere of the relationship. However, these problems had been effectively dealt with by the Anglo-Egyptian settlement over the Sudan in 1953, and by the Anglo-Egyptian Agreement of 1954, allowing for British troops to withdraw from Egypt (the evacuation being completed in 1956). The relationship between the U.K. and

Egypt during 1954-1956 illustrates that there were structural imbalances in the relations, imbalances that allowed factors relating to regional confrontations between the two states to spill over into the area of bilateral relations and to become the main reason for the break in bilateral ties between them. Furthermore, both states, respectively, fulfil the role of the previous patron and major power — the U.K. — and that of the lesser power and former client — Egypt.

As for the U.K., the economic power and thus capabilities of the British Empire had drastically declined, due to the second World War. Nevertheless, it still maintained a great part of its colonies, as well as the paternal, or patronising, attitude of some of its leaders and politicians. Unlike France, another major power which had been a leading colonial power before the war, the U.K. had never been humiliated by defeat in war by the Germans, and it depended on its partnership with the United States to restore its full economic potential, despite the problems faced by the British economy. Egypt, on the other hand, represented the lesser powers of that period anxious to prove their independence. In pursuance of its national interests, its government had embarked on an active foreign policy, designed to aid the independence of Arab states and to establish Egyptian influence and presence in the Arab world (possibly at the expense of the U.K., the predominant power in that region at the time). This was directly manifested by an active Arab policy that put Egypt on a direct collision course with the United Kingdom. This structural imbalance in the Anglo-Egyptian relationship found expression in the clashes in the foreign policies of both states, which eventually developed into a regional conflict over mastery in the Middle East and led to the destruction of bilateral ties.

This case study is illuminating precisely because the rupture which occurred

between the two states happened after they had settled the problems between them in the bilateral field.

The main thesis of this study is to argue that the problems between the two states which developed as a result of the 1956 severance of relations, were themselves the main reason which forced the two states to meet and discuss ways of restoring their relationship. It is assumed that problems in bilateral relations between states will lead to the disruption of relations. However, contrary to this assumption, it was exactly these problems in the bilateral field between the U.K. and Egypt which acted as the catalyst that forced the resumption of the relations between them.

Bilateral relations between Egypt and the United Kingdom were slowly reconstructed over a period of more than two years. This process occurred at the time when the regional competition — or rather confrontation — between the two states had reached its zenith. There are several reasons which accounted for the need to resume negotiations between the two states and which led in effect to bilateral issues taking precedence over the regional conflict. The most important was the fact that the sudden and abrupt rupture of the bilateral relationship created major problems for both countries (the United Kingdom and Egypt). Secondly, these problems generated a momentum of their own, and sufficient internal pressure to force the British and Egyptian governments to meet and try to solve them. Indeed, that internal pressure was responsible for the fact that both states had to accept compromises on these issues, in contrast with the initial stances which they had adopted.

These problems, or outstanding issues, which had resulted from the break in

relations between the two states, were firstly, the passage of British ships through the Suez Canal; secondly, the freezing of Egyptian assets in the United Kingdom valued at around £70 million [19] after Egypt nationalised the Suez Canal Company; and thirdly, the sequestration of British property in Egypt after the Suez War. There were other problems outstanding in the field of bilateral relations. The most obvious, naturally, was the severance of diplomatic relations between the two states. In addition, Presidential Proclamation Number 5 of November 1956 restricted the right of British citizens to own property or to conduct business in Egypt. Another outstanding issue between the two states resulted from the arrest and conviction of two British citizens on charges of espionage. This arrest had occurred in the late summer of 1956 and preceded the outbreak of the Suez War.

This research aims to establish that these outstanding bilateral issues and problems between the two states were the main reasons for bringing the two states to the negotiating table. They were thus responsible for the reconstruction of the bilateral relations between the U.K. and Egypt. This occurred despite the fact that the period during which reconstruction took place witnessed the heightening of conflicts of interest between the two states in the region. Indeed such a regional conflict of interests could be said to have caused the initial break between them. This sequence of events tends to prove that the outstanding issues in bilateral relations enhanced and fostered bilateral contacts aimed at solving them. This, in turn, highlighted the need to reconstruct the relationship between the two antagonistic states despite other regional differences in their foreign policies.

This research starts by tracing the reasons for the restoration of relations between the United Kingdom and Egypt, and examining the way this was achieved. The thesis starts with a brief chapter which attempts to set the scene for the situation between the two states after the break in 1956.

The history of the relationship is briefly explored, with particular emphasis on: the pattern of the relationship between Egypt and the United Kingdom prior to the 1952 coup d'état; the disruption of this pattern and the resolution of the bilateral differences in the period 1952-1954; and the reasons for the rupture in the relationship between the two states, showing that there remained a structural imbalance in relations that persisted even after the settlement of Anglo-Egyptian differences. While touching briefly on the emergence of the new superpowers which were interested in Egypt and the effect that this had on Anglo-Egyptian relations, particular attention is paid to explaining the main reasons for the severance of the relationship; namely that the clashes in foreign policy in the region led to the rupture in the relations in 1956.

The second chapter starts by identifying the main problems or outstanding issues which were created between the two states as a result of the abrupt severance of their relationship in 1956. And as this study involves the reconstruction of relations between the two states, the course of the research will try to identify the reasons and methods of the reconstruction of that relationship. The chapters are divided thematically and chronologically by identifying at each period which country sought to reconstruct the relationship, showing that this decision was made because the government of the state in question believed that this reconstruction was in its national interest. During the course of the exposition, it will be explained how the

perceptions of that national interest by the decision-makers influenced the decision of both states about reconstructing the relationship. It will also expose the efforts of each of the two states in reaching an agreement, and the reaction of the other state towards such an overture (or overtures).

Accordingly, the second chapter will identify the major problems in the field of bilateral relations between the two states and the pressures that they began to exert on their governments. The most important of these problems was the continued closure of the Suez Canal to British ships, a issue which was of major concern to the British government at the time. The study will expose that, just as the Suez Canal was the reason — or rather the catalyst — for the outbreak of the conflict between the two states, it was also the catalyst which forced the governments of the two countries to meet in order to discuss ways of bridging that issue. Indeed, because of the pressures of this problem, the British government initiated the talks between the two governments, in order to resolve it. There were also the problems of the British property sequestered in Egypt and the British refugees from Egypt.

The third chapter will seek to explain why, from May 1957, the Egyptian government sought actively to reach a reconciliation with the U.K. This was despite continuing foreign policy clashes and the feelings of bitterness prevalent in Egypt towards the U.K. because of the Suez War, the “Tripartite Aggression”. Special emphasis will be placed on the reasons behind the Egyptian position, mainly the economic difficulties Egypt was facing as a result of the economic sanctions imposed on Egypt after it nationalised the Suez Canal. These were beginning to cause serious problems for the Egyptian economy. Consequently the Egyptian government wanted an agreement with

the U.K. which would allow Egypt to regain its sterling balances in the United Kingdom.

The change in the position of both states regarding reconciliation at that stage centred on the attempt to reach a financial agreement, permitting the return of normal relations between the two states in areas such as commerce and trade and allowing for the eventual resumption of official relations. These endeavours will mark the beginning of the following part of the research (Chapter 4). The position of both states in the negotiations directed at settling the outstanding bilateral issues drastically changed. This change was manifested firstly by the hardening of the Egyptian position in the negotiations. Thus, instead of Egypt wishing to reach any agreement with the U.K., the Egyptian negotiators and policy makers were only willing to accept a clearly favourable agreement. As for the change in the British side, it was noticeable that after the reluctance of the British government to reach an agreement in 1957, the situation changed completely in 1958.

During the course of this chapter the developments in the negotiations between the two states will be discussed. The reasons for the changes in the positions of both states will be analysed, especially the reasons for the softening of the British position in the light of the internal and external pressures for an agreement on the British Cabinet. An attempt will also be made to justify and analyse the reasons for the rigidity of the Egyptian position at certain stages of the negotiations. This led to the Egyptian delegation, at the last minute, baulking at signing the financial agreement. The eventual signature of the bilateral treaty in 1959 will be explained, showing the U.K. efforts to reach a financial settlement with Egypt. In that context, the foreign policy

conflicts, which had intensified during that period, will be reviewed, and their effects explained, to establish the impact this conflict had on the area of bilateral relations. From the evidence, it appears that, regardless of the increasing conflict, the efforts aimed at reaching agreement between the two countries not only continued but actually intensified. The terms of the agreement will be reviewed in order to establish which side made greater compromises. This will be an indication of which of the two states was the more eager to reach an agreement.

The last and final chapter of this research (Chapter 5), will deal with the restoration of official relations. The efforts to establish diplomatic relations with Egypt will also be examined, starting from the point where the U.K. wanted to establish outright diplomatic relations upon the signing of an agreement. The U.K. initially wanted to make the release of the blocked Egyptian assets in the U.K. conditional on the resumption of full diplomatic relations. Later, the U.K. was prepared to settle for the establishment of a U.K. diplomatic mission in Cairo, but had to allow the release of Egyptian balances in the U.K. before achieving even this, its minimum demand. The issue of the restoration of diplomatic relations will be examined, showing the difficulties that such a restoration entailed because of the generic difference between a financial settlement and the restoration of diplomatic relations. Due to these differences, restoration of full diplomatic relations was much delayed because it was influenced by domestic factors in each state, by the perceptions of the leaders and by the colonial legacy, as well as by foreign policy conflicts. In that context, the issues of bilateral relations between the two states will be examined, showing the difficulties which existed between the two states in the bilateral field. Also the problems of each country opening up consular and

diplomatic missions in the lands — and spheres of influence — of the other country will also be examined. The significance of the last point is two-fold. Firstly, it took on such importance that it was the issue responsible for the delay in the appointment of ambassadors of the two states. Secondly, the conflict and competition between the two states, which was at first focused on the Middle East, later developed to other parts of the Third World. The permission given by one state for the opening up of diplomatic missions in the spheres of influence of the other had several implications. On one hand, it was a sign of the maturity of the relationship between the states, for it implied the acceptance of both governments that they had to live with the competition between their foreign policies, without sacrificing their bilateral relations because of that factor. Indeed, the restoration of diplomatic relations allowed both countries to co-operate in Kuwait in 1961, to prevent Iraq's occupation of that country and to decrease the tensions in the area.

For the purpose of this study, a wide range of sources has been used. The most important were, of course, primary sources. British primary sources were essential for this study and I have relied extensively on the archives in the Public Records Office at Kew. These include Cabinet Papers, Foreign Office Files, Treasury Files and records of the Ministry of Defence. In addition some papers in the private papers collection at the Middle East Centre of St. Antony's College (Oxford) were used. The debates in both Houses of Parliament were also consulted through *Hansard*, especially those in the period following Suez. Furthermore, the published memoirs of British politicians and diplomats were also consulted in order to obtain a clear picture of the global problems which faced the politicians and civil servants of that time, and thus to see how the decision-makers perceived the Anglo-Egyptian

relationship, and how their perception was affected by other factors at the time. For that process as well, and since the issue of bilateral relations was an issue where British public opinion was involved, with its consequent importance for British decision-makers at the time, the British newspapers of the period were also consulted.

Secondary sources were also used. They include the body of literature which has been written on the Anglo-Egyptian relationship, or on British policy in the Middle East, and the international situation from the end of the Second World War until the early sixties, as well as the politics and foreign policies of both the U.K. and Egypt.

Officially, access to the Egyptian archives is impossible, since all documents of that period remain closed under the Fifty Year Rule in Egypt. However, interviews were conducted with some prominent Egyptian figures involved in the politics of that time who had first-hand information regarding Egyptian policy towards the U.K. These interviews, together with the Egyptian position as reported in the British archives, gave a better understanding of the Egyptian position. The British archives, in particular, gave a great deal of information about Egyptian policy at that time and the implications for the U.K. The writings of Egyptian politicians (including Nasser) of the time and their memoirs, were also used, together with the speeches Nasser made. To complete the picture, a review of the Egyptian press of that time was also important, especially in the light of the growing restrictions imposed by the Egyptian government on the Egyptian newspapers. Furthermore, the American National Archives, State and Defence Departments files have been used as well as the publications of the "Foreign Policy of the United States" from the period from 1949 until 1956-1957.

## INTRODUCTION : END NOTES

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- 15 Robert Jervis, *Perception and Misperception in International Politics* (Princeton: University Press, 1976) p. 143.
- 16 Steinbruner, *The Cybernetic Theory of Decisions* p. 48-67.
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- 18 Hedley Bull, *The Anarchical Society*, pp. 162-183.
- 19 £1 (sterling) in 1956 represents approximately £12.14 (sterling) at 1992 values, which is equivalent to £E78.91 (Egyptian). Thus, £70 million (sterling) in 1956 equals approximately £850 million (sterling) in 1991. (From tables extracted by K. Abadir from Data Stream.) This is a substantial sum for Egypt if we take into account the fact that today's £1 has approximately the same purchasing power in the U.K. as £E1 has in Egypt. In order to understand the economic impact of these assets on the Egyptian economy, it is best to think in terms of the equivalent figure of £E5.5 billion.

# **CHAPTER ONE**

## **SETTING THE SCENE**

### **I INTRODUCTION**

By 1957, relations between the United Kingdom and Egypt had passed through a drastic transformation, especially in the decade previous to that date. For though Egypt was never a colony of Great Britain, the latter nevertheless had exercised almost absolute power over its internal as well as its external political and economic life since occupying it in 1882.

This created a structural imbalance which plagued Anglo-Egyptian relations after the end of the British occupation of Egypt and affected the restoration of official relations after the Suez War. The legal status of the British presence in Egypt, and its pattern of rule, had indeed ensured that structural imbalance in relations and led eventually to the destruction of that relationship.

At the same time, a major factor which had allowed the U.K. to maintain its position in Egypt, namely the fact that it enjoyed no competition from other major countries over its position in Egypt, was also threatened. This was due to the emergence of new superpowers in the post World War II era, superpowers which eventually began actively to compete with each other as well as with the U.K. for influence in and control of Egypt.

The combination of the above-mentioned factors, namely the decline of the

U.K. power, the effect of the exercise of that power on the Egyptian political system — which led to the fall of that system in 1952, as well as the rise of new superpowers, all led to the decline of the U.K. hold over Egypt. There were two main problems which had soured the atmosphere of the relationship between the two states at that time and up to 1954. The first and most important was the Egyptian request for the U.K. to withdraw its forces from Egypt; the second was the question of the Sudan. The Egyptian monarch, as well as the rest of the Egyptian polity, tended to consider the Sudan an integral part of Egypt, while the U.K. was committed to giving the Sudan, eventually, the right of self-determination independent of Egypt.

However, the change in the Egyptian political system, as well as the pressure and mediation of the U.K.'s war-time ally and the new superpower of that era, the United States, had eventually led to the breaking of the stalemate which had plagued the relationship between the two states. The problems between the two states in the field of bilateral relations were eventually sorted out with the signing of the 1953 Anglo-Egyptian agreement over the Sudan, and the Anglo-Egyptian agreement of 1954, which allowed for the withdrawal of the U.K. troops from Egypt.

Nevertheless after the problems between Egypt and the United Kingdom in the bilateral field were cleared up, leading to the hope that a new era of actual co-operation would finally ensue between the two states, their relationship began to deteriorate. The active involvement of Egypt in the Arab world after the 1952 coup d'état was the main reason for this deterioration. As a result, a direct clash in the foreign policy of Egypt and the U.K. in the region occurred, since

the Egyptian policy of attacking imperialism meant an attack on the power and influence of the U.K. in the Middle East, generally, and in the Arab states in particular. The result of this conflict in the foreign policies of the two states in the region was effectively perceived as the start of a regional conflict between them. This conflict resulted in a series of major incidents — such as the Czech arms deal and the sudden removal of General Glubb from the leadership of the Jordanian army, the Arab Legion — which convinced the U.K. policy makers that there was no possibility of dealing with Nasser's Egypt. This led, in turn, to the sudden withdrawal of the High Dam financing offer, a move that had led Egypt to the nationalisation of the Suez Canal, and the Suez War which ensued in October 1956.

## **II      LEGALITY AND PATTERN OF THE BRITISH RULE OF EGYPT UP TO 1952**

The Anglo-Egyptian relationship had been described by one of the Egyptian supporters of the U.K. presence in Egypt as “a Catholic marriage which cannot be broken”. [1] The fate of the man who made that statement in 1942 — Amin Osman — was to mirror that of the marriage between the U.K. and Egypt. To understand why the Anglo-Egyptian relationship was ultimately destroyed, one has to mention the legality of the British presence in Egypt, as well as the pattern of the British rule in Egypt, which led to the creation of a structural imbalance in that relationship and the collapse of the pre-1952 political regime in Egypt — all factors which contributed to the loss of British control over Egypt.

Firstly, when the British forces occupied Egypt in 1882, the legal pretext was Khedive Tawfik's (then the ruler of Egypt) invitation to put down the Urabi

uprising and to protect foreign lives and property. After the occupation of Egypt, the British presence in Egypt lacked any legal foundation despite the fact that the actual ruler of Egypt became not the Khedive but the British Agent and Consul General. The first to occupy that post was Mr. E. Malet (who was the British Agent in Egypt based in Alexandria prior to the British occupation of Egypt).

In 1883, he was replaced by the most famous of the British envoys to Egypt, Sir Evelyn Baring, later Lord Cromer. The British envoys maintained that they “would not interfere with the liberty of action of the Khedivial Government, but in practice he would insist on the Khedive and the Egyptian Ministers conforming to his views.” [2]. A vivid illustration of the British domination of Egypt was Egypt's official non-alignment during the Ottoman-Italian war of 1911-1912 (in Libya on Egypt's western borders) although Egypt was a part of the Ottoman Empire. This position prevented Egypt from allowing Ottoman troops to cross Egypt to Libya, while at the same time allowing Italian troops to pass through the Suez Canal from Ethiopia to Libya. [3]

After the beginning of the First World War, it was implausible to maintain the facade that British-ruled Egypt remained part of the Ottoman Empire while the two countries were at war. Therefore, Egypt was declared a British protectorate in 1914. Once done, the title of Khedive, the official ruler of Egypt, was changed to Sultan. The ruling Khedive, who was in Turkey at the outbreak of the war, and thought to be loyal to the Ottomans, was summarily sacked. At the same time, the title of the British envoy was changed from Consul General to High Commissioner. This meant that the British were free to

exercise more open and direct rule over Egypt. After the end of the First World War, and because of the massive public resistance which occurred in Egypt calling for independence, the British government issued a unilateral declaration of independence stating that Egypt was an independent monarchy. However, the British declaration qualified that independence by stating that there were still reserved points which remained to be negotiated with Egypt over a) the security of the Suez Canal and the imperial communications, b) the status of the Sudan, c) the protection of foreign nationals and finally d) the defence of Egypt. The fact that the 1922 Declaration of Independence was qualified, as well as unilateral, meant the task of almost every government which reached power in Egypt was to negotiate an agreement with the U.K. over the reserved points in the declaration. In 1936 the U.K.'s increasing concern regarding security in the Mediterranean was an added impetus for seeking an agreement between the two countries, especially as the United Kingdom wanted to secure the use of Egypt's resources and facilities during any future European war. However that treaty was less a confirmation of Egypt's independence than a way of legalising the U.K. presence there. This was demonstrated by the actions of the British senior envoy to Egypt in times of crisis.

Just as the 1922 declaration did not stop Lord Allenby from using gunboat diplomacy to force the resignation of Saad Zaghloul from power in 1924 after the assassination of Sir Lee Stack, Lord Killearn (then Sir Miles Lampson) was not inhibited by the 1936 treaty from taking similar if not more drastic action. Thus when the King refused to appoint a Wafd government to power in Egypt, at a time when the defence of Egypt was seriously threatened from the attacks of Field Marshal Rommel on the western front, Lord Killearn did not hesitate to

give an ultimatum to King Farouk either to appoint the Wafd government or to abdicate his throne. At the same time, he made sure that the King would oblige by surrounding Abdeen Palace, the King's official residence, with British tanks. The actions of the U.K. high commissioners — or ambassadors — in Egypt, regardless of the 1922 declaration and the 1936 treaty, meant that despite the fact that Egypt was never a colony of the U.K. it was still subordinated to the priorities of British governments.

Secondly, during the period from the British occupation of Egypt up to the 1952 coup d'état, the U.K. developed a pattern of how to manage Egypt and deal with whatever crisis which seemed to threaten it in Egypt: an efficient mixture of divide and rule tactics and gunboat diplomacy. The divide and rule tactics were effective by virtue of the singular role of the British in the triangle of power — between the British, the Palace and the Wafd — of Egyptian politics which existed before the army took over in 1952.

As for gunboat diplomacy, it meant in effect the threat of the use of force either by the movement of one or two of H.M.'s battleships to an Egyptian port, or the threat to use force yet more openly, as in 1942. In several cases the showing of British force — whether by military vessels in Egyptian ports or troops in population centres — was combined with an ultimatum, such as in 1924 and 1942, which indicated in no uncertain terms that the U.K. was committed to achieving its demands by using force if necessary. A threat against either Egyptian side in the triangle of power — whether the King or the Wafd — meant an immediate gain to the other side in the triangle of power when they capitulated to the U.K.'s demands. Therefore, over the years of British occupation of Egypt, the pattern of ruling Egypt became crystallised

and fine-tuned by the British representatives in Egypt. First of all, the political system which had ruled Egypt, before the 1952 coup, rested on the existence of a constitutional monarch and a parliamentary system in which the Wafd Party enjoyed massive public support. The British representatives in Egypt played on the differences between the desire of the King to exercise absolute control and the Wafd's desire to hold power after winning almost every free election which took place from 1922 until 1952, aiding either side if that policy furthered its own interests. At the same time, and as mentioned earlier, there was always the veiled threat to use force against either (or both) sides if British wishes were not obeyed.

The legality, or rather the illegality, of the British presence in Egypt meant that though Egypt was nominally independent, the final say in running the affairs of Egypt lay with the British government rather than with Egyptian officials. Thus the independence which Egypt enjoyed was “the independence of the Egyptians to do right but not to do wrong in situations where the sole arbiter of right and wrong was Great Britain”. [4] The United Kingdom relied on the Egyptians to run their own affairs, subject to course of action adopted fitting in with the wishes of the United Kingdom. The United Kingdom wanted to exercise power over Egypt without responsibility, and because of that, Egyptian officials became used to blaming their failures on the existence of the British occupation as the classic scapegoat. [5] This dominant position of the British created a “parentalism” [6] mentality for British officials when dealing with the Egyptians. They became accustomed to enforcing their priorities on Egyptian policies whether they had a legal claim over Egypt or not. At the same time, the Egyptians also became frustrated because, despite a former declaration of independence (1922) and a treaty confirming it (1936), they still

found that their “independence” was being violated by the British. British rule over the years of the occupation created for the Egyptians a mentality which urged them to prove their actual independence from the U.K. Indeed, the legacy of British rule over Egypt not only plagued Anglo-Egyptian relations up to 1952, but endured after the occupation was formally ended and the problems in the bilateral field resolved in 1954, contributing to the break which occurred in 1956 and, even worse, adversely affecting the prospects of the restoration of relations from 1959 onwards.

Indeed, some British diplomats have expressed the view that it would have been better if Egypt had been declared an outright British colony, clearly drawing the lines of authority [7] and where responsibility lay. [8] For the Egyptians became obsessed with trying to prove their independence from British rule and rejected even a British diplomatic presence in Egypt (after 1956) as it reminded them of the years of British rule. Certainly, this structural imbalance in the Anglo-Egyptian relationship existed because the British had become used to exercising power over the affairs of Egypt; thus when Egypt refused to enter into a U.K.-sponsored defence arrangement (after 1954) and embarked on an active Arab policy which was opposed to the U.K. hold on the Middle East there occurred a case of “frustrated parentalism” [10] in the minds of British officials which led them to over-react (as will be seen later in the chapter) to the extent that they allowed differences in the field of foreign policy to destroy the bilateral links between the two states.

Thirdly, this structural imbalance contributed to the loss of British control over Egypt. There are two set of factors which were responsible for the collapse of

the U.K. mastery over Egypt. The first set had to do with the effect of the triangle of power on the Egyptian political scene. The second was related to the changing fortunes of the U.K. in the world order which was created after the end of the war, namely the emergence of new superpowers in the post-World War II era, as well as to the decline in the power of the U.K. itself.

As for the first set of factors, the triangle of power which had allowed the U.K. to dominate the Egyptian political scene had eventually led that system to collapse — in 1952 — thus denying the U.K. the main method by which it had controlled Egyptian public and political life up to that point, as well as destroying a political system in which the U.K. had cultivated a long-lasting relationship with all its main participants. The way the triangle of power had been manipulated over the years had alienated the main actors in the system, including the U.K. Each of the three players was concerned with tactics and immediate gains rather than long-term strategy. The King and the Wafd had become more concerned with their standing versus each other, forfeiting their credibility within their constituencies to the extent that they had eventually lost the loyalty of the supporters as well as their constituencies.

The second factor was related to the effect of the Second World War on the power of the U.K. itself, and the rise of new powers interested in the Middle East. Up to that point, one of the reasons which had allowed the U.K. to manage Egypt was the absence of competition from any of the major powers of the time, since the “entente cordiale” of 1904 between the U.K. and France. The absence of competition had allowed the U.K. in a sense to have a free hand in its dealings with the Egyptians. Therefore the U.K. senior envoy to Egypt could — when the need arose — deliver ultimatums and threaten the

use of force if British demands were not met, and the Egyptians had no foreign power which was competing with the U.K. to turn to. But the Second World War had not only exhausted the resources of the U.K. to such an extent that it had destroyed its ability to act as a superpower, and it had also led to the emergence of two new superpowers, namely the United States and the Soviet Union, which had their own designs on the Middle East.

The Second World War not only alerted all Egyptians to the might of other world powers and their challenge to the British Empire, but it also led to the emergence of a bipolar world whose two pillars, the U.S.S.R. and the U.S.A., in their competition for power and influence had their own ideas and policies for the future of the Middle East. Therefore, the U.K. had lost the absolute power and freedom from foreign interference which it had exercised in the Middle East, especially Egypt.

The rise of these two new superpowers — at a time when the power of the U.K. was declining — presented the U.K. with different policy options and challenges from each. The easier to understand of these two challenges was that of the U.S.S.R., which the U.K. saw as an enemy which had to be repelled and contained. It had to counter a Soviet foreign policy drive, under Kruszchev, which aimed at trying to win the Third World states. [11] The Soviet drive on the Middle East threatened not only U.K. prestige and influence in the area but, more importantly, vital oil supplies. As the U.K. at that time depended — together with most of Western Europe — on Middle East oil supplies, the U.K. and the U.S. feared that the motive behind the Soviet drive on the Middle East was because it (the Middle East) was the “Achilles heel of oil poor Western Europe”. [12]

As for the United States, it represented a different sort of challenge once there emerged differences between the two allies. Indeed once the United States began to adopt an interventionist posture in world affairs, after years of pre-War isolation, differences and frictions between the two allies were bound to occur. This was due mainly to the fact that the U.K., which had emerged from the Second World War as the weaker partner economically and militarily, and which depended on the economic assistance of the U.S. — whether through the Anglo-American Loan or from the Marshal Plan — nevertheless retained its traditional influence world-wide. The U.S. however had to assert its own influence in most parts of the world which it considered strategically relevant. The U.S. found that it had to start that process, in some cases, from scratch and, more dangerously for U.S.-U.K. relations, at the expense of the U.K. The differences which had occurred between the two states in the field of foreign affairs were not limited to any particular region or area in the world. The policies of the two governments differed drastically on several major issues which faced them in the post-War era: including the Soviet Union, Korea, Iran, Cyprus, the administration of Japan — where General MacArthur ruled single-handed leaving almost no room for the Allied Commission for Japan — and which members should be elected to the U.N. Security Council. [13] The disagreements between the two states resulting from the new interventionist policy of the United States not only alarmed British officials but also led the rise of anti-American feeling among the U.K. public — a feeling that was often fuelled by the media. [14]



### **III CONFIRMATION OF LOSS OF BRITISH CONTROL: THE 1952 COUP D'ÉTAT**

The position of the U.K. in Egypt had deteriorated to the extent that when a small group of army officers took power on July 23rd 1952, the U.K. Embassy was completely in the dark as to that move or even the identity of those behind it. This illustrates the U.K.'s loss of control over Egypt, as only a few years back the approval, not to mention the knowledge, of the U.K. had been essential before any minor move to power could ever take place. Even worse, it has been suggested that while the U.K. Embassy in Cairo was in the dark, the United States was fully aware of what was going on — if not actually involved. [15]

The reaction of the U.K. to the coup d'état was extremely cautious. Immediately after the coup, the U.K. Cabinet decided to limit the movement of U.K. troops in Egypt; they should be as "unobtrusive as possible". [16] Furthermore, the U.K. government decided that it would only intervene militarily if the lives of U.K. nationals in Egypt were endangered. [17]

This reaction illustrated two important things. The first, was that the U.K. had finally realised it could not maintain its former dominant position in the political affairs of Egypt. Secondly, it meant that the U.K. preferred to reach an accommodation in Egypt no matter who was in power, to help maintain bilateral relations and preserve its interests in Egypt. The two remaining problems which continued to trouble relations between London and Cairo were the Sudan and the U.K. military presence in Egypt.

In 1952, U.K. policy makers felt that Egypt was important for two main reasons. The first was the Suez Canal Base, both as an arms reservoir, where the U.K. stored vast amounts of military equipment which British forces could utilise if the need arose, and as a base which could be used for quick intervention in any crisis or war in the Middle East. The second reason was the Suez Canal. The U.K. was concerned over the negative effects on the United Kingdom and Western Europe of a stoppage of free trade through the Canal . U.K. shipping would be especially hurt by any disruption to the flow of shipping through the Suez Canal, since British shipping amounted to a third of the annual tonnage passing through it. A temporary reversion to the Cape of Good Hope route would have meant damaging costs for U.K. shippers, as well as similar effects due to the disruption of the pattern of trade. Moreover, the area of most concern in the event of any disruption to the Suez Canal traffic was oil.

The new U.K. oil refineries, which had recently been built at a cost of over £165 million, relied on crude oil from the Persian Gulf. With the world tanker fleet fully occupied, a disruption of the Suez Canal traffic would have resulted in an immediate shortage of petroleum in England. Thus the U.K. knew that an ill-disposed Egyptian government would not only be a setback for the U.K. on the strategic level, since it might deny the U.K. its base right in the Canal Zone, but worse still, that such a government would be able to cause immense damage to the U.K. economy. [18]

At the same time, the U.K. decided not to withdraw forces from Egypt before negotiations had started and were progressing favourably. The U.K. government knew that by not reaching an agreement they were losing more

than they could afford. The U.K. Secretary of State for Foreign Affairs, Anthony Eden, was convinced that the U.K. — by not reaching an agreement — would be faced by one of two options: either the military occupation of Egypt, or complete evacuation, without having set up any defence arrangements in the area. It was further realised that the use of Egypt strategically would not be complete by simply relying on the U.K. troops in the Suez Canal Base. It would also require the use of Egyptian airfields and ports, especially those of Alexandria and Port Said. This meant the U.K. needed full co-operation from Egypt to utilise its assets satisfactorily — if indeed at all. For if the U.K. were to over-stay its welcome in the Canal Zone and face a hostile Egyptian government, they would be in a position which they could neither defend at the United Nations, nor utilise strategically. [19]

Convinced of the need to sort out the two outstanding issues — the Sudan and the Suez Canal Base — the United Kingdom increased its efforts to reach an agreement with Egypt. The U.K. began to use a carrot and stick policy in its dealing with Egypt so as to coax the Egyptians into a new alliance with the U.K. and the West. It tried to reach an agreement with Egypt and the United States whereby Egypt would enter a defence arrangement with the U.K. and the U.S. in return for economic and military assistance. In an attempt to convince the new Egyptian leadership of the merits of their proposals on defence, and incidentally about a compromise regarding the Sudan, the U.K. utilised three main tactics.

The first was to convince the U.S. not to give in to Egyptian demands for assistance, economic or military, until Egypt softened its stance in the

negotiations. Secondly, the U.K. delayed the delivery of agreed contracts to Egypt, depending on the Egyptian stance in the negotiations with the United Kingdom. [20] The third tactic, which was even more effective in trying to influence the Egyptian government, was the use of the question of Egypt's blocked sterling balances in the United Kingdom.

During the Second World War a huge trade imbalance in Egypt's favour had accumulated in the U.K. Treasury, with the result that Egypt's sterling holdings reached a peak of £470 million at the end of December 1946. [21] Most of the Egyptian sterling holdings (better known as the Egyptian sterling balances) were blocked, pending an agreement between the U.K. and Egypt over a way in which Egypt might gradually withdraw them without disrupting the U.K. economy. This agreement was reached by March 1951 and led to the scaling down of these balances to £230 million by March 1951. By the end of 1952, the value of the balances had fallen to £179 million. The U.K. Cabinet considered the annual release of £10 million in the light of the Egyptian stance in the negotiations with the U.K. [22]

In fact, the policy of using the card of the sterling balances of Egypt in the negotiations between the two countries was used throughout the period 1950-1954, whenever the date of the release of Egypt's annual quota came — December of every year. The U.K. Prime Minister, Winston Churchill, regarded the matter from the standpoint of the progress of the Anglo-Egyptian negotiations. The attempt was to secure Egyptian submission, or at least increased co-operation with the U.K.'s demands, in exchange for the release of the agreed funds. This proved to be very successful in the short term. Egypt was forced to agree to the U.K.'s requests, or the United Kingdom would keep

— albeit for a few more months — some badly needed cash. In the long term, however, it had a negative effect on bilateral relations, since it supplied the Egyptian leadership with yet another reason for mistrusting the U.K. It was hardly a very reassuring sign of the U.K.'s commitment to the treaties which it had already signed with Egypt. All the same, this stick and carrot policy worked both ways: it not only pressured the Egyptian government, it also rewarded it. In 1952, following the revolution, the U.K. released £5 million earlier than the due date because of the liquidity crisis Egypt was suffering from at the time. The hope was that this might influence the new Egyptian leadership towards better relations with the United Kingdom. [23]

The period following the revolution (1952) witnessed a slow but steady improvement in relations between the U.K. and Egypt, a trend which culminated in 1953 when the two countries finally reached and signed an agreement over the Sudan. However, the best prospect for better relations between the two states was finally reached when the two countries reached a defence agreement in 1954. The path to that treaty was by no means an easy one.

#### **IV THE ROAD TO SUEZ**

The signing of the two agreements of 1953 and 1954 — especially the latter, as it organised the end of the U.K. occupation of Egypt — allowed for a fresh start in the bilateral relations between United Kingdom and Egypt. These two agreements settled once and for all the bilateral differences which had plagued relations. Egyptian officials, after witnessing the worst era for bilateral differences between the two states (the period 1950-1952), were relieved at

the signing of the two agreements, especially that of 1954 which was called in Egypt *Ittifaqiya al-Gala'* (The Evacuation Treaty), and hoped that it marked the start of a healthy relationship between the two countries, a relationship based on equality and mutual respect for each country's independence. [24]

This hope was not limited to Egypt. The U.K. Foreign Secretary, Anthony Eden, in his efforts to persuade the U.K. Cabinet to accept the treaty, argued that it meant the U.K. would "replace an expensive military presence in the Canal Zone with the lasting gratitude and friendship of the Egyptian government and people". [25]

The optimistic expectations of both Egyptian and U.K. officials were indeed justified, for the Sudan agreement of 1953 paved the way for that of 1954 which settled the last outstanding problem between the two countries, namely the evacuation of the remaining U.K. troops in Egypt. Once that treaty had been signed, the deck was cleared of problems in bilateral relations, according to the U.K. records as well as to Egyptian diplomats responsible for relations with the United Kingdom. [26]

The matters covered in these treaties were not issues in contention between the two states during the period from 1954-1956. It was not issues arising from bilateral relations between the two states which soured their relations and led to the Suez war in 1956. The evacuation of U.K. troops from Egypt was proceeding according to plan and the timetable was going even faster than stipulated. [27] In addition, new arrangements made in 1954 for the release of Egypt's blocked balances in the U.K. were adhered to. The U.K. even agreed to provide arms for Egypt — though on a limited scale. [28]

Relations began to sour after 1954 for a completely different reason, namely the clashes in the foreign policies of the two states especially in the Middle East. This clash developed over a period of less than two years into a fully-fledged regional confrontation. The beginning of the problems between the two states began to appear when Egypt declined to join in with the U.K. strategic defence plans for the Middle East, in co-operation with the United States. U.K. policy makers were worried by the effective propaganda campaign being mounted by Egypt through *Sawt al-Arab* radio station. Directed at listeners in the Arab states, it concentrated its attacks on imperialism and those Arab allies of the U.K. which were joining the latter's defence arrangements or which were being pressured to join, namely Iraq and Jordan. The Egyptian propaganda machine also attacked the U.K.'s position in the Gulf (especially in Kuwait) thus endangering a vital source of oil. The refusal of Egypt to join the U.K. defence arrangement, called the Baghdad Pact, and its efforts to undermine the pact and encourage Arab states not to join were ill received by the U.K. policy makers. The anger the Egyptian position provoked was not only because it foiled U.K. strategic plans, but because the U.K. expected some gratitude from the Egyptian government in return for its withdrawal from the Sudan and the Suez Canal Base and the sale of U.K. arms to Egypt. U.K. politicians remarked that "notwithstanding all the benefits which we had unilaterally conferred upon Egypt we had won no gratitude". [29]

There remained an imperialist trend in the U.K. Cabinet which still viewed the world from the standpoint of the U.K. as a great power of the pre-War era. They considered the history of Anglo-Egyptian relations since Nasser came to power in Egypt as one of "Unilateral and unrequited gestures". [30] This imperial trend is well exposed by Macmillan in his diaries. [31] The British

conviction of the ingratitude of some nations which were actively seeking independence (whether Egypt or other countries) was more profoundly revealed when Macmillan wrote after the independence of the Sudan in 1956: “U.K. blood, U.K. money and devoted U.K. administrators had raised this people out of the state of savagery and slavery and set them on the path to civilisation.” [32]

U.K. irritation at Nasser intensified in 1955 when it became apparent that Egypt was not only refusing to enter the Baghdad Pact but was actively trying to undermine it. The Egyptian revolutionary regime took a vehement stand against the Pact, and fought tooth and nail to prevent Arab states from joining it, especially Jordan. Egypt used several methods to pressurise Jordan to refuse to join the Baghdad Pact. These entailed using the Egyptian propaganda machine to entice nationalists in Jordan to actively oppose the Pact, [33] using money from Saudi Arabia to convince the Jordanians not to join it and sending a member of the Egyptian Revolutionary Command Council to the Egyptian Embassy in Amman to organise the opposition in Jordan against entering the Pact. [34] When Jordan finally refused to join, it was considered as a major rebuff for the U.K. and a victory for Egypt, a fact which was stressed by Egyptian propaganda at the time. [35]

The U.K. was shocked when Egypt, frustrated at being denied its requests for arms from the West, made the famous Czech arms deal which was announced in 1955. This arms deal was a double blow for the U.K. government. It meant that Egypt had given the Soviet Union a foothold in the Middle East, and it also provided a precedent for other Arab states: if they were denied arms by the West, then they could buy them from the Soviet Union, a willing and

efficient arms supplier. The Czech arms deal meant an effective death sentence to the tripartite declaration of 1950 whereby the United States, France and the United Kingdom attempted to establish a security system in the Middle East by limiting arms supply to the region. [36]

The foreign policy of the Egyptian government, of opposing the Baghdad Pact and making the Czech arms deal, caused the U.K. Prime Minister, Anthony Eden, severe embarrassment and agitation especially as he had fought single-handedly in 1954 to convince a reluctant Cabinet and Prime Minister (Churchill) to agree to the 1954 agreement. [37] He had later managed to convince a reluctant American administration to propose the Aswan High Dam offer. [38] When General Glubb, the head of the Arab Legion (the Jordanian Army), was dismissed by King Hussein, Anthony Eden came to the conclusion that Nasser had to be destroyed. He became almost irrational as far the subject of Nasser was concerned, informing his subordinates in government that Nasser had to go. [39]

U.K. animosity to Nasser was by no means limited to Eden, for even the Foreign Secretary, Selwyn Lloyd, changed his views on the Egyptian leader, and became convinced that he was behind Glubb's dismissal. [40] Officials in the Foreign Office became convinced they had to get rid of Nasser (as did the Americans) and at that point (March 8, 1956) they began to look for the means to destroy him. [41]

From this point onwards, the British government under Eden, was waiting for a chance or even a *causus belli* to deal with the Egyptian leader directly.

Eden's animosity surfaced again when he sent a message to the American president, Eisenhower, arguing that immediate action was required in Egypt to topple Nasser. Eden's message stated that Nasser was an all-out Soviet conspirator and that his intentions were to demolish Western interests in the Middle East by dismantling the existing Arab regimes and setting up a United Arab States, made up of republican Arab states loyal to Nasser. Eden believed that Egypt had already installed its agents in the Arab states under the pretext that they were teachers. [42]

U.K. fears about the rising number of Egyptian teachers and what they were up to were not new. The U.K. government and U.K. diplomats in the Gulf had been questioning their presence for some time.

## V COMPETITION IN THE ARAB WORLD

Egypt's increasing influence in the Arab world and particularly in the Gulf was being closely monitored by the U.K., with rising concern. As early as 1955, Egyptian influence in the Arabian Gulf had grown significantly, to the alarm of U.K. officials. The thousands of Egyptian migrant workers in the Gulf — especially teachers — were a potent weapon in Egypt's propaganda arsenal. Egyptians were never appointed to head departments of education or allowed to determine education policies; these jobs were reserved for Palestinians or the natives themselves (with the exception of Doha where the Inspector of the Education Department was an Egyptian), [44] but the presence of so many Egyptian teachers worried the U.K. The number and involvement of Egyptian teachers was not uniform among the Gulf states — it varied from country to country with the level of development and the specific attitude of Arab leaders to Egyptians. In Kuwait for example, in 1955, several thousand Egyptian

teachers were employed, while in Bahrain, as a matter of policy, teachers were hired from all over the Arab world. [45] The penetration of Egyptian influence in the Gulf through the increasing number of Egyptian teachers, just when Egypt was actively trying to undermine the position of the U.K. in the Arab world, presented the U.K. with a difficult problem. On the one hand, there was a desperate need in these emerging states for teachers and instructors to assist development plans, and no cheap alternative to teacher recruitment from Egypt. To deny or curb the supply of teachers would have meant a scaling down in the development of the region. Since the United Kingdom was not able to substitute for the massive numbers of Egyptian teachers it would have had great difficulty in convincing the Gulf rulers of the need to stop employing Egyptians. [46]

The U.K. monitored the number of Egyptian teachers seconded abroad — especially to the Arab states — and was disturbed at the results. The number of teachers had risen from 1400 in the academic year 1955/56 to 2472 in 1957 and the Egyptian authorities estimated the number would reach 4000 by 1959. The U.K. Foreign Office viewed the spread of Egyptian teachers seconded abroad as a dangerous threat: the “Egyptian cultural penetration of the Arab and African World is proceeding apace”, and it feared that “for the next few years the cultural dependence of Egypt's neighbours upon her is unlikely to lessen but may well increase.” [47]

Egyptian penetration of the Gulf was not limited to teachers. Egyptian medical staff, including doctors, as well as experts in other fields like construction and engineering seconded by Cairo, poured into the Gulf. U.K. envoys in the Gulf

noted how some Egyptian personnel's interest in politics exceeded their interest in their jobs.

The presence of white collar Egyptian workers in Arab states was a major concern for the U.K., which was by now irritated by the success and mass popularity of the "Voice Of The Arabs" radio broadcast covering all of the Middle East. Readers in Arab countries often found Egyptian newspapers much more interesting to read than their local national daily Arabic papers, according to the U.K. Resident in Bahrain who, while acknowledging the respect which the BBC Radio and the U.K. Arab-speaking radio station *Sharq al-Adna* enjoyed both for technical skills as well as for reliability of information, observed that a "kind of Gresham's law of some ideas seems to operate in the Arab mind by which bad news drives out good and falsehood drive out truth". [48]

The U.K. observed how its influence was being eroded and attacked on different fronts. The first was the Palestinian problem where Egypt, through its defiance of the West as well as its confrontation with Israel, was the only state in the Arab world actively defending Palestine as an Arab cause. The U.K. position was further undermined by the continuous denunciation (by the Egyptian media) of the Balfour declaration as the main cause of the Palestinian problem.

The second was Nasser's propaganda machine as it exploited both the Czechoslovakian arms deal and Egypt's role in founding a new focus for Arab unity through the Arab League. Nasser's attacks threatened the U.K. as they alerted other Arab states to the possibility of dispensing with the U.K. in its role as arms supplier and patron.

The third front was Egyptian efforts to destabilise the main U.K. allies in the Arab states of the Gulf. The Egyptian revolution of 1952 set an example to many in the Gulf that an unjust, inefficient and undemocratic regime could be toppled. In Bahrain, for example, some groups calling for political reforms identified with the Egyptian revolution as a model (in aims and not necessarily with the Egyptian method i.e. the army). Even more importantly this group — represented by “The High Executive Committee” — had direct links with and were aided by Egypt. The committee's views were distinctively pro-Egyptian and anti-U.K. and they were propagating Egyptian interests in Bahrain and advertising Egyptian scholarships for Bahraini students. [49]

Egypt's active policy at the time of sending thousands of Egyptian teachers and other professionals to the Gulf States, together with its refusal to join in any defence arrangements with the U.K., led the U.K. to become concerned since it saw its own standing in the Middle East threatened by Nasser's growing influence. It saw the expansion of Egyptian influence as a zero sum game, in which gains by Egypt were interpreted as losses to the United Kingdom and its allies in the region.

The U.K. observed with dismay the new realignment between Egypt and Saudi Arabia and Syria, which was opposed to the Baghdad pact and Iraq and was trying to woo Jordan to their camp. The U.K. was also concerned that Saudi Arabia, which was agitated at the U.K. for siding with Oman in the Buraimi dispute, relied on U.S. backing in their oil production to use the oil revenues to support Egypt in inflicting maximum damage to the U.K. [50]

The U.K. cited evidence that Egypt was succeeding in breaking the U.K.'s influence over the Middle East. Jordan's refusal to join the Baghdad Pact and then later the abrupt dismissal of General Glubb from the Arab Legion without the U.K. having been consulted or even informed in advance, were clear manifestation of the decline of the U.K. position. Furthermore, the Czech arms deal was in effect a deathblow to the arms control regime which the U.K., together with her war allies, the U.S. and France, had established in the Middle East in 1950. In addition, that deal realised the U.K.'s worst nightmare; it gave the Soviets a foothold in the Middle East. To counter such a threat, the U.K. became anxious to erect a defence arrangement in the Middle East. It is fair to conclude that overestimating the dangers might have made the U.K. anger at Egypt somewhat irrational, which in turn influenced Anthony Eden's judgment at the time.

## VI THE FINAL STRAW

Thus when the Egyptian government decided, in May 1956, to recognise Communist China, American public opinion was inflamed and the United States was outraged, especially when Nasser announced he was to visit China later that year. The U.K. saw the development as an opportunity to settle scores with Nasser. The U.K. joined U.S. efforts to exert pressure on Egypt by the denial of the World Bank loan which Egypt sought for the construction of the Aswan High Dam. The importance of the High Dam project to Nasser was such that if the project failed he would suffer tremendous loss of face. [51] The withdrawal of the High Dam offer, as well as the way it was announced, put Nasser into a position where he had to retaliate to save his own position internally, as well as his image abroad. His response to the West was to nationalise the Suez Canal Company.

Nasser's nationalisation of the Suez Canal unleashed a wave of anger in the United Kingdom against Egypt and was the last straw as far as Eden was concerned. He was now adamant that Nasser should go, even by military means. Eden believed that to ensure the interests of the United Kingdom, as well as his own career, he had to get rid of Nasser. He once remarked to a Foreign Office official that "it is either him (Nasser) or us, don't forget that". [52] Thus, he gave immediate instructions to his military advisors to prepare for military operations. [53] However, it would be a mistake to assume that this anger was limited to the Conservative government led by Eden. Hugh Gaitskell was vociferous in his attack on Nasser after the latter nationalised the Canal. [54] Indeed, the equation of Nasser to Hitler, which the British government leaders made much use of throughout the Suez crisis was first used by Gaitskell. [55] Eden, on the other hand, with what some in the Foreign Office described as his "feminine flair", described Nasser as a second Mussolini. [56]

However, it should be noted that the anger of the British government towards Egypt because of the nationalisation of the Suez Canal Company was not simply due to the importance of that company to the British government. The Universal Company of the Suez Maritime Canal was always considered by the U.K. to be a French company rather than an international company as its name suggested. [57] This company was established in 1858 as a French managed company which owned most of its sole capital assets. At the beginning the U.K. refused to participate in it and it was only in 1875 that the U.K. purchased any shares in the company. Indeed it was the fact that an opportunity had arisen for the U.K. to purchase 44% of the shares of the company held by

Egypt at the attractive price of £4 million which made the British Prime Minister Disraeli buy these shares, with a loan from the Rothschilds. Moreover, there were only three British directors (on a board of 32 directors) until 1883, when British shipowners received seven more seats after a threat that British ships would boycott the Canal. [58] Indeed, the British government consistently treated the company as a French company which had to be guarded against. The stance of the British government during the negotiations for the 1888 Convention which governed the Canal only illustrates that point and shows how the British government guarded its control of Egypt from the French. [59]

There were also other factors which influenced the U.K. government's reaction at the time. During the period leading to the Suez War in October 1956, the Conservative government was experiencing several problems internally, as well as externally in other parts of the British Empire. The economy was in a sorry state, thanks to the electoral budget of the previous year which had fuelled inflation and consequently had led to increased pressure on the value of sterling. The Opposition utilised that opportunity, as well as that of the security problems which the government was experiencing at the time, when a Russian agent defected to Australia and revealed that there was yet another spy in the U.K. Foreign Office. This led to the defection of both Burgess and Maclean. Externally there was the problem in Cyprus, after the London Conference failed to reach a peaceful solution. The U.K. ordered the arrest of Archbishop Makarios and declared a state of emergency in Cyprus. This opportunity was also seized upon by the Labour opposition. Such problems made Eden's government less prone to accept another foreign policy setback — in Egypt — without attempting to assert the power of the Empire to

prevent further disintegration of its colonies and power base and ward off other new players in the international arena whether friend (the United States) or foe (the Soviet Union). Furthermore, it needed for internal political reasons some achievement or startling success in foreign affairs to ward off criticism at home, whether from the Labour opposition or from right-wing colonial elements inside the Conservative Party itself.

These factors contributed to Anthony Eden's obsession with the idea of punishing Nasser. From the nationalisation of the Canal in July until October 1956, Eden kept trying to convince the Americans to find some *causus belli* for a military strike against Egypt. [60] For three months there were diplomatic moves to try and make Nasser disgorge the Canal, with two London conferences, the formation of the Suez Canal Users' Association and numerous meetings at the United Nations. Meanwhile the U.K. was eager to find a *causus belli* for war against Egypt in an attempt to destroy Nasser and by the end of October the U.K., with France and Israel, had devised a plan to do so. Thus Israel attacked Egypt on October 29 and advanced on the Suez Canal. The next day the U.K. and France gave an ultimatum to both countries to withdraw 10 kilometers from each side of the Suez Canal. After Egypt's refusal to accept the ultimatum, the U.K. and France attacked Egypt. However, the position of the United States at the United Nations, and, more importantly, its refusal to help sterling in the run on the pound which ensued on the international money markets, as well as its refusal to furnish the U.K. with oil after the closure of the Suez Canal and the destruction of the TAP line in Syria, obliged the three states — the U.K., France and Israel, to accept a cease-fire and later to withdraw from Egypt. [61]

## VII AFTER THE WAR

The Suez War had a disastrous and very negative effect on the United Kingdom. These negative effects transcended the difficulties in relations between the United Kingdom and its main ally — the United States — despite the importance of that relationship. It went much further, causing internal friction in the United Kingdom polity and society, as well as the weakening of the U.K.'s influence abroad.

Suez created great internal conflict and controversy in the United Kingdom. Perhaps one of the best descriptions of the effects of Suez can be found in Macmillan's memoirs, where he described the turmoil resulting from Suez as "so fundamental and involving such deep feelings as to cause temporary and even permanent, rifts between friends, division in families, heavy stresses on Party organisations and implicating not merely those normally affected by political controversy but the whole mass of the population. Such emotions were caused by Munich and nearly twenty years later by Suez." [62] The effects of Suez were even more dramatic as the prevailing "rancour spread to even private homes and continued long after the end of the immediate crisis". [63]

At the same time, the effect on the United Kingdom's influence and position in the Middle East and especially the Gulf — the main reason behind the initial hostility to Nasser — was devastating. Although U.K. animosity towards Nasser was due to competition and conflict between the two states, its venture to safeguard its interests and position in the Middle East brought about consequences exactly the opposite of its aims. The effect of the joint Anglo-French ultimatum of November 4, 1956 was ruinous for the status of the U.K.

and its supporters in the Arab world. The rulers of the Persian Gulf states maintained their persistent support for the U.K. mainly because they owed their continued existence to the U.K., but the prolongation of the Israel occupation of Sinai, as well as the Suez War, jeopardised their support as this would increase the local opposition to the United Kingdom in the Gulf. [64] The U.K. Political Residents and Political Agents in the Gulf were worried not just because of the immediate security problem, but because of the long-term effects the U.K. action against Egypt and in favour of Israel would have on the interests of the U.K. in the Middle East.

“Our continued attack on Egypt, while doing nothing against Israel, is the one thing that might make Kuwait and perhaps Qatar change their relationship with us. Since the important object of our ME policy is to preserve our position here...Immediate action by U.S. against Israel or to oblige Israel's forces to withdraw would do the U.S. more good than anything else both in the immediate...and in the long term future.” [65] In fact, the ruler of Qatar, Sheikh Ahmed, while maintaining his commitment to safeguard the property of foreigners, sharply condemned the U.K. actions against Egypt to the British Political Agent in Qatar, asking him to convey his feelings to the British Foreign Office. He also expressed his strong feelings in favour of Arab unity and solidarity with Egypt, as well as his hatred for Israel, pointing to the collusion between the Israel and the U.K. whose action was contrary to “international conventions”. [66]

Meanwhile in the Trucial States, where support for the U.K. was relatively better and more stable than in the rest of the Gulf, the rulers came under local pressure from pro-Nasser and anti-UK demonstrations, due to actions by

Egyptian and Jordanian teachers. However, the U.K. maintained the situation by denying the collusion between Israel, France and the U.K., something which became increasingly difficult. By 7 November 1956, the British Political Resident in Kuwait Mr. Bell, observed the increased local pressure on the Kuwaiti ruler to cancel contracts with British firms and dispense with British technicians, as strong feelings grew among the local population, many of whom were Palestinians who had relatives in Gaza. [67]

The U.S. observed the erosion of British influence in the area, noting the rising support for Nasser against a background of a rise in anti-British feeling even in countries whose rulers were traditionally loyal to the U.K. and some of whom were opposed to Nasser. The feeling in the U.S. was that the erosion in both British and French influence was not limited only to the Middle East. The director of the C.I.A. in a briefing concluded that "In the rest of Africa and Asia there is unanimous revulsion at the U.K. and France. Whatever the outcome, the influence of the U.K. and France throughout the area will be at a low ebb for a long time to come." [68]

Saudi Arabia, however, was a different story altogether. Unlike the rest of the other Gulf states it was no longer in the British orbit. In fact, it was not only closer to the US, but was intended to become one of the main pillars of the U.S. policy in the Middle East. [69] Indeed, almost a year before the Suez crisis there were some — in the F.C.O. — who perceived the real cause of the difficulties facing the U.K. in the Middle East to be Saudi Arabia, with its vast financial resources and American help. This, in turn, led to the feeling that it might be necessary to make some bargain with the U.S. administration whereby the U.K. "will not press some objective dear to our heart in some

other part of the world provided they agree to put the screw on the Saudis".

[70]

Saudi Arabia publicly blamed the U.K. for instigating Israel's attack on Egypt. The Saudi Arabian Deputy Foreign Minister Yussef Yassin gave this official view to — of all newspapers — *The Times* on November 6, 1956. He pledged Saudi assistance and support to Egypt and further, after the blocking of Egyptian financial assets in the West, declared that Egyptian pounds would be backed by Saudi dollar reserves. *The Times* commented that the Saudi Arabian official view was widely shared in the Arab world. [71] That same day, November 6, Saudi Arabia severed diplomatic relations with both France and the U.K. Even worse, it placed an embargo on supplying U.K. and French ships as well as other ships going to these countries with Saudi Arabian oil. These measures were declared by the Saudi Arabian permanent representative to the United Nations. [72] And on November 6, 1956, King Saud ordered the stoppage of the flow of the Saudi oil pipeline to Bahrain. This was congruent with Saudi Arabia's decision to stop the supply of its oil to either the U.K. or France. As an immediate effect, employment in that sector of the economy in Bahrain dropped from seven thousand to a few hundred. Such a dramatic rise in unemployment had a significant impact on stability in Bahrain and on the U.K.'s standing there, since the U.K. was blamed for this action. [73] The U.K. action in Suez, instead of safeguarding the Middle East, resulted in the extreme opposite, in Saudi Arabia in particular. British prestige became "non-existent" and anti-British feelings were stronger than ever. Instead of isolating Nasser and the U.S.S.R., sympathy for Egypt was widespread and (according to the assessment of the British Ambassador in Jeddah) there was — within the highest

circles — appreciation of the role of the Soviet Union in aiding Egypt. [74]

Although Iraq did not join Saudi Arabia in its solidarity with Egypt, the government of Nuri al-Said was under increasing internal pressure because of the situation in Suez. Nuri al-Said asked the British government to help release Egypt's prisoners held in Israel to placate Arab opinion on that matter. [75] Indeed, after the British intervention with France at Suez, not only was the British oil supply interrupted from some parts of the Gulf, but British goods in other parts were boycotted. By December 10, 1956 the Political Resident in Kuwait hoped that the withdrawal of the British troops from Port Said would lead to the collapse of this boycott. [76] This boycott had been implemented despite the favourable attitude of the ruler and the influential Kuwaiti families towards the U.K. throughout the Suez crisis (for the Kuwaiti ruler not only committed himself verbally to the British government to stand by them if things became critical, but lived up to that commitment). [77] The implementation of this boycott, despite the attitude of the élite in Kuwait, proved to the U.K. not only the weakness of its own position, but even more dangerously the power and influence of Nasser's Egypt.

## **VIII CONCLUSION**

The Suez affair brought the relationship between the U.K. and Egypt to its lowest level since the landing of British troops in Egypt in 1882. Ironically, this deterioration came in the wake of the mood of optimism which had prevailed when the two sides managed to settle their bilateral differences in the two agreements of 1953 and 1954. The prime reason for this negative development was that the regional conflict between the two countries had taken

precedence over bilateral issues. The fact that differences in the foreign policies of the two states managed to sour relations between the United Kingdom and Egypt suggests a deep and significant pattern underlying the relations between the two states up to that point (1956). For there were indeed structural imbalances in the relationship of the two states which had to find expression in various ways, either in bilateral issues or in regional ones. Although these causes were different on the surface, the underlying issues were similar and arose from the fact that Egypt, though never a U.K. colony, had nevertheless always been treated like one by the British. As shown earlier, some British politicians and officials considered the history of Anglo-Egyptian relations as one of “Unilateral and unrequited gestures” and felt appreciation was due them for all the benefits they had bestowed on Egypt. They expected Egypt to show gratitude to them for “granting Egypt independence”, by supporting U.K. policies in the Middle East. They were surprised to find Egypt not only opposing these policies but, even worse, damaging British interests. British leaders, over a period of about 74 years, had become used to exercising power and control over the fate and policies of Egypt. At the same time, Egypt's new leaders, having been subjected to what they considered British domination for such a long period, were anxious to prove their independence. The young leaders of the post-1952 regime were even more anxious to prove their autonomy from the United Kingdom to their own constituency. The differences in the mentality of the leadership of both states and the way they regarded the Anglo-Egyptian relationship could not be solved simply by a treaty. Perhaps a drastic action, such as the Suez War, was necessary to shatter that unbalanced relationship so that a new one might take its place.

The United Kingdom's attempt to maintain its regional influence in October

1956 by occupying the Suez Canal doubled its losses. Not only did it damage its influence in the region, but it also forfeited vital British interests in Egypt. The Canal was blocked, British properties in Egypt were either sequestrated or nationalised while the U.K.'s trade with Egypt suffered considerable losses. Furthermore, the United Kingdom had suffered serious diplomatic losses by the end of the crisis. These losses manifested themselves in the isolation of the U.K. in the international community, especially at the United Nations, together with a rupture in the pattern of its external relations. This was especially the case with its most important ally and partner, the United States, where the relationship was badly affected and reached its lowest ebb for years. Meanwhile the state of the U.K.'s internal political and economic scene was no better than the state of its foreign relations.

Egypt, on the other hand, emerged from the crisis politically victorious. Its President was credited in Third World states with "cutting the Lion's tail" and the state's image had been transformed overnight; from being seen as a poor developing country, it acquired a leading position in the Third World. However, despite the changes which had occurred in the fortunes of each state, two other factors must be considered.

First was the fact that the structure of government in both countries, as well as the individuals in power (meaning not just the President and Prime Minister, but also ministers and senior officials) who were responsible for the collision between the two states, survived the crisis. The exception was the downfall of British Prime Minister Anthony Eden. Although Eden was the chief architect of the British Suez policy he was not its sole author. His collaborators and supporters in that policy remained in their respective positions in government; some were even promoted.

Secondly, part of the legacy of the Suez crisis was that there now existed some serious problems in the field of bilateral relations which had to be addressed by both countries. As might have been expected, both the United Kingdom and Egypt had a mutual interest in returning relations to a “pre-Suez status-quo”. Gamal Abdul Nasser stated publicly that Egypt sought a reconciliation with the U.K. [78]

Having felt the pinch of several months of economic sanctions imposed by the U.K.'s Western allies, Egypt saw some merit in restoring relations with the U.K., at the very least to free its sterling balances in the U.K., which had been immediately frozen after the nationalisation of the Canal. Having maximised his gains from the confrontation with the U.K. — in the eyes of the Arab masses he became the hero who had successfully defended Arab independence against imperial aggression — Nasser realised that it was in his interest to resume ties. Another gain for Egypt in improving relations with the West (including the U.K.) was to block Soviet penetration.

There was a desire to restore relations for the U.K. too. For the same reason which took it to war, namely the Suez Canal, the United Kingdom needed to reach some kind of accommodation with Egypt now that it had lost physical control over the Canal. Since British shipping and oil supplies were heavily dependent on the use of the Suez Canal, some arrangement had to be made with Egypt regarding these British interests when it was reopened for navigation. There was also the question of the sequestered British property to be resolved. Thirdly, the U.K. Cabinet was forced to address the problems of the thousands of British citizens who were now de facto refugees in the U.K.

after the Egyptian government suddenly expropriated their property. These were but some of the problems left by the Suez Crisis. It was inevitable that such a legacy would sooner or later force the two governments to work together to find some solution.

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## CHAPTER TWO

### FACTORS AFFECTING ANGLO-EGYPTIAN RELATIONS AFTER SUEZ

Following the Suez War and its immediate consequences, the nature and structure of the relationship between the U.K. and Egypt changed drastically. Relations between these two states were at the time (1957) at their lowest ebb. It is important to note the changing fortunes of the two states and the effects such changes had on each state's desire to improve relations with the other.

The political defeat of the U.K. and France during the Suez War caused them great humiliation and loss of face in the world at large, especially in the Middle East. The influence and prestige of the United Kingdom dwindled, and this was further complicated by the strain in relations between the U.K. and the U.S. In essence this meant that the U.K could not rely completely on the U.S. for support in restoring its fortunes in the Middle East. Furthermore, anti-British feeling in the Arab world was at its highest, with diplomatic and official relations severed between the U.K. on the one hand and the largest oil-producing state (Saudi Arabia) as well as with the most heavily populated (Egypt) on the other.

The Egyptian government was in a different situation. It had managed to portray its military defeat in the war as a political victory not merely against Israel, but, more significantly, against the two colonial powers, the U.K. and

France. President Nasser consolidated his newly-found position as one of the leaders of the developing world. To the British government's horror, Nasser was not only established firmly amongst the masses in Egypt, but in the Arab world at large. Nasser's Egypt became a force to be reckoned with, a regional power which had managed to win its first major battle with the two former colonial powers. Hence 1957 witnessed a victorious Egypt which had already not merely proved its ability to control the use of its prime asset, the Suez Canal, but had also established its credentials as a credible regional power. This meant that Egypt not only had interests outside its immediate borders, but more importantly had gathered sufficient influence to be able to advance them. The fact that the U.K., thanks to the state of its relations with Egypt, neither had access to Saudi oil nor was able to repair the Syrian oil pipeline (which the Syrian army had damaged during the Suez War, and whose rupture was contributing to the U.K.'s oil shortage) was sufficient proof of the damage Egypt could continue to cause to the United Kingdom's interests in the Middle East. The change in the pattern of the relationship between the two states was highlighted further by the fact that it was Egypt which had severed diplomatic relations with the U.K. following the Suez War. [1] Again it was Egypt which, in January 1957, unilaterally abrogated the main treaty governing its relations with the U.K. (the Anglo-Egyptian agreement of 1954). Indeed, this was the second time that an Egyptian government had abrogated such a treaty with the United Kingdom. The first occasion had occurred less than seven years previously, when Egypt abrogated the 1936 Anglo-Egyptian treaty in 1951. However, the difference between these two instances, from a purely legal point of view, was that the U.K. could not dispute the validity of Egypt's action in abrogating the 1954 treaty, since its own military action against Egypt three months previously had not been consistent with the terms of that treaty. [2]

The British government had to come to terms with the importance of Egypt for the U.K. In the first place, the U.K. needed to secure an agreement over the passage of British ships through the Suez Canal. Once the U.K. was able to achieve this, another factor which influenced the desire of the British government to reach an agreement with Egypt was its calculation of the chances of Nasser's regime staying in power in Egypt, despite the economic pressures that the U.K. and the West were exerting on him. It is perhaps noteworthy that, at the time that the British government thought that economic pressures could cause a crack in Nasser's regime, [3] the British stance in the negotiations with Egypt was rigid and uncompromising. Indeed, during the summer of 1957 the U.K. did not even want to reach a settlement with Egypt. [4] (Selwyn Lloyd, prior to the start of the talks, made a point of emphasising the exploratory nature of these talks and insisted that he had not even considered such questions as restoring diplomatic relations. [5] The British position began to change and became more favourable towards the idea of reaching a settlement when the U.K. realised that there was little possibility that the Egyptian government could be overthrown by economic pressure. [6]

## **I FACTORS AFFECTING THE RELATIONS BETWEEN EGYPT AND THE U.K.**

After Suez, relations between the two countries were determined by two sets of considerations. These were related to: (a) The respective power of the U.K. and Egypt abroad, and the power of their two governments at home; and (b) the immediate problems and issues resulting from the drastic break between the

two states after the nationalisation of the Suez Canal and its consequences, including, naturally, the Suez War itself.

The first set of considerations (a), the power of each government at home and its influence abroad, meant that both the U.K. and Egypt addressed the issue of bilateral relations with the other from the point of view of the foreign policy clashes which had led to the initial break in their relations. Therefore the priority issue from this point of view remained the foreign policy conflicts, rather than bilateral relations. As for the second set of considerations (b), they were concerned with the problems — in the field of bilateral relations — that had resulted from the drastic rupture in the bilateral relations. These problems were indeed responsible for the fact that each state had to ignore its animosity towards the other (or for the leadership of the other), in order to sort them out. These problems or issues created sufficient internal momentum to force the two states to overcome their animosity, negotiate and finally to make the necessary compromises to reach an agreement.

#### A      Factors Related to the Respective Power of the U.K. and Egypt

The Suez War had dramatic ramifications for both the U.K. and Egypt, since it had affected their internal political situations, their economies, and their standing in the world at large and particularly in the Middle East. When addressing the effects of the war on Egypt, the aspects which will be analysed are: the internal effects of the war on the Egyptian political system, its effects on the economic development and external relations of Egypt, and the way that Egypt regarded the U.K. after the war. As for the U.K., particular emphasis

will be placed on the effect of the internal changes in the U.K. government on relations with Egypt, and on the extent to which there remained animosity in the U.K. towards Egypt and its leader.

## 1 — Egypt

**A: Effects of the Suez Crisis on Egypt's Political System.** The nationalisation of the Suez Canal and the result of the Suez War in 1956, instead of destroying Nasser, as Eden had intended, helped to make him the undisputed leader of Egypt, with claims to be the most charismatic leader of the Arab world in modern history. After the war, and due to the fact that he was able to transform Egypt's military defeat into a spectacular political victory (albeit thanks to the position of the United States and perhaps the Soviet Union), Nasser's standing and position in Egypt became unrivalled. His decision to nationalise the Suez Canal and the events and aftermath of the war had given him the opportunity and the exposure he needed to secure his position. These events made him stand out from the group of army officers which was responsible for the 1952 coup d'état and enabled him to become recognised by the Egyptians as their undisputed leader. [7] He now had the personal authority to rule Egypt in his own right as Nasser, rather than as a member of the group of army officers which had made the 1952 coup. [8]

Prior to the Suez affair, Nasser's claim to rule, his authority, rested on the 1952 military coup. However, in that political action four years earlier, he had had to share credit with the 10 other officers who had formed the Revolutionary Command Council which effectively ruled Egypt [9] until Nasser, in 1956, introduced the new constitution and returned the army to barracks — at least in theory. The Suez victory, however, was credited solely to him. It displayed him as successfully achieving two feats that no other leader in Egypt's modern

history had been able even to come close to accomplishing: namely the acquisition of the Suez Canal, and the defeat of the U.K., the colonial power that had occupied Egypt for 75 years.

Nasser was credited by the Arabs in general, and the Egyptians in particular, as the sole slayer of the dragon (the dragon meaning the British Empire and Anthony Eden), the saviour of the nation from the evil designs and actions of imperialism. The fact that the Suez War was a military defeat for Egypt was not even acknowledged in Egypt, as the propaganda machine was able to concentrate the attention of the populace on the political victory and on the heroism of the Egyptian army and its leader in that episode. The fact that it was the role of the United States which was the key to the defeat of the Suez campaign was not even acknowledged by Nasser or the regime and was consequently ignored by the masses. In a play published in Egypt in 1969, after the 1967 defeat, Nasser's taking credit for the Suez victory was compared to Oedipus's taking the credit for slaying the sphinx and was thus alleged to be the cause of the nation's ills. [10] (The implication of that play was that Nasser was able to take complete control of Egypt's destiny, without any worthwhile resistance internally, due to the myth that the victory he claimed at Suez was his alone, and thus he was responsible for the catastrophe that occurred to Egypt in 1967.)

Indeed Nasser, after Suez, gained absolute power over the affairs of Egypt, since there was nobody able to challenge him internally after that war. He obtained this control mainly because he was regarded internally as the *Za'im* (leader) and not just as *al-Rayyis* (the President). He was seen as the saviour of the nation, the fulfilment of its aspirations. [11] In that capacity he was not be challenged, and he obtained a degree of authority which had never been

achieved by any Egyptian leader in modern history. [12] The limitations on his power came not from any internal opposition, competitors for power, or institutionalised system of checks and balances, but rather from his perception of the internal ramifications of his decisions.

Thus Nasser was able to create yet another political institution, the National Union. It was established in May 1957, and from its ranks the People's Assembly (the Egyptian Parliament) was elected in July of that year. That parliament, during its term of existence, from July 1957 until March 1958, proved to be the norm for the conduct of Egyptian parliaments under Nasser: it was an audience for speeches, or at most a rubber stamp for legalising the measures that Nasser wanted passed. [13]

The regime in Egypt centred around Nasser, who became the final arbiter of any major decision — or even minor ones. [14] The political actors in that personalised and authoritarian system of government fell into two categories. The first category in term of rank and authority was called *Ahl al-Thiqa* (The People of Trust). These were the people the new regime mostly chose to be in command in key posts of government. Their selection did not depend on their respective abilities; rather, the main criterion was their unquestioning loyalty to the new regime. The second category was called *Ahl al-Khibra* (The People of Expertise). The criterion for their selection was their expertise, as the name implies, and they were subservient — in most cases — to the former category. [15]

From 1957, Nasser ruled by depending on a mixture of these two categories. It was his decision to employ whichever he saw fit. Whomever he placed in the

key posts was responsible to him. The power base of most of these new appointees was simply the continuing trust and goodwill of Nasser, and naturally their future employment and political careers depended on that factor.

The Suez War gave Nasser sufficient popularity and political weight inside Egypt and the Arab world to rule Egypt almost single-handed. The decision-making process in Egypt became closest in nature to that of a Presidential Centre or Leader-Staff Group. [16] Decisions on all major matters in Egypt became Nasser's domain, among them the issue of relations between Egypt and the U.K. Nasser was able to act alone with few constraints from either his people or the state institutions. In addition, the only people he even consulted was a small group of subordinate advisors appointed by him.

As a result, the U.K. had lost all its influence in dealing with Egypt, and was forced to deal with Nasser or his advisors without any of the useful contacts and intermediaries whom it used to have in the pre-1952 political system. In the period from 1957 until official relations were restored — and even after — the U.K. government found that it had to deal with and try to gain access to individuals whose main claim to fame was their closeness to President Nasser. In some cases, these people were better able to deliver whichever commitment the U.K. needed than the relevant Egyptian officials. The prime example to prove that point was Mohamed Hassanein Heikal, then editor of *Al-Ahram*, and one of Nasser's closest friends and advisors. Colin Crowe, the first British Chargé d'Affaires in Egypt after the restoration of relations, was told by Heikal himself that Nasser sometimes used him as a "second Foreign Office", [17] and indeed the way that relations were restored between the United Kingdom and Egypt later (in 1959) only validates that statement.

Therefore, the Suez War led to the exact opposite of what the British government had planned. Instead of breaking Nasser, it led to the strengthening of his hold over the Egyptian political system. Moreover, the Tripartite Aggression, as it was called in Egypt, led to the elimination of whatever influence the U.K. had in Egypt. The remnants of the pre-1952 regime were wiped out from the Egyptian political scene and after Suez the U.K. realised that, despite years of controlling Egypt, it retained no power base or even influence in that country. The net result was that the future of Anglo-Egyptian relations could only be negotiated with a stronger and more influential Nasser.

**B: Developments in the Egyptian Economy After Suez.** The political strength of Nasser after 1956 and his increased influence and success in the field of foreign relations were not matched by similar achievements in the economic field. The policy of the post-1952 revolutionary regime in Egypt was set down in the Six Principles drawn up by Egypt's new leaders. Most of these principles aimed at increasing the standard of living and quality of life for the majority of Egyptians. The revolutionary leaders also aimed at increasing the output of the country, so as to cope with the increasing population, as well as to raise the share of the industrial sector in the economy and boost the contribution of the industrial sector to the GNP. The government aimed at the latter objective through establishing some large industrial projects in the country. The most substantial of these projects was the High Dam, which was intended not only to achieve goals related to the agricultural expansion, but also to provide for the augmentation of Egypt's energy resources through its planned hydraulic generators. Nasser continually stated that his immediate aim,

as well as the most pressing need, was to build the Egyptian domestic economy and raise the standard of living in Egypt. [18]

The Egyptian government, by 1956, had already announced its plans to build several industrial projects, including a paper mill, a caustic soda plant, and several others. The government financed these projects mainly through internal borrowing from the public. By the middle of 1956, the government had already borrowed over \$142 million from the public to finance these development projects. In its drive for industrial expansion, Egypt used these funds to finance a large program of capital goods imports that accounted for most of Egypt's increased balance of payment deficit of around \$100 million. [19] In order to finance these projects Egypt also relied on the proceeds of the nascent nationalisation measures on the internal scene, as well as the aid and grants it received from foreign governments. Indeed, the nationalisation of the Suez Canal which started the Suez crisis was in response to the American withdrawal of the loan to the High Dam project. Nasser, when nationalising the Suez Canal, declared that its revenues (which he estimated at \$100 million p.a.) would enable Egypt to meet the cost of the High Dam project. [20] Another important avenue utilised by Egypt to finance its capital goods imports from the West was its sizeable foreign reserves abroad which were — relative to the Egyptian economy as a whole — quite substantial. Most of these reserves were held in the United Kingdom and by 1957 they exceeded £70 million. [21]

However, the decision to nationalise the Suez Canal did not create the economic prosperity which the Egyptian government desired. Immediately after Nasser's nationalisation of the Suez Canal, the U.K., France and the United States froze Egyptian assets in their countries, thus preventing Egypt

from using the funds it owned abroad. Moreover, prior to the attack on Suez in late October, only 40% of the Suez Canal dues were actually being paid to Egypt, since British, French and many other ships continued to pay their dues to the Suez Canal Company in London or in Paris. As Egypt did not want to escalate the dispute over its right to control the Suez Canal, it decided to continue to allow these ships passage. This meant that Egypt was receiving only part of the Suez Canal dues, while it had to continue to pay the entire cost of operating the Canal. After the Canal was blocked during the hostilities in November 1956, all Suez Canal revenues were discontinued, while most of the overheads that Egypt had to endure remained. [22] Egypt's foreign exchange problem was underscored by a sharp decrease in, if not virtual disappearance of, its income from tourism. Egypt's total foreign exchange holdings declined by over 20% between 1954 and 1957. Of the \$600 million of foreign exchange balances available for Egypt in 1956 almost half were blocked in London. [23]

There is no agreement over the exact amount of the Egyptian blocked balances in the West after Suez. Perhaps the best estimate for the total amount of sterling blocked balances at the time of the nationalisation of the Canal in July, 1956 is around £110 million. [24] In addition, the blocked Egyptian balances in the United States amounted to about \$27.3 million. [25] As of August 1956, the total free foreign exchange available for Egypt was merely \$244 million, of which \$174 million was in gold and served as a cover for the Egyptian currency. By December 1957, Egypt's free holding of foreign exchange (exclusive of gold) did not exceed \$50 million. [26]

The problems of the Egyptian economy in the aftermath of the Suez crisis were

not limited to the area of foreign exchange. The Egyptian government had seized the opportunity to speed the processes of nationalisation and Egyptianisation of its own economy. The sequestration of foreign (British and French) and Jewish firms created a large vacuum in the Egyptian economy. The companies that were sequestered or Egyptianised had played a large role in the Egyptian market economy. Among the sequestered companies were 17 insurance companies and seven banks which were an important factor in the domestic commercial banking sector. [27] The sequestration, as well as the dismissal of foreign nationals from these firms (and several others), negatively influenced the running of the market economy in Egypt at the time, especially since these measures in effect led to a complete halt to Western foreign investment in Egypt. The Egyptian government, when it seized these companies, sometimes collected not an asset, but a liability. This was the case with the Egyptianisation of Barclays Bank in Egypt. When the Egyptian government took over the bank, it realised that Barclays held its pension fund (worth £8 million) in London, making it inaccessible to them. This meant that in acquiring the bank Egypt also acquired a debt of £8 million. [28] The Egyptian government was faced not only with the vacuum that the sequestration created, but also with having to bear the running losses of some of these companies.

These losses added to the fiscal problems of the government, accentuated by the Suez crisis, which had resulted in an increase in government expenditures, accompanied by a drastic fall in its revenues. Allocation for the military sector in the general budget of 1956-1957 amounted to \$215 million, an increase of more than 25% over the previous year. This allocation was naturally increased due to the outbreak of the hostilities and the later need to replace the weapons

lost in that war. [29] The cost of replacing damaged equipment was not limited to the military sector, since several civilian establishments were damaged in the course of the war, including, for example, the radio station. [30] The Egyptian government was faced with an additional problem which was also related to the Suez crisis, namely the decline in its revenues. At that time, one third of the government's revenues came from customs receipts. Since the nationalisation of the Suez Canal customs revenues had registered a significant decline. After the outbreak of hostilities in October, these revenues fell by around \$10 million a month. In addition, since the government had an acute foreign exchange problem, it had to curb imports. This meant an additional reduction in customs receipts. [31]

Another consequence of the Suez crisis was the disruption it caused in the pattern of Egypt's external trade. Prior to 1956, most of Egypt's external trade was with the West, payment for most imported goods (with the exception of imports from the Soviet Union and Eastern bloc countries) being made in sterling. Most of the Egyptian commercial banks had sterling deposits in London in order to complete such transactions. The sanctions imposed on Egypt after the nationalisation of the Suez Canal made the existing arrangements for financing Egypt's imports obsolete. Egypt managed to devise new ways to finance its imports, such as barter deals, or payment through the use of other currencies, such as the German mark or Swiss franc. [32] These methods were partially successful, but nevertheless they led to shortages in some basic goods as well as in industrial spare parts. The freezing of the Egyptian balances in the U.K. and the United States, as well as in France, naturally contributed to these shortages. [32] Indeed, the denial of Western goods, especially British goods, to the Egyptian markets had begun, by 1957,

to cause serious dislocation to the Egyptian economy. Just before the Suez crisis there had been a large volume of trade between the two countries, totalling £38.8 million in 1955, with U.K. exports to Egypt reaching about £19.4 million. There was every evidence of an increase in this trade, since trade between the two states had totalled £30.1 in the first half of 1956, up to the nationalisation of the Suez Canal, with British exports to Egypt in that period of around £22.8 million. [33] The effect of the sanctions on bilateral trade with Egypt was drastic: in 1957 the total amount of trade slumped to £3 million. [34]

As a result of these economic dislocations, the Egyptian government introduced rationing for kerosene in January 1957, and all government departments were ordered to cut spending by 10%. The following month, the Egyptian Health Ministry, as a result of the shortages in medicines and pharmaceuticals, published a list of substitutes for 15,000 brands of pharmaceutical product which were no longer available in Egypt. [35] However, these measures were not sufficient and in March 1957 the government drastically cut imports of luxury items and government departments were instructed to cancel all but extremely vital imports, in order to conserve badly needed foreign exchange. [36] Later, the foreign exchange crisis forced the Egyptian government to cut spending even more drastically and in April 1957 further cuts in imports were introduced and holidays abroad were forbidden. The result of this was a rise in the cost of living, as well as the creation of long queues to obtain whatever goods were available. [37]

Thus, although Nasser's political power in Egypt in the aftermath of the Suez crisis was assured, these economic pressures had an adverse effect on the position of the government. The shortage of goods and austerity measures

adopted by the government were bound to lead to increasing popular disaffection. The combined effects of the economic problems that faced Egypt could not go unnoticed by Egypt's political leaders. This disaffection was bound to erode the popularity of Nasser and the regime as the people continued to face economic hardship. These economic problems served, in turn, to enhance the realisation of Egypt's political leaders of the importance of reaching an agreement with the U.K., at the very least in order to regain the blocked Egyptian financial assets.

**C: Developments in Egypt's External Relationships.** The economy was not the only problem that Egypt faced after Suez. The initial success which Egyptian foreign policy achieved during the Suez crisis and its aftermath began to wear extremely thin. After Suez, Nasser achieved cult status, not just within Egypt's borders but in the Arab world at large, allowing him to become a spokesman for the developing world in Asia and Africa. [38] Nasser managed to claim victory over the two colonialist powers of the past, the United Kingdom and France. The creation of the new "Arab Solidarity Agreement" between Egypt, Saudi Arabia, Syria and Jordan, and the meeting of its heads of state twice in Cairo in January and February 1957, added to Nasser's increasing standing and influence in the Arab world. Egypt gained a great deal of prestige not just because of the fact of that meeting, or because of its venue, but more importantly because of its results. The creation of the Arab Solidarity Agreement so soon after the end of the Suez crisis meant, in effect, the consolidation by Egypt of the political victory and the new leadership status it had achieved through the Suez War. However the Arab Solidarity Union proved, as early as 1957, to be riddled with differences among its members, and relations soured between Egypt and both Jordan and Saudi Arabia before the

year was through. The popularity and influence that Nasser acquired after and because of the Suez affair gave him tremendous influence among the Arab masses, whether in Egypt, Saudi Arabia, or Jordan. However, this very same factor sowed the seeds of the destruction of the relationship between Nasser and the regimes in these states.

Egypt's main regional alliances prior to the nationalisation of the Suez Canal were with Saudi Arabia and Syria. The alliance with Saudi Arabia meant that Egypt received financial backing for executing its foreign policy ventures in combating the influence of the U.K. and its allies. This was a common goal of Egypt and Saudi Arabia. The nationalisation of the Suez Canal, and the power that Nasser acquired during that crisis, made King Saud wary of his increasing influence, especially in Saudi Arabia. King Saud was concerned at that influence as early as August 1956. When Nasser visited the kingdom for talks in August of that year, King Saud chose the eastern province of Saudi Arabia as the venue to avoid a show of Nasser's popularity among the masses in the urban centres of Hijaz or Najd. Even so, on Nasser's arrival in Al-Dammam he was welcomed by a demonstration so enthusiastic that the barricades were swept away and King Saud and Crown Prince Faisal had to try to shield Nasser from thousands of greeters and well-wishers who wanted to touch him. King Saud's jealousy and concern for his own position inside his kingdom was vividly demonstrated when he started hitting the crowds with his stick and cursing them in front of Nasser and his entourage. [40] The nationalisation of the Suez Canal itself alarmed the Saudi monarch, who claimed he was not informed about it in advance, and the events surrounding the nationalisation (and the war) affected Saudi oil revenues negatively. Moreover, Egypt had brought the whole matter of the concessions the West enjoyed in the Arab world out into the open. This was embarrassing for Saudi Arabia especially,

since they included not only oil concessions but the American use of Al-Dahran air base in Saudi Arabia. This point is worth mentioning because in 1956, after Nasser's visit to Saudi Arabia, King Saud complained to Nasser that Egyptian teachers in Saudi Arabia and some of the army officers at the Egyptian military mission in Riyadh were repeating negative remarks about him, especially in connection with the Dahran air base. [41]

At the same time, the social principles Egypt was advocating alarmed King Saud and made him apprehensive of their implications for Saudi Arabia and the position of the Saudi ruling family. Equally damaging were the propaganda attacks that Egypt was directing at the ruling families in Jordan, Iraq and the Gulf States, because most of the charges that Egypt levelled against these states fitted the Saud family as well — a fact which did not go unnoticed by the Saudi monarch. Moreover, the power of Nasser in the streets of the Arab world made him so sure of his influence in these states that he began to overrule their governments and rulers, in case of differences, and appeal — through ardent speeches — directly to the masses. This technique worked almost every time in forcing these rulers to take the direction that Nasser desired or even threatened the position of Arab governments if they tried to resist. Nasser was able to create a sufficient pressure of public opinion that the Arab rulers (including King Saud) became very wary of his influence inside their own countries. [42] Thus, despite the success that this policy of Nasser's had achieved in the short term in making the Arab states follow Egypt's lead, it managed to destroy the relationships between Egypt and these Arab states in the long term.

The events of the Suez War represented the pinnacle of the Saudi-Egyptian alliance. After that relations began to cool and had worsened considerably by

the middle of 1957. Breaking point was almost reached in 1958, when Nasser believed that King Saud was involved in a plot against his life and regime. [43] Relations with the third partner in the initial Egyptian-Arab alliance, Syria, began to run into trouble in the first half of 1957 because of Syria's serious internal problems: the intensification of the struggle between the Soviet Union and communist elements in Syria on the one hand and the West, namely the United States and its allies in Syria, on the other. [44]

Indeed the problems in Egypt's main alliance in 1957 were not just due to the disruption in the alliance between Egypt and Saudi Arabia alone. More importantly, Saudi Arabia had changed its position from actively supporting Egyptian foreign policy to making every effort clandestinely to undermine Egyptian influence abroad and especially to undermine the Egyptian-Syrian relationship. [45] The Saudi-Egyptian rift went beyond the realm of bilateral relations between the two states to develop by 1958 into active clandestine regional confrontation between the two states. This coincided with a rapprochement between King Saud and Iraq (which Egypt believed to be engineered with the help of the United States) [46] and meant that the Egyptian alliance of 1956 against the U.K. and its allies in the Middle East was wrecked with the ascendancy of the rival camp, led by Iraq. Moreover, Egypt in 1957 had lost the pillar of support that had allowed it to achieve political victory against the U.K., France and Israel in 1956, namely the United States. In 1957 the U.S. had finally crystallised its policy vis-à-vis the Middle East when it adopted the Eisenhower Doctrine.

The Eisenhower Doctrine viewed the threat to the Middle East as emanating from international communism and the Soviet Union. The method of combating

it was through military aid to the moderate countries in the region to enable them to fight it. This was combined with the use of American military forces to safeguard the sovereignty of nations threatened by communist (or communist-controlled) countries. [47] Described simply, it was a carrot (military and financial aid) and stick (military intervention) policy. The Eisenhower Doctrine came into existence officially on January 5, 1957, when President Eisenhower asked the United States Congress to approve a new policy in the Middle East. This new policy allowed the President to use the U.S. armed forces to secure and protect (from overt aggression from other nations controlled by international communism) the territorial integrity and political independence of any Middle East nation that requested such aid. The second part of this policy was the appropriation of the sum of \$200 million to aid countries threatened by such danger. This policy was endorsed by the U.S. Congress in March 1957.

The interpretation and implementation of the Eisenhower Doctrine meant, in effect, a crystallisation of the American policy towards Egypt. However, before explaining the change in the United States policy towards Egypt after the Suez War, it is important not to ignore the fact that this policy preceded the latter's nationalisation of the Suez Canal and the Suez crisis itself. In the period up to 1956, the American government looked to Egypt under Nasser to take the lead in meetings with the U.S. to discuss the major problems of the Middle East and to achieve the objectives of United States policy in the Middle East. The American government of the time perceived and identified its primary objectives in the Middle East as "the development of friendly relations with the Middle Eastern governments which are willing to resist the extension of Soviet influence and which are willing to co-operate with the United States

and other Western governments". Another objective was the reduction of the tension of the Arab-Israeli conflict through the conclusion of a settlement between the Arab states and Israel. The U.S. was disappointed by the fact that Nasser was not co-operative and failed to reach agreement over these problems. American officials noted that Nasser refused to move on toward a settlement with Israel; he stalled in taking the initiative regarding the "Johnston Plan". Nasser also objected to fundamental parts of the proposed agreement over the Aswan Dam. The Czechoslovakian arms agreement, as well as Nasser's opposition to the Baghdad Pact — to the extent that he concluded bilateral agreements with Syria and Saudi Arabia to counter the Pact — made U.S. officials wary of Egyptian influence in the area. They came to believe that Egypt was actually aiming at undermining the interests of the U.S and that all their objectives had "been adversely affected in one way or another by the present attitude and actions of Egypt under Nasser". Furthermore, the U.S. considered that "the attitude of the other Arab States and of Israel toward the United States is in fact being undermined to a serious degree by Egyptian actions." [48]

As far as the U.S. was concerned, the Egyptian actions not only failed to help the conclusion of a settlement between the Arabs and Israel, but, even more importantly, began to open the door for Soviet influence in the Middle East and Africa. [49] Even worse was the fact that Egyptian propaganda directly attacked some Western countries, especially the U.K. and France and even the United States itself. In the aftermath of the Suez War, U.S. policy toward Egypt and the Arab world was based on an attempt to assist and encourage the pro-Western Arab states to stand against Nasser's attempts to dominate them, but

without making it appear that the US was trying to isolate him. This assistance included granting U.S. aid to the propaganda machinery of these states, especially to their radio broadcasting capabilities, in order to counter Egypt's "Voice Of The Arabs" radio station. [50]

The Suez War in 1956 not only dramatically harmed the U.K.'s standing and influence in the Middle East, but also harmed U.S.-Egyptian relations. There were several reasons for this. After the way in which it stood by the rights of Egypt to the detriment of the interests of its ally the U.K., the U.S. might have expected some gratitude and appreciation from Egypt. It certainly did not expect that the Egyptian leadership would credit the U.S.S.R. for the defeat of the Tripartite Aggression, whilst almost ignoring the more serious and crucial role of the U.S. The U.S. found that it had helped defeat its ally without gaining the U.K.'s predominant role in the region, since the credit was being given to its rival, the Soviet Union. This fact naturally made the U.S. policy-makers feel that the result of their actions in the Suez crisis had not yielded sufficient rewards. It confirmed the American administration's extremely negative view of Nasser and changed the way in which the U.S. treated Egypt thereafter. The American President began to share and even acknowledge — although in private — the feelings of mistrust which both the British and the French leadership had for Nasser. In December 1956, Eisenhower told his Secretary of State, J.F. Dulles, that they generally shared the British and the French opinion of Gamal Abdul Nasser. In fact, a very interesting feature of that conversation was that Eisenhower stated that the main difference the U.S. had with the French and U.K. actions against Nasser in October 1956 was over the opportunity that both countries utilised as well as the timing of their actions, rather than with the principle of cutting Nasser down to size. [51]

The United States's adoption of the Eisenhower Doctrine had several effects on Egyptian foreign policy. The first direct result was that Nasser could no longer rely on the support of the U.S. in boosting his leadership qualities in the Arab world, a policy that the U.S. had adopted in the early 1950s to enable Nasser to reach a peace agreement with Israel. By the early months of 1956, after the Czech arms deal to Egypt, the failure of the Anderson mission and the American attempts at a peace agreement between the Arabs, represented by Nasser, and Israel (and months later the Egyptian recognition of Communist China), the United States began to contemplate ways and means of limiting Nasser's influence and exerting pressure on his regime. The obvious example of that policy was the withdrawal of the American offer to finance the High Dam project.

The second result was a radical shift in the policy of the United States in the region. After the U.S. had led the international efforts at the United Nations in 1956, it intensified another concerted effort to try wean Egypt's allies, especially Saudi Arabia and its monarch King Saud, away from Egypt. [52] The final outcome of that policy was that the Egyptian-Saudi alliance of 1955-1956, which had contributed to Egypt's successful campaign against the U.K. in 1956, was wrecked and replaced by the above-mentioned hostility between King Saud and President Nasser. The U.S. efforts at combating Nasser's influence in the Middle East were not limited to Saudi Arabia, but included Syria, the third party to the Arab alliance Egypt had forged in 1956. The American efforts further included Jordan and Lebanon and also involved strengthening the resolve of Iraq. [53]

The above-mentioned variables, regarding the Egyptian domestic political

scene, its economy and its external relations had several implications for the predicament of Nasser's Egypt post-Suez. On the one hand, Nasser emerged from the Suez War as the undisputed leader of Egypt. His political victory in that war allowed him the opportunity to eradicate the influence and position of the U.K. and the pre-1952 regime in Egypt. On the other hand, the Egyptian economy was severely shaken as a result of the Suez War and the sanctions that were imposed by the West and which were still being maintained in 1957. Moreover, the external political clout that Nasser had achieved in 1956 was being severely eroded as his relationship with his allies in the Arab world began to sour and after the United States adopted the Eisenhower Doctrine, and began actively to work to undermine Nasser's position in the Arab world.

## **2 — The United Kingdom**

**A: Effects of the Internal Changes in the U.K. on Relations with Egypt.** The political defeat the U.K. suffered at Suez (as mentioned in the previous chapter) led to its greatest post-War humiliation and had major implications for the political actors concerned. The British Prime Minister, Anthony Eden, who had been groomed by Winston Churchill himself for that public office, and who was known as the most experienced leader in the field of foreign affairs and diplomacy, had to pay for this disaster with his own political career. The resignation of Eden and the accession of Harold Macmillan as Prime Minister on January 9, 1957 led to the rise of a certain assumption which, despite the fact that it has some merit as well as elements of truth, is nevertheless misleading. This attempts to explain the resumption of the relations between Egypt and the U.K. as the result of a defeat, exemplified by Eden's downfall, of the imperialist (or colonialist) elements in the British government which devised and helped execute the Suez affair. The assumption goes on to

conclude that with the downfall of the “imperialist elements” from power, the British government was able to resume normal and indeed diplomatic relations with the Egyptian government under President Nasser. Suez indeed managed to demolish the imperial legacy not only in the Middle East but more importantly in the British mind as well. But there are fallacies in this theory. The first is that although the Suez affair led to the downfall of the Prime Minister, the others who left the government as a result of this affair were by no means collaborators in it. It was those who objected to the Suez policy, not the advocates of that policy, who resigned from office (which led to the end of their government careers), and those resignations were not caused by Eden's downfall but took place much before it.

These people included Sir Anthony Nutting, the Minister of State for Foreign Affairs, Edward Boyle, Economic Secretary to the Treasury and even William Clarke, Sir Anthony Eden's Downing Street Press Secretary. This group included another member, the Minister of Defence, the First Viscount Monckton of Brenchley (then Mr. Walter Turner Monckton), who resigned as Defence Minister just before the outbreak of hostilities because he did not agree with that policy. [54] (Apparently Mr. Monckton did not feel unduly strongly about the Suez operation, since he accepted to stay in the Cabinet as Paymaster General.) As for those who actually helped advocate the Suez policy, their fortunes in its aftermath either flourished, or at least were not damaged by its consequences.

Harold Macmillan was, in fact, the first in the Cabinet (since August 1956] to advocate the collusion between France and Israel to instigate the attack on

Egypt in 1956. [55] The downfall of Eden led eventually to Macmillan becoming the Prime Minister who succeeded him, although before the crisis it was Rab Butler, who in 1956 was Lord Privy Seal and Leader of the House of Commons, who was tipped as Eden's successor. In fact, it was Butler's defence of the British withdrawal from Suez in Parliament and among the Conservative Party which led to him being labelled as "first in, first out" and contributed to the loss of his credibility as leader, although Butler was not responsible for, or even an advocate of, the policy the U.K. government adopted in October 1956. [56] Butler's loss of credibility ultimately contributed to the choice of Macmillan as Prime Minister.

The effects which the Suez War had on the personnel responsible for its execution inside the Foreign Office also illustrate the same result: that the events of the Suez War did not harm their careers. The prime example was the Foreign Secretary Selwyn Lloyd, who remained in office with the added benefit that a Prime Minister who had constantly interfered (Eden) was out of the way. The senior Foreign Office official who went to Sèvres at the end of October to finalise the agreement between the U.K., France and Israel over Suez, Sir Patrick Henry Dean, remained as Deputy Under-Secretary of the Foreign Office until 1960, when he became the U.K. Permanent Representative at the United Nations and later became British Ambassador to the U.S., the U.K.'s top ambassadorial post.

Furthermore, it is not the case that the resumption and improvement of relations between Egypt and U.K. occurred because those who were opposed to Nasser had lost their influence because of the Suez affair. Two of the most adamant opponents of Nasser in the 1956 Cabinet, Macmillan and Lloyd, were in

control of British foreign policy in 1959 when relations between the two countries were resumed. Macmillan, who succeeded Eden as Prime Minister, was clearly against Egypt at the time of the Suez crisis and his account of that period in his memoirs clearly demonstrates that he had not changed his initial negative view of Nasser. Macmillan believed that Nasser's policies toward the West were designed merely to engage the Western nations in bidding against the Soviet Union to obtain the maximum price for Egypt. [57] He believed that "dangerous dreams of Arab imperialism" were behind Nasser's Arab policy, and that by 1956 Nasser had fallen under the influence of the Russians. [58] Macmillan's negative perception of the Egyptian President led him to believe that the decision of Dulles to withdraw the offer to finance the High Dam project — as well as the way that the Dulles decision was delivered — was completely justified on account of Egypt's difficult stance in the financial negotiations with the World Bank over the loan. The fact that the U.S. decision to withdraw that offer was mainly to humiliate Nasser is not even considered by Macmillan when he concludes that "both British and American Governments used all their efforts to conclude their agreement on reasonable and even generous terms". [59]

This clearly shows that the resumption of the relations between the U.K. and Egypt did not take place merely as a result of the fall of Eden from power. More importantly it illustrates that the British government which negotiated with Egypt over the settlement of the problems between them in the bilateral field, and which actively sought the resumption of official relations with Egypt, shared Eden's animosity towards Nasser as well as having supported Eden's Suez policy in 1956.

**B: The Change in the U.K. Position on the Arab-Israeli Conflict.** The British government was faced in 1957 with the necessity of “coming to terms with Egypt”. This does not in any way mean that the British government at the time actually wanted to improve relations with Egypt, or to have a better relationship with President Nasser. On the contrary, all the signs indicate the continuing animosity of the British government towards Nasser's Egypt. Up until July 1957, the British government considered Nasser as the prime threat in the Middle East. During a dinner at 10 Downing Street, the British Secretary of State for Foreign Affairs, Selwyn Lloyd, in response to a question by the United States Secretary of State, John Foster Dulles, about British policy towards Nasser, stated that “we still regard him (Nasser) as public enemy No. 1 in the Middle East.” Macmillan agreed with Dulles that Nasser must be taught that his “misdemeanours did not pay” and added that Nasser was “more dangerous than any possible successor because of his greater ability”. [60]

Among the signs of the increasing animosity to Egypt in the United Kingdom government was the new enthusiastic sympathy towards Israel. Before its relations with Egypt had begun to sour and prior to the Suez War, the U.K. had not been pursuing a policy that was hostile to Israel. Nevertheless, there was a strong Arabist trend in the British government (especially at the Foreign Office) at the beginning of the 1950s which was understanding of the rights of the Arab countries and Egypt's legitimate rights regarding its self-defence. An example of this position was U.K. officials' attitude towards Egypt's refusal to allow Israeli ships passage through the Suez Canal. Indeed, that was the position taken by Eden before relations with Egypt deteriorated. [61] After the crisis, the British government began to adopt the view that the refusal of Egypt to allow Israeli ships passage through the Canal was in breach of the 1888

convention. [62] This stance was not sufficiently substantiated, since Israel was not a party to the 1888 Constantinople Convention and since Egypt was exercising its rights of legitimate self-defence, since it prevented the ships of a belligerent state not merely from using the Canal, but more importantly, from entering its territorial waters. The British government, post-Suez, was almost obsessed with the rights of Israeli ships to use the Suez Canal and with the safety of Israel and the legitimacy of its position vis-à-vis the Arab countries. It took the view that Israel was justified in refusing to withdraw completely from the Sinai Peninsula (basically Gaza and Sharm al-Shaikh) without some "equivalent guarantees" regarding Israeli security. [63] The degree of this change of heart on the part of the British government towards Israel was further demonstrated by the refusal of the U.K. to accept the United States' readiness to use sanctions against Israel to force the latter to withdraw from Sharm al-Shaikh and Gaza. This was the reason that the United Kingdom engaged Canada's mediation in the U.N., which proposed a United Nations peacekeeping force so as to convince Israel to accept a ceasefire and withdrawal from Sinai without having the U.S. force the issue by submitting a resolution to the Security Council calling for sanctions against Israel. The only consideration that prevented the British government from siding completely with Israel — to the extent that it might have vetoed (or at least abstained on) a United States' resolution calling for sanctions against Israel if it did not withdraw from Sinai and the Gaza, was the fear of antagonising its Arab allies in the area. [64]

The pro-Israel feelings in 1957 in the U.K. were not restricted to the government, but also commanded a substantial following in the Press as well as

a strong following in the House of Commons. During the course of 1957, the British government was forced to notice “the strength of parliamentary feeling in favour of Israel” when it considered the supply of arms to Arab states, even to the prime allies which the U.K. was bound by treaty to defend, such as Jordan. British ministers acknowledged, when they authorised the supply of even a small number of Centurion tanks to Jordan, that such a transaction might lead Israel to renew her request for a further supply of Centurion tanks and that, in view of the degree of support for Israel in Parliament, the government might not be able to refuse such a request. [65]

**C: The Effect of Suez on the U.K.'s Foreign Relations.** The Suez War had grave effects on the standing and influence of the U.K. in the Middle East (as explained in full in the previous chapter). However, there is an added dimension that should be explored at this juncture and which is directly relevant to the Anglo-Egyptian relationship: namely the position of the United States. There were two aspects of the U.S. position which were particularly relevant to the Anglo-Egyptian relationship. The first was the crystallisation of the United States policy in opposing Nasser's influence in the Middle East (which was discussed earlier). The first effect of this was that Egypt lost the winning card which enabled it to snatch political victory from the jaws of military defeat at Suez. For it was the United States that had led a concerted effort to rally international public opinion against the U.K. in the United Nations, and it was the United States that had refused to support sterling. In addition, it had refused to allow the U.K. to draw on U.S. oil supplies, and continued its pressure on the U.K. until the latter agreed to withdraw from Suez after the war. Thus the U.S Middle East policy and U.S. relations with both the U.K. and Egypt were an important element in the calculations of these

two states, thus giving the U.S. extra leverage against both.

The ingratitude that Egypt had shown the United States contributed to the possible regret felt by American policy-makers regarding the way in which the U.S. had treated the U.K. in that crisis. Although there were many differences between the two countries, they did not permanently damage the alliance which had been forged during the Second World War. This was demonstrated by the personal letter by Churchill to Eisenhower — though the former was out of office and retired from politics — and Eisenhower's response. This letter reminded the American President of their alliance and the relations they enjoyed during the war and stressed the importance of that alliance to combat communism. [66] Such sentiments on the part of the American policy-makers were strengthened by the ingratitude that Egypt had shown towards them and their perception of an increased Soviet presence and influence in the Middle East, coinciding with or resulting from an even stronger Soviet-Egyptian relationship.

The fact that the United States had finally decided on and declared a clear policy of opposing Nasser (the Eisenhower Doctrine) meant that Egypt lost its trump card against the U.K. It also meant that the U.K. was at last able to rely on a United States commitment in the struggle against the spread of Nasserite influence in the Middle East. The U.K. welcomed the Eisenhower Doctrine, though it felt that it was too late. Nevertheless, “this gallant effort to shut the stable door after the horse has bolted was welcome to us”. [67] It was in its way another lesson which the U.K. was to learn, regarding their own role in comparison to that of the U.S., in this “new tenet”. British politicians began to wonder why the British Empire should not be allowed to send its forces to the

area to defend its own aims while, according to the Eisenhower Doctrine, the U.S. was perfectly free to do so — “it was only American troops, American power and nobody else”. [68]

However, the change in the U.S. policy towards Egypt after Suez became even more relevant in the light of yet another development, the rapprochement that took place early on (March 1957) between the United States and the U.K. This rapprochement took place in Bermuda at the Anglo-American Summit between the British Prime Minister, Macmillan, and the American President, Eisenhower. During these meetings, the special relationship between the United States and the U.K. was restored. In particular, the relationship between the leaders of the two states was restored to the excellent level that had existed between them during the Second World War, when they served together in Algeria. [69]

The Bermuda meeting — which came about through an American initiative [70] — did more than reopen lines of communication between the two states, lines which had been strained during the early phases of the Suez crisis and were later almost blocked when the United Kingdom launched the Suez War. [71] Though the American administration did not necessarily share the particular British hatred of Nasser, they nevertheless listened to British arguments. The British Prime Minister became convinced that this meeting had awakened the Americans to the fact that they should stand up to the Soviets in the Middle East. [72] Indeed, the American President was highly satisfied with the result of that conference and with the mending of fences with the U.K. He called the Bermuda conference “the most successful international conference that I have attended since the close of World War 2”. [73]

The Eisenhower Doctrine, and the fact that it meant the United States saw itself as having a singular role in defending the Middle East and Western interests without relying on either colonial power (the U.K. or France), affected Anglo-Egyptian relations in one important aspect. This was the view the United States took of the entire colonial legacy in the Middle East after Suez. The U.S. examined the influence and prestige of both the U.K. and France in the Middle East after the political defeat that the U.K. received in 1956 and began to regard Western interests in the Middle East as its own responsibility. This view was illustrated in the report to President Eisenhower by Richard Nixon, the U.S. Vice President, after the latter's extensive visit to North Africa (from February 28 until March 21, 1957). This report gives an indication of the way the U.S. regarded its new role as perhaps the "Guardian of the West" and Western interests.

The U.S. Vice President, while acknowledging the interests of the colonial powers, especially France (as the visit was mainly to a French sphere of influence), was highly critical of colonial practices in North Africa. He felt that these practices endangered the interests and the standing of the West, and observed the decline in French power and influence in the area. The recommended policies after the visit were two-fold: on the one hand, to try to show the French the peril of their repressive and excessively colonial policies, especially in Algeria, whilst reassuring France that the U.S. had no intention of supplanting France's influence in that area but would strengthen this by cementing U.S. relations with the area; on the other hand, it was recommended that the U.S. should move quickly to establish direct and independently strong relations with these countries and "avoid any identification with repressive features of French policy in Algeria and make as clear as necessary that we

expect France to respect the sovereignty of Tunisia and Morocco.” It was further recommended that the U.S. conduct its separate aid policies to the relevant countries in the region independent of both ancient colonial powers. [74] The negative view of the United States about the influence of the former colonial powers was not limited to France. Indeed United States officials wrote to their government that in their view the influence of the U.K. in the Middle East was almost completely wiped out. [75] This meant that though the relations between the U.K. and the United States were finally restored, nevertheless, the U.K. could no longer hope to maintain the role that it exercised after the end of the Second World War as the guardian of Western interests in the Middle East. Therefore, though the U.K. once again began to receive the support of the United States, the U.S. remained wary of associating itself closely with the U.K.’s colonial legacy.

The above-mentioned variables clearly illustrate that both the U.K. and Egypt were severely weakened by the 1956 Suez War and its aftermath. As for Egypt, though Nasser’s position in Egypt became more secure than ever before, nevertheless, the state’s economy as well as its external trade and foreign relations were severely injured. As for the United Kingdom, the fall of Eden from power did not represent the fall of the “imperialist trend” which had decided and executed the policy of attacking Egypt in 1956. Indeed, this could have contributed to the change of heart that occurred in the U.K. position vis-à-vis the Arab-Israeli conflict, a change that was obviously to Egypt’s disadvantage. Furthermore, though the Anglo-American relationship was reconstructed, nevertheless the United States realistically estimated the damage that occurred to the position of the U.K. in the Middle East because of the Suez affair.

## **B      Factors Solely Related to Bilateral Issues**

### **Between the U.K. and Egypt**

The second set of factors were, as mentioned earlier, concerned with issues of a bilateral nature between the two states. They were for the most part a direct consequence of the break in relations between Egypt and the United Kingdom. They included the issues of the punitive measures taken by each state against the other, whether after the nationalisation of the Suez Canal or after the outbreak of hostilities. The existence of these punitive or retaliatory measures meant several things: firstly, resuming normal relations between these two states was heavily dependent on, or at least related to, dealing with those matters. Secondly, it meant that the issue of the relations between the two states had obtained a certain degree of urgency because of the problems that had arisen from the above-mentioned punitive measures. The internal pressures for both governments that these problems generated forced them to address them, and naturally this meant addressing the issue of bilateral relations. Each country had a different, but related, set of goals which obliged it to attempt to mend fences with the other. For the United Kingdom these goals included being able to use the Suez Canal, desequestration and the restitution of British property in Egypt, compensation for that property which had been nationalised and the lifting of restrictions facing British interests in matters of trade in Egypt. In addition there were other matters of less importance, such as securing the release of the two British nationals who were held in Egypt under espionage charges and were faced with the possibility of death sentences.

Egypt, on the other hand, was extremely anxious for the release of its sterling balances in the United Kingdom. These had been blocked after the

nationalisation of the Suez Canal. Their release would also mean that the United States government would follow by releasing blocked Egyptian balances in the United States. Egypt also wanted to resume normal trade with the United Kingdom. Most of its imports, prior to 1956, had been from the U.K. and it was especially keen to acquire spare parts for the machinery it had already imported.

## **1 — Importance of Egypt for the United Kingdom in 1957**

The importance of Egypt to the U.K. after the end of the Suez affair was evident in the priority given to the issues that were related to Egypt by the new British Prime Minister and his Cabinet. As defined by Harold Macmillan the most important issues facing his Cabinet were questions of foreign affairs and were listed as follows: a) Israel-Egypt; b) Clearance of the Canal; c) Canal dues; d) Long-Term Canal Settlement; e) Syrian Pipelines. [76] Indeed — according to Macmillan — “The most urgent questions facing us (his government) were: the clearing of the Canal from physical obstruction; the terms on which it should be reopened, especially the terms that would be imposed on the British and French ships; the position and security of Israel; the opening of the Syrian oil pipelines.” [77] The significance of this was that all the above-mentioned policy goals of the U.K. were related directly to the Suez crisis, as well as being dependent on settling the immediate problems between Egypt and the United Kingdom. It was a situation where the U.K.'s immediate strategic interests perhaps lay in opposition to its classic colonial posture in the Middle East. There were several impending issues which obliged the United Kingdom to face the necessity of coming to some arrangement with Egypt. These issues were: the oil situation; the Suez Canal; and the property and assets of British nationals and companies which had been

nationalised/sequestered by Egypt as a result of the joint British, French and Israeli action against Egypt in 1956.

**A: The Suez Canal.** One of the most important factors that made the U.K. willing to reach some form of agreement with Egypt was, of course, the Suez Canal. Harold Macmillan patronisingly used to call the Suez Canal the “Water Jump”. [78] Nevertheless, as has been noted, when he became Prime Minister in January 1957 he identified its clearance, as well as the terms on which it would be opened to British ships, as questions of vital urgency. [79]

The economic and strategic importance of the Suez Canal and the cost of its closure to the U.K. is clearly explained when analysing the cost and time difference between the Suez Canal and the Cape of Good Hope routes. On February 13, 1957, the U.S. Joint Chiefs of Staff, in their decision on a memorandum by the Chief of Naval operations on “Major Factors Pertaining To The Suez Canal Problem (U)”, established that a freighter journey from the United Kingdom to Bombay through the Suez Canal would cost around \$40,480 and last 23 days. The same journey via the Cape of Good Hope route would cost around \$70,400 and take 40 days. For the United States the Canal route saved \$46,000, as well as 3,500 miles, for a trip from the eastern seaboard of America to the Persian Gulf. In fact, the J.C.S concluded that, with such a saving, a reasonable increase in the Suez Canal tolls by Egypt would be acceptable. [80]

Realising the importance of the Suez Canal, the U.K. was faced with two options. The first was to prevent Egypt from controlling the Canal. The second was to reach some form of accommodation with Egypt over it. The Suez War

and its aftermath convinced the U.K. that the first option was not viable. It had become evident that the West could not wrench the operation of the Canal away from Egypt without the latter's consent, since the Canal would be inoperable without the Egyptian government's concurrence. Egypt could prevent ships carrying the U.K. flag and its allies outright from using the Canal, or could use operational tactics to hamper their passage, such as requiring lengthy notice from U.K. ships, delaying passage through the Canal by misapplying the World Health Sanitary Regulations, limiting the type of freight and cargo allowed through the Canal, or assigning unqualified or politically motivated pilots to U.K. ships. Moreover, if control of the administration of the Canal was wrested out of its hands, Egypt could resort to other tactics that would prevent the use of the Canal by all nations without discrimination, such as: blocking the Canal by sinking vessels and minor aircraft, mining the Canal passage, instigating strikes among the Egyptian work force, refusing entry visas to the pilots etc. [81] Therefore the U.K. had to resort to the second option, i.e. reaching some form of accommodation with Egypt which allowed U.K. ships to use the Suez Canal.

Nevertheless, in the period immediately subsequent to the Suez War, the second option was not viable either. After the Suez War, the U.K. had to rely on the U.S.A. in the negotiations over the Suez Canal, since Egypt refused direct negotiations with either the U.K., France or the Suez Canal Users Association. In fact the U.S. was the only Western party whose mediation Egypt accepted (in Cairo April 1957). The only other alternative open to the U.K. was the U.N. Security Council, where any decision forcing Egypt to comply would be blocked by a probable Soviet veto. Furthermore, a resort to

the General Assembly to override any S.C. veto would be time-consuming; the U.K. knew that time was on Nasser's side because the U.K. could not long prevent shipowners from using the Canal. In fact, British shipowners were at a disadvantage already, since other shipowners were accepting cargoes destined to pass through the Suez Canal. In addition the British government knew that eventually it would have to accept that Suez Canal tolls would be paid to the Egyptian Suez Canal Authority (under protest and without prejudice to the existing legal rights or the terms of a future settlement). [82]

Egypt had a potent weapon in this dispute: the continued closure of the Canal. This weapon was so effective that the US anticipated that Egypt might try to utilise it not just for its demands vis-à-vis the Suez Canal Company, but for other aims as well, of itself, of other Arab states, and even perhaps of the Soviet Union. [83] The U.K. was keen to indicate to the U.S. its willingness to offer its salvage equipment and personnel to whatever U.N. agency undertook the job of clearing the Canal very soon after the end of hostilities in the Suez War (on November 12, 1956). The fact that it did so without waiting to see the result of the running dispute between Egypt and the Suez Canal Company; indeed, without knowing who might actually run the Canal, proves the importance of the Suez Canal for the U.K. [84] The U.K. participated fully in the salvage operations of the Suez Canal, so that by mid-January 1957, U.K. salvage ships were responsible for removing 10 out of a total of 21 wrecks at Port Said. [85]

The United Kingdom maintained its interest and enthusiasm in fully participating in the Canal clearance. At the beginning of 1957 the British government was alarmed at the limitation imposed on British participation in the clearing-up operations and felt that General Wheeler — the United Nations

officer in charge of the salvage operations — did not intend to fully depend on the ships in that operation. The British government at the time feared that any “additional delay in the clearance of the Canal would entail the risk of a serious setback for our industrial production”. As a result, the British Cabinet decided in its first meeting of 1957 to approach both the Secretary General of the United Nations and the American government to complain about the failure to utilise British salvage capabilities fully, fearing that this failure might result in delaying the clearance of the Suez Canal and consequently harm the U.K. economy. [86]

**B: British Property in Egypt.** There was another major factor which pressured the British government to reach some form of accommodation with Egypt. This concerned British property there. Following the Suez War, the Egyptian government had either sequestered or nationalised the property and assets of British subjects and companies in Egypt. The resulting claims from British subjects and companies totalled around £119 million (sterling). [87] These claims were classified into three categories: private property, totalling £50 million; business property, (except Shell) amounting to £14 million; and finally the Shell Company claim which was the largest at £55 million. [88] Furthermore, the legal framework of that restriction was Proclamation No 5 of November 1956. This also restricted the freedom of British subjects, as well as companies, to the extent of preventing them from operating in Egypt. The plight of these British subjects and the interests of the U.K. companies were among the factors that pressured the U.K. to reach an agreement with Egypt. Certainly, the plight of almost 2,500 British nationals, who had either left Egypt voluntarily or been expelled by the Egyptian government, and were living in temporary accommodation in the United Kingdom, brought some

pressure on the government through the mass media and in Parliament. The government was also pressed to reach an agreement by the fact that there were approximately 9000 U.K. nationals still in Egypt, where the government feared for their property, freedom, and indeed their continued existence in Egypt (5000 of this figure were Cypriots who had not yet been penalised). [89] The problem of the British refugees and their assets was of sufficient magnitude to convince the British government — as early as January 1957 — of the inadequacy of existing institutions, such as the Anglo-Egyptian Aid Society, to handle it. The view in the British Cabinet of the time was that the government had more than a general or humanitarian duty to help these British subjects “since their misfortunes were directly attributed to the action which the government felt obliged to take against Egypt”. [90] Therefore, the Cabinet decided in January 1957 to establish an “Anglo-Egyptian Resettlement Board...so as to administer assistance to British subjects evacuated from Egypt and to deal with the problems of their resettlement”. [91]

**C: Trade with Egypt.** Another point — perhaps of less importance — was that of trade. Throughout the years of British domination, with the exception of a brief interval during the Second World War, Egypt was a market that was more or less dominated by the U.K. This was perhaps demonstrated by the fact that the U.K. commanded a relatively high share of Egypt's foreign trade. Total trade with Egypt during the period from 1948-1951 ranged from £82.2 million in 1948 to £86.4 million in 1951. [92] The U.K. maintained a relatively large share of Egypt's foreign trade even after 1952 and even at times of soured relations between the two states, prior to the nationalisation of the Canal in July 1956. Although trade had declined between the two states to £37.2 million in 1953, this was in line with the general decline of Egypt's total foreign

trade, and it was clearly on the rise again, as it reached £38.8 million in 1955. In fact just prior to the Suez crisis trade between the two states was on the way to reach a figure similar to its all-time high in 1951. During the first half of 1956, trade reached around £30.1 million. [93] However, due to the trade embargo imposed on Egypt by the U.K., this upward trend was abruptly halted. The value of the total trade (£30.1 million) was considerable, especially since the total of Egyptian foreign trade in 1955 was around £300 million. [94] This illustrates how despite the deterioration in its relations with Egypt the U.K. managed to maintain, due to the regional competition, a substantial share of Egypt's foreign trade.

## **2 — Importance of the United Kingdom for Egypt: Why Egypt Needed an Agreement**

After the end of the Suez War, Egypt indeed appeared to emerge with a political victory from its war with the former colonial powers (the U.K. and France). The outcome of the Suez War, though it was a military defeat for Egypt, resulted not only in strengthening President Nasser in Egypt and in the Arab world but in increasing his international stature, making him a spokesman for Africa and Asia. [95] In addition, Egypt managed to secure its territorial integrity when Israel declared its intention (March 1, 1957) to withdraw its troops from Sinai behind the Egyptian-Israeli Demarcation Line. This commitment by Israel was obtained only after heavy American pressure. Among the catalysts of that pressure was Egypt's refusal to allow the opening of the Suez Canal for shipping until the final withdrawal of Israel from Egypt. Actually, Egypt only announced that the Suez Canal would be opened to ships of up to 500 tons as of April 8, 1957, the same day on which the United Nations Emergency Force occupied Sharm al-Shaikh. [96] The final withdrawal

of Israeli forces from Egypt was not until March 16, 1957. [97] Egypt managed to increase its power as well as extend its influence in the Arab world immediately after the end of the Suez War. This was demonstrated by the meeting in Cairo between the heads of states of Egypt, Saudi Arabia and Jordan and the Syrian Prime Minister (January 19), and the establishment of the Arab Solidarity Agreement. This meeting, as well as that which took place in Cairo the following month (February 27), served to underline the position and prestige of Egypt in Arab politics. The Egyptian leadership was encouraged, as well as reinforced by the spoils of the Suez War, in terms of these political victories. It refused any form of users' control over the Suez Canal and managed to convince even the U.K. and France to abandon any expectation of obtaining such a demand. [98] Furthermore, Egypt was able to proceed with its plan to exercise full control over its economy when laws were enacted in February 1957 providing for the Egyptianisation of foreign banks, insurance companies and commercial interests in Egypt. On 18 April 1957, the Sequestrator-General Egyptianised seven British and French banks as well as 17 insurance companies. In addition, 20 schools belonging to these two countries were transferred to Egyptian hands and the scientific and cultural establishments of both the U.K. and France were taken over the following month. [99]

Although it had appeared that Egypt's political victory at Suez had led to the destruction of the U.K. standing in the Middle East, [100] this rosy outlook for Egypt did not survive the first months of 1957. As mentioned earlier, developments in 1957 demonstrated that Egypt did not have the upper hand which, at first glance, it appeared to possess. The problems in the Egyptian

economy, its relations with the United States and the policy of the U.S. contributed toward the deterioration in Egyptian relations with its Arab allies. The bright outlook that faced the Egyptian leadership in the first few months of 1957 was replaced later with a grimmer picture which forced the Egyptian government towards a more realistic policy aiming at improving its relations with the West, including the U.K.

The above-mentioned set of variables, related to the effects of the Suez War on the regional conflict between the two states, and the power and influence of both the Egyptian and the British governments, had mixed effects on the negotiating stance of both countries. On the Egyptian side, Nasser had emerged as Egypt's unchallenged leader. His internal position became stronger than ever. At the same he obtained, thanks to his political victory in the Suez War and his defeat of the two colonial powers (the U.K. and France), a charismatic stature among the Arab masses. From relative obscurity at the beginning of his career in politics in 1952, the Suez War had raised Nasser to become the most influential and charismatic leader in the Arab world. However the events that followed the nationalisation of the Suez Canal had caused severe disruption in the Egyptian economy. This was amplified by the economic sanctions applied by the West on Egypt after it nationalised the Suez Canal, which had began to take effect by 1957. Moreover, the policy of the United States, which contributed to the rift which occurred between Egypt and Saudi Arabia, meant that Egypt was denied the possibility of financial assistance from Saudi Arabia.

Thus the Suez War had mixed effects on the Egyptian negotiating stance. On the one hand Nasser had gained a great amount of political strength internally,

as well as influence over the populations of other the Arab states, mainly due to his defeat of the U.K. and its allies in 1956. This led to his reluctance to reach an agreement with the U.K. for fear of jeopardising the achievements of Suez. But on the other hand, his economic difficulties at home, together with the diplomatic offensive that the United States began to wage with the onslaught of the Eisenhower Doctrine, began to cause him a temporary regional isolation in relation to a number of Arab regimes (such as Saudi Arabia and Jordan). Moreover, he began to feel the need to counter the Soviet influence in Egypt which made him, in a way, more accommodating towards reaching an agreement with the U.K. This was augmented by his desire to acquire the Egyptian sterling balances, valued at around £70 million, which were blocked in the U.K. and which he needed to alleviate his economic difficulties.

As for the United Kingdom, the outcome of the Suez War had mixed effects on its policy and negotiating stance vis-à-vis reaching an agreement with Egypt. On the one hand there were factors pulling the U.K. government away from any compromise with Nasser. There was the regional conflict between the two states prior to the Suez War, which had helped precipitate the crisis. There were U.K. fears that a reconciliation with a victorious Nasser would result in demolishing whatever standing or influence the United Kingdom still had in the Middle East after its political defeat. And there was a clear United States policy of trying to isolate Nasser, a policy that was actually succeeding in breaking Nasser's alliance with Saudi Arabia. Egypt's foreign relations setbacks by mid-1957, together with the problems of the Egyptian economy, led the U.K. (as shall be explained in the following chapter) to hope that some damage would occur to Nasser's regime. All these reasons pulled the U.K. away from reaching a compromise or reconciliation with Egypt.

On the other hand, there were immediate problems resulting from Suez which forced the issue of relations with Egypt to the forefront of the U.K. government's attention. There was the strategic importance of the Canal and the question of the passage of U.K. ships through it, and the issues of British property in Egypt and trade. Together these issues gradually built up sufficient pressure to force the U.K. to move to address them via an agreement with Egypt.

## CHAPTER 2 : END NOTES

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- 31 Office of Intelligence Research, "Egypt's Current Economic Outlook" p. 5.
- 32 *Ibid.* pp. 3-4.
- 32 *Ibid.* p. 3.
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## **CHAPTER THREE**

### **THE START OF THE ANGLO-EGYPTIAN NEGOTIATIONS AFTER SUEZ**

#### **I      NEGOTIATIONS BETWEEN EGYPT AND THE U.K. AFTER SUEZ: 1957**

The Suez crisis of 1956, as outlined in the previous chapters, not only caused the severance of Anglo-Egyptian relations but also led to a drastic change in the fortunes of both the U.K. and Egypt, which in turn led to the rise of several problems in the field of bilateral relations.

Firstly, the Suez War caused dramatic changes on the domestic political scenes and affected the pattern of external relations of each state. In Egypt, Nasser's power and control reached its zenith; he became the undisputed power and began to exercise absolute control. However, the Egyptian economy was severely weakened because of the sanctions imposed on it by the United States, France and the United Kingdom and their action in blocking Egypt's substantial and badly needed financial balances in those countries. At the same time, the political success of Egyptian foreign policy during the Suez crisis did not survive the year 1957, as the United States actively undermined Nasser's position in the Arab world.

In the United Kingdom, on the other hand, though the Suez crisis had led to the fall of Eden from public office this did not mean the fall from power of

those who had supported the U.K. actions in Suez in 1956, such as especially the new Prime Minister Harold Macmillan and the Foreign Secretary Selwyn Lloyd. Moreover, the economic crisis which hit the U.K. at the time of (and as a result of) the attack on Egypt, especially the fall of sterling and the shortage of oil supplies, was soon alleviated thanks to the Anglo-American rapprochement. Nevertheless, and despite the reconciliation between the United Kingdom and the United States, the position of the U.K. in the Middle East was severely shaken as a result of the collusion between the U.K., France and Israel in the Tripartite Aggression, as the Suez War was called in the Arab world.

Secondly, and despite the continued (if not increased) animosity between the two countries due to the Suez War and the intensification of their regional conflict, there emerged several problems in the bilateral field between the U.K. and Egypt which forced them to re-evaluate their policies towards each other, to meet and negotiate, and to make compromises for the sake of finally resolving them.

These bilateral problems led the governments of both states to overcome their mistrust of one another and calm their intensified clashes in the field of foreign policies in order to resolve their differences by agreement and to restore official relations. The main problem for Egypt at the time was the need to regain its blocked balances in the United Kingdom. Valued at £70 million, these balances were badly needed by Egypt in view of the economic hardship it was enduring and, particularly, its difficulty in fulfilling its need for foreign exchange. The U.K., on the other hand, needed to reach an agreement with Egypt to allow the passage of U.K. ships through the Suez Canal. It also had to resolve the

problems of British property in Egypt, property which had been sequestrated by the Egyptian government in November 1956. The U.K. also wanted to resume trade with Egypt and to secure the release of two political prisoners who had been held in Egypt on charges of espionage since the summer of 1956.

It was these problems which proved the main impetus for both countries to negotiate an agreement, and obliged them finally to settle their differences despite the continuing conflicts in their foreign policies. Negotiations between Egypt and the United Kingdom passed through four major phases in the aftermath of Suez until an agreement was finally reached in 1959 and diplomatic relations were established in the same year. These phases were defined basically by the conduct of these negotiations, which reflected which of the two countries was actually seeking an agreement with the other at the time. This was determined by the relative strength or weakness of each country during that particular stage of negotiations. The attitude of each state was determined by its own perception of strength or weakness vis-à-vis the other. For example, when one state believed its own fortunes to be on the ascendant, and that concluding the agreement at that stage would result in more benefit to the other country than it would receive itself, it tended to harden its negotiating posture and become more aggressive and less conciliatory.

This was the case in the First Phase of the negotiations, when the U.K. thought that Nasser could be brought down — due to internal, as well as external pressures — and that he was isolated in the Arab world. This was one of the reasons which made the U.K. government disinclined to reach an agreement with Egypt during 1957. At the same time, Nasser's economic situation, as well as the decline in his regional influence in the Arab World, led Egypt to make every effort to reach an agreement with the U.K.

The Second Phase of the negotiations emerged towards the end of 1957, when the U.K. realised that Nasser was firmly in power and events proved to both states that Nasser's power and influence in the Arab world was in the ascendant. This made the U.K. more in favour of settling with Egypt, while Egypt became less inclined to settle than before and concentrated instead on getting the best terms it could.

The Third Phase was in 1959, when the U.K. was working hard not just on the financial agreement between the two countries, but also on the question of the resumption of diplomatic relations. Egypt, having achieved much better terms for the financial settlement, was not as anxious as the U.K. to resume diplomatic relations.

The Fourth Phase was, however, not concerned with bilateral relations between the two states and is not covered in the period of this research; it concentrated on settling the problems resulting from the clashes in the foreign policy of the two states, which led to a regional confrontation between them in the Middle East. This issue was not settled for years to come, with the demise of the dreams of both states for hegemony and control over the Middle East.

## **II      FIRST PHASE OF NEGOTIATIONS BETWEEN THE U.K. AND EGYPT**

### **A      The First Round of Negotiations, May 5-9 1957**

The first direct negotiations between the United Kingdom and Egypt started due to necessity, not design. The catalyst for the beginning of negotiations between the two countries was in fact the same catalyst which had caused the

rift between the two states less than 10 months earlier: the Suez Canal.

Once the Canal had been cleared and become almost completely operational, the U.K. was forced to address the question of its use. There were two problems in that regard: whether Egypt would allow passage for U.K. ships; and how British ships were to pay the Canal dues, if they were allowed passage. The British government received some comfort when President Nasser declared on March 29, 1957 that Egypt would abide by the 1888 convention guaranteeing Freedom of Passage. This meant that both British and French ships would be allowed passage. However, as Egypt insisted that the Canal dues should be paid in full to the Egyptian authorities, this brought the second issue to the forefront, namely how the U.K. was to pay these. The British government did not want to pay the Canal dues to the Egyptian authorities as this would be interpreted as recognition of the nationalisation of the Suez Canal, which would cause a considerable and embarrassing loss of face for the U.K. in the Middle East. The U.K. would be perceived as giving in to Egyptian demands. Nevertheless, the U.K. realised that payment to an international institution such as the World Bank or even the United Nations would not be accepted by Egypt. Furthermore, the U.K. feared that Egypt would not accept transferable sterling as the currency for payment and would insist instead on either gold or dollars, something the U.K. found entirely unacceptable, not so much on firm legal grounds, but because this would have a deleterious effect on sterling, as well as on the U.K.'s foreign exchange reserves.

This was a growing problem that the British government could not ignore. It knew that it could not keep the major maritime powers from using the Canal. It

was one thing to boycott the Canal while it was still being cleared, but it was another thing to continue to boycott it after it had become fully operational. By April 1957 it became obvious to the British government that the other major maritime powers would resume using the waterway after the completion of the clearing operations. Moreover, the government could not afford to bar its own ships from using the Canal, since this would undermine British competitiveness in the market and ultimately harm British commercial interests.

[1] Indeed, with the passage of time, there were growing pressures on the United Kingdom government from British shipowners to define their position vis-à-vis the Suez Canal and to lift the ban on U.K. ships using it. Even worse, the British government observed that British ships were being registered under Liberian and other flags to overcome the commercial handicap they were forced to suffer due to their government's stance. [2]

The negotiations between the two countries were conducted in Basle, Switzerland, from 5-9 May 1957, and took place between representatives from the Bank of England and the Central Bank of Egypt, not between delegations from the foreign offices of the two states. The purpose of this round of negotiations — which was conducted at the request of the Bank of England [3] — was to find a method whereby U.K. ships could pay the Suez Canal dues to the Egyptian authorities. The most the U.K. hoped for was that Nasser would accept transferable sterling and not haggle or argue over the release of Egypt's Number One account, which the U.K. was determined not to release until the settlement of the British financial claims in Egypt. [4]

The Egyptian balances in the United Kingdom were confined to two accounts: an account from which Egypt could draw freely, for whatever reason, which

was called the Number One account, as well as a Number Two account, the movement of funds from which was restricted, subject to the approval of the British government. The movement of the Egyptian balances in the U.K. was subject to a series of agreements reached between the U.K. and Egypt since the Second World War, when Egyptian balances in the U.K. had stood at over £300 million pounds sterling; they had even reached the sum of £470 million in 1946. Under these agreements, the U.K. government agreed with Egypt over the timetable of Egyptian drawing from these funds. The final agreement, which governed the movements of funds from these accounts up to the middle of 1956, was signed on July 1, 1951. It allowed Egypt the right to draw a sum between £10 and £15 million a year up to 1960. [5] The result of this round of negotiations was that a special transferable sterling account, known as Number One Special account (otherwise called Number Three account) was opened for the payment of Canal dues and other expenditures in connection with British shipping. [6]

From the point of view of the United Kingdom, the Basle negotiations had not merely been satisfactory, but had “gone unexpectedly well”. [7] The British demands, as set out by the Cabinet on April 11 [8] and on May 6 1957, had almost all been achieved. [9] The U.K. had managed to reach an agreed minute with Egypt over establishing a new account, Number Three account, for the payment of the Suez Canal dues and disbursements by the ships of the United Kingdom. This account was to remain free from restrictions; U.K. fears that Egypt would make its establishment conditional on the release of the Number One account, or would refuse payment of transferable sterling, had proved unfounded. Moreover, the Central Bank of Egypt had formally requested discussions on the resumption of current trade with the U.K. In fact, the

Central Bank of Egypt made it a condition for signing the Basle Agreement that such discussions should start immediately. [10]

As a result of this successful round of negotiations, the U.K. declared its intention to lift the bar on British ships using the Suez Canal, and on May 11, 1957 informed the Commonwealth governments that the U.K. government was no longer preventing British ships from using the Canal. The public proclamation of this change of policy was made by Macmillan on May 13, 1957 in the House of Commons. [11] How urgent the U.K.'s need to use the Suez Canal had been was further confirmed by the large number of British ships which immediately passed through the Canal after May 13. (92 British ships crossed the Suez Canal from May 13 to May 31, 1957.) [12]

### **III REACTION TO THE BASLE AGREEMENT IN THE U.K.**

The Basle agreement did not mean that there was a change in U.K. views towards Egypt and relations with it. Indeed, an onslaught on the government for this agreement materialised in the House of Commons, in a two-day debate which was by all accounts very heated. [13] Even Macmillan, in anticipation of this hostility to the agreement, made a point of emphasising that this new special account, Number Three account (or, as it was sometimes called, Number One Special account) did not change the position of the Egyptian blocked balances in the United Kingdom. He even went on to stress that the accounts holding these balances in the U.K. would remain blocked until satisfactory arrangements for the British financial claims were made. [14]

All the Egyptian balances in the United Kingdom had been frozen on 27 July,

1956, after the nationalisation of the Suez Canal. The area of contention remained the freeing of the Number One account, the free-drawing account under the terms of the 1951 agreement. Nevertheless, there was a great deal of opposition to the Basle agreement in the House of Commons. The Opposition had a field day during the first day of the debate on the issue, and Macmillan feared massive dissent in his party when it came to the vote. With a majority of just over 50, he feared that a change in the vote of 30, or even 20, Conservative back-benchers could have embarrassed the government. If they abstained or voted against the government, the Opposition motion censuring the government could succeed. Indeed it was a relief for the government when the Opposition motion was defeated by a majority of 49 with only 14 Conservative abstentions. [15]

The Basle agreement also received a mixed reception from the British Press. Some papers seized the opportunity to attack the government for the treaty, others supported Harold Macmillan and his policy on the issue. *The Times*, as well as the traditional Conservative paper *The Daily Telegraph*, supported the government on the Canal issue. On the other hand, Lord Beaverbrook, through *The Express*, seized the opportunity offered by the Basle agreement to launch a vehement attack on the government and took the side of the Suez Group. *The Manchester Guardian* joined in the campaign, albeit for different reasons, and attacked the Conservative government record on its dealing with Egypt since even prior to the Suez Crisis. [16]

#### **IV REACTION TO THE BASLE AGREEMENT IN EGYPT**

In the U.K. there was a great deal of interest in when, or even whether, U.K.

ships would be allowed to use the Canal. The case in Egypt was quite different. The issue of allowing British ships passage through the Canal did not appear to be a similarly urgent or vital matter to the general public in Egypt, and did not command the same degree of interest. The issue that dominated the attention of the Egyptian public, as far as the Suez Canal was concerned, centred on whether Egypt would be able to safeguard its right to the Canal and could continue to run it efficiently and independently from the U.K. and the West. In addition, it was not in the interest of the Egyptian government of the time to permit anything to blemish its anti-imperialist record. Thus it did not see any immediate need to advertise its decision to allow the passage of U.K. ships through the Canal. The difference between the systems of government in the two states also accounted for the difference in the reaction in Egypt. Perhaps the fact that Egypt at the time did not have the same degree of either press freedom or parliamentary democracy as the U.K. explains why the Basle agreement was hardly reported in the Egyptian Press. Two points should therefore be explained at this stage: the reasons why the Basle agreement was not mentioned in the Egyptian Press, and the impact of the difference in the systems of government in the U.K. and Egypt on the negotiating patterns of each of the two states.

As to why the Egyptian papers at the time did not report the Basle meetings, or indeed the agreement that had been signed with the U.K., this was due to the fact that Nasser and the Egyptian government felt that they should not appear to be giving in to the U.K. or the West, and should be seen to be maintaining a steadfast non-aligned posture in world affairs. At the same time, Egypt was conscious of the U.K. and Western attempts to show the Arab world that Egypt had given certain concessions in the aftermath of the Suez War, mainly

in stressing that Egypt was allowing Israeli ships passage through the Gulf of Aqaba, and was also permitting the stationing of U.N. troops in Sharm al-Shaikh. [17] In view of the Western stress on these concessions, Nasser did not want it to appear that he was making a deal with the U.K. in return for keeping and exercising sovereignty over the Suez Canal. Moreover, the Basle agreement was not one of his proudest achievements, for he did not regain control over any of the blocked sterling balances in the U.K. in return for allowing the British ships passage through the Canal. Further, Nasser could not afford to bar British ships from the Suez Canal, as such a decision would have meant that Egypt would be breaking the Constantinople Convention of 1888. Even worse, Egypt could not publicise the Basle agreement as an acknowledgement by the U.K. of Egyptian sovereignty over the Canal, because to do so would have jeopardised the impending Rome negotiations between the two states over the resumption of current trade.

On the second point, it is clear that the difference in the U.K. and Egyptian systems of government had a large and noticeable impact on the negotiating pattern of the two states throughout the period covered by this research. The fact that the U.K. was a parliamentary democracy, with an established system of government, meant that the chain of authority and the governmental departments responsible for relations with Egypt were clear. The Treasury Chambers (and departments under its authority such as the Bank of England) handled the financial aspects, especially the question of the value of the British assets in Egypt, the negotiations over the methods of payments of the Canal dues, and the control over the Egyptian blocked balances in the U.K. The Foreign Office handled the political aspects of the bilateral relations and the

impact of Egypt's Arab policy. The final authority on relations with Egypt was the British Cabinet, where each department was represented by its head, namely the Chancellor and the Foreign Secretary respectively. Where differences between the two departments arose, the Prime Minister and the Cabinet view prevailed in reaching a decision on the matter at hand. The view of Parliament, which had to approve and ratify any agreement with Egypt, was an overriding concern because the political life of the government and its members depended on it. The view of the free Press was equally important because of the impact the Press had on public opinion in the U.K., an essential element considering the fact that the government had to be re-elected periodically.

Egypt was quite a different case. Nasser's system of government was quite new, with new governmental departments being created as the need arose, with no clear boundaries between them or agreement on their precise briefs. As mentioned earlier, Nasser's system of government resembled a Leader-Staff group, or Presidential-Centre type. Nasser was the ultimate authority, not just on what decision should be taken, but, even more significantly, on whom should be entrusted with carrying out the negotiations. The new National Union was an attempt to fill the political vacuum which existed after the political parties of the pre-1952 era had been abolished, rather than a vehicle for formulating policy and mobilising public support. What influenced Nasser's policies vis-à-vis the U.K. were his own beliefs as well as his perception of how the public in his constituency (Egypt and the rest of the Arab world) would react.

There were no rivals to or organised pressure groups acting on Nasser.

However, what influenced Nasser's views were the long discussions he had with his advisors, in which each proponent of a certain view argued his case. Nasser would listen to the different views expressed in these meetings, often in silence, and used to make his decision later and in private. [18] Nasser's advisors included government ministers, colleagues from the Revolutionary Command Council and whomever Nasser chose. The power of those advisors and ministers depended on the continuity of Nasser's trust in them, rather than on the power of whichever government departments they were representing at the time. Moreover, Nasser did not necessarily inform the rest of his advisors as soon as he had reached a decision. [19] Therefore, in many cases, some of those advisors were not informed of Nasser's view at a certain stage, which accounted for the conflicting messages the U.K. used to receive about Nasser's views on relations with the U.K.

During the period covered by this research, one can identify three Egyptian views about relations with the U.K. One view advocated severing all links with the U.K. on account of the Suez affair, Egypt's anti-imperialist stance and the foreign policy clashes between the two states at the time. The adherents of this view saw no reason to restore the links with the U.K. and argued with Nasser against such a move. This trend was dominant in the National Union, and was represented in Nasser's group of advisors by Ali Sabry and Murad Ghali. In the Egyptian Foreign Ministry, Ali Sabry's brother, Hussein Zulfikar Sabry, attempted to carry through that policy — as it appeared to the U.K. in 1959. The second trend addressed relations with the U.K. as basically a matter of technical problems (those problems described earlier and which were created as a direct result of the punitive measures taken by the two states after the nationalisation of the Suez Canal). This trend was represented by the

technocrats among Nasser's advisors, such as the Minister of the Economy, al-Qaissuni, and al-Emary, the Governor of the National Bank of Egypt. They also included Colonel Abd al-Qadir Hatim, the head of the General Authority for Information. The third trend advocated a resumption of relations with the U.K., in the belief that it was impossible to ignore the power of the U.K. in the region, especially in view of Egypt's active Arab policy. This trend felt that solving the problems between the two states in the bilateral field was part of opening the channels of communication and starting a mutual dialogue. Solving the bilateral problems would come as a result of resuming the dialogue. The advocates of this view among Nasser's advisors were Mohamed Hassanein Heikal, the Editor of *Al-Ahram* and Nasser's closest friend and advisor throughout his presidency, as well as the Egyptian Minister of Foreign Affairs, Dr. Mahmud Fawzi.

#### A      The Start of The Anglo-Egyptian Financial Talks (Rome)

The Egyptian delegation in Basle had made the Basle Agreement conditional on talks over the resumption of current trade, and such talks started in Rome within two weeks of the Basle Agreement. These discussions lasted for almost two years (most of 1957 and 1958), with several rounds being conducted by the financial representatives of the two countries. In the case of the U.K. this meant the Treasury, and in some cases a representative of the Bank of England. The U.K. delegation included members of the Foreign Office (the Head of the African Department was mostly present in those discussions).

Throughout 1957, the U.K. insisted that the financial talks in Rome were

exploratory in nature. The first round of Rome negotiations, on May 23, 1957, was extremely limited in both scope as well as goals. The objective of the U.K. in these exploratory talks was to learn what Nasser had to offer on the desequstration of British properties in Egypt as well as the withdrawal of the discriminatory legislation and executive measures against British companies and British subjects. [20] In fact Selwyn Lloyd, prior to the start of these talks, made a point of emphasising their exploratory nature and insisted that he had not even considered such questions as restoring diplomatic relations. [21] Furthermore he informed the United States Department of State of his views, insisting that "we are not thinking at present of anything like restoration of diplomatic relations and suggestions to this effect appearing in the press are altogether premature." [22]

The negotiations conducted in May 1957 in Rome between the representatives of both states achieved almost nothing. The reason was the fact that the U.K. had already achieved in the Basle round of negotiations (or "discussions") what was, at that time, its immediate objective: the arrangements for the passage of U.K. ships through the Suez Canal. Thus the U.K. no longer had an urgent reason for reaching an rapid agreement with Egypt. The major outstanding problem for the U.K. at that time was the sequestered or nationalised British property in Egypt, which the U.K. government was dealing with by allocating funds from the Treasury to ease the economic hardship of British subjects whose property had been expropriated.

There were several other factors which accounted for the U.K. not wanting a reconciliation with Egypt in mid-1957, in addition to the fact that it had gained its immediate demand in Basle. Firstly and most importantly, the U.K. thought

that the economic pressures it was applying on Egypt would help to bring Nasser down in the short term, so that an agreement with Egypt at that stage would help to give life to a regime the U.K. loathed and wanted to get rid of anyway, just when the Western sanctions were beginning to bear fruit.

The belief that economic pressures could topple Nasser gained credibility, at the time, from several factors. The weakness of the Egyptian economy, at that stage at its lowest ebb, was obvious. Moreover, there was no visible sources of funding to cover Egypt's immediate need for foreign exchange to replace its blocked foreign exchange balances in the West. With the decrease in the amount of available foreign exchange, consumer goods as well as essential goods such as medicines had begun to disappear from the shops, [23] and the U.K. estimated that this would increase popular disaffection against the Egyptian government. Moreover, the foreign exchange shortage and denial of credit to Egypt meant that Egyptian industry lacked access to the intermediary goods it needed, which had been mainly imported from the West.

In addition to these internal problems, Egypt's external relations at the time were also at their lowest ebb. After Suez relations between Egypt and the United States had gone from bad to worse. Indeed Dulles in July 1957 said, in the course of a dinner held at Downing Street, that the United States agreed with the U.K. that Nasser must be regarded as public enemy No. 1 in the Middle East. He further mentioned that Nasser must be taught that his "misdemeanours did not pay and it was not an advantage to get across the Western Powers." [24] Indeed, the combined view of the U.K. and the United States was that there was almost universal hostility to Nasser in the Middle East and that his only friend was India.

What gave added credence to this conclusion was the deterioration in Egypt's Arab relationships during the middle of 1957, after the earlier gains and successes. A major alliance to be affected was that between Egypt and Saudi Arabia. The U.K. observed with satisfaction the growing rift between President Nasser and King Saud of Saudi Arabia. [25] The U.K., with its experience and knowledge of Egypt, believed that these pressures could lead to the downfall of Nasser. British government officials anticipated that "internal and external pressures may be sufficient to produce a crack in the structure of the Nasser Regime within the next few months" (May 1957). Accordingly, the U.K. feared that normalising relations with Egypt might discourage Nasser's opponents and add stability to his regime. [26]

This hard-line British position was augmented by what they perceived as the U.K.'s relative strength in the region. For after the collapse of the U.K. foreign policy in November 1956, the U.K. had actually rectified the blunders which were made in 1956. It had managed to mend its relations with the United States, and thus the prime reason for the failure of the Suez campaign had been eliminated. Moreover, while U.K. officials witnessed the increasing Egyptian weakness, they found that they themselves were acquiring strength. This was illustrated when the Permanent Council of the Baghdad Pact held its normal meeting in June 1957 in Baghdad. Though the United States Secretary of State refused to participate in that meeting, the U.S. was nevertheless prepared to be associated with the Baghdad Pact and agreed to be represented in that meeting by Loy Henderson, the Deputy Under Secretary of State. Notwithstanding the fact that Loy Henderson was supposed to be an observer, he had participated quite actively in that meeting. Indeed, the U.K. felt that this

June meeting of the Baghdad Pact had not only strengthened the Baghdad Pact itself, but even more importantly, had consolidated the co-operation between the United States and the U.K. in the Middle East. [27]

At the same time, another incident occurred in the Middle East which gave an additional boost to the U.K.'s confidence. This was the July 1957 uprising in Oman against the Sultan, Said bin Taimur. [28] Initially, the U.K. government was in a dilemma. On the one hand, it had to intervene militarily in aid of the Sultan, who was the U.K.'s ally. On the other hand, a military intervention would be highly controversial, for two reasons. First, following the Suez experience, the U.K. government had to overcome a great many scruples regarding another military intervention abroad, especially in the Middle East. Second, there was concern over the effect that such an intervention would have on Anglo-American relations, in the light of the Buraimi dispute between Oman and Saudi Arabia in 1955 which had led to a sharp disagreement between the U.K. and the U.S. [29] The fact that the U.K. was able to mount a successful military operation in Oman, without encountering major opposition at home or creating a major rift with the Americans abroad, had demonstrated to the British government that Suez was indeed behind them. The Oman affair provided the first chance for the British government, since Suez, to take decisive action to safeguard its interests. It felt that this action had contributed to the return of confidence among the Gulf rulers in the U.K. and in its role in defending them against Nasser's rhetoric and subversion. [30]

## **1 — Egypt's Attempts at Reconciliation**

The fact that Egypt was keen to reach an agreement with the United Kingdom at that period — the summer and autumn of 1957 — was illustrated by the

Egyptian negotiating posture at the time and by the attempts Egypt made to reach an agreement during that period. There were three such attempts.

The first was the extremely co-operative stance taken by the Central Bank of Egypt delegation in the Basle negotiations with the Bank of England over the method of payment of Suez Canal dues. The Egyptian delegation did not insist that the U.K. should release the Egyptian blocked balances in the U.K. or even the transferable funds that were held in the Number One account. Furthermore, the Egyptian delegation maintained that they would be prepared to continue to accept sterling as a method of payment. Egypt did not insist on extracting any advantage from this deal beyond the requirement that negotiations between the two sides on resuming trade and releasing the blocked Egyptian balances in the U.K. should begin as soon as possible.

Another attempt at reconciliation took place in July of that same year shortly after the agreement over the Canal dues. Nasser agreed to a television interview with a British television station (I.T.N. — Independent Television News). In that interview, Nasser showed no bitterness over the Suez crisis and the U.K 's role in that affair. On the contrary, he showed a desire for normal relations with the U.K. [31]

Egyptian attempts at reconciliation continued during the summer of 1957. The Egyptian government invited, through the Swiss government (who handled the British interests in Egypt), the British government to send a delegation to Egypt to examine at first hand the situation of the British property there. [32] The reason was to provide a front behind which Nasser could make an overture towards the U.K. without suffering any loss of face in the process.

[33] The British government agreed to this, and thus in August it sent a mission consisting of a Mr. Milner and a Mr. Hallows. The U.K. continuously emphasised that this was merely a fact-finding mission and that its purpose was not to negotiate with the Egyptians. Perhaps as a response to the U.K.'s continuous downplaying of the mission's importance, as well as the fact that it contained relatively junior or middle-rank Treasury officials, the Egyptian authorities did not receive them as warmly as they could have done, to the extent that they were refused a meeting with the Egyptian Finance Minister and the Egyptian Minister of Finance and other senior officials also refused to meet them. [34]

Thanks to this cold reception, as well as the death of the head of the mission, Mr. Milner, while still in Cairo, this ill-fated mission naturally did not contribute to any positive development in Anglo-Egyptian relations. It even proved to be counter-productive, as the U.K. felt that the Egyptian reception of that mission had been very obstructive. Indeed some British diplomats who were involved in the negotiations with Egypt believed that the tense and oppressive reception which faced the Milner and Hallows mission in Cairo, "may have been a factor in the tragedy which overtook them when Mr. Milner (of the Treasury) died when still in Cairo". [35] The only possible explanation for this cold reception and Egypt's lack of enthusiasm for the mission is perhaps the similar lack of enthusiasm the U.K. displayed, with its constant downplaying of the mission's importance and the fact that it was composed only of middle-rank Treasury and Bank of England officials.

While these efforts at reconciliation were underway, Egypt tried another method to attempt to induce the U.K. to respond to the Egyptian advances. Since India enjoyed good relations with both the U.K. and Egypt, the latter

tried to engage India's good offices as mediator. India obliged, and the Indian Foreign Minister, Mr Krishna Menon, spoke to his British counterpart on the subject of the U.K. relations with Egypt on at least two separate occasions. Menon's message was that Nasser had a honest desire to make progress in restoring relations with the U.K. to normality, and also that the French were anxious to make a deal with Egypt to restore trade as well as diplomatic relations between their two countries. Nasser preferred that relations with the U.K. be restored first, Menon stated; it was implied that the U.K. should seize the opportunity to mend its fences with Egypt, before France did, since if France overtook the U.K. in that regard the U.K. would then be in a weaker position vis-à-vis Egypt. [36]

The details of the second occasion on which Menon broached the subject of Anglo-Egyptian relations with Lloyd clearly demonstrated that the Indian attempts at mediation were not a personal initiative of the Indian Foreign Minister, but were made as a result of an explicit Egyptian request. When Menon met Lloyd, while they were both attending the meetings of the U.N. General assembly in New York in September 1957, the latter complained about the treatment of the British Milner-Hallows fact-finding mission in the previous month. The Indian response shows not only the fact that Menon was acting at the request of Egypt, but also the preparation which had been undertaken before Menon breached the subject with Lloyd. Firstly, Menon responded by stating that there must be a misunderstanding, especially since "President Nasser had spoken to him (Menon) quite warmly about Milner." [37] Immediately after that conversation took place, Ambassador Jung, India's ambassador to Cairo, who was included in the delegation accompanying Menon to attend the General Assembly meeting, asked to see Lloyd to discuss

that subject. [38] The Indian efforts at mediation failed to persuade the U.K. to change her policy towards improving relations with Egypt. Lloyd maintained, in his response to Menon, that the U.K. believed that improved relations with Egypt should come about slowly, and that the important issue which had to be addressed first was the sequestered British property in Egypt. [39]

At that time — September 1957 — it became evident that Egypt was extremely anxious to improve relations with the U.K. The Indian mediation attempts occurred while the British and Egyptian delegates in Rome were beginning the second round of talks about a financial settlement. In its efforts to reach an agreement, Egypt did not rely only on the Indian Foreign Minister's talks with Lloyd or even on the extremely amicable negotiating stance adopted by the Egyptian delegation to the Rome talks. President Nasser began enlisting the efforts of other friends of the U.K. in the Middle East, such as Emil Bustani, a leading Lebanese political figure who had good contacts with the U.K., to try to hammer the message home that Nasser was in fact keen to reach an agreement.

However, as all these efforts failed to advance the desired goal of normalising relations with the U.K., Egypt attempted to accelerate the process by sending Colonel Abd al-Qadir Hatim to the U.K. Colonel Hatim was part of the Free Officers Movement and a close confidant of Nasser's. When he was sent to the U.K., in September 1957, he was the Head of the General Information Authority in Egypt. The public reason for his visit was to attend the Inter-Parliamentary Union Conference in London. Once Hatim was in the U.K., he began to use the efforts of Emil Bustani, who was a member of the Lebanese

delegation to the same conference and a close associate of Nasser, to meet British parliamentarians and officials. Colonel Hatim's first contact with British parliamentarians occurred at a Lebanese party on September 14, 1957, where Bustani had arranged for Colonel Hatim to meet two British M.P.s — Mr. Shepherd and Lt. Col. Tilney. In that very first meeting, Colonel Hatim stated that he would like to hold "secret and exploratory talks", with "someone in the Foreign Office". [40] The way in which Colonel Hatim came to the U.K., together with his method of contacting British officials, as well as the initial British reaction to this overture, can only confirm the fact that Colonel Hatim's visit and talks in the U.K. were a purely Egyptian initiative, without prior consultation with the U.K.

Nevertheless, Colonel Hatim brought with him to London perhaps the best offer of a settlement which the U.K. had received. Indeed, what Hatim offered was even better than what the Egyptian delegations offered or even accepted in the latter phases of the negotiations between the two countries. Hatim implied that there would be no problem in allowing the two British prisoners being held on charges of espionage, Zarb and Swinburn, to go free (something which Egypt later refused to include in any agreement between the two states; indeed, much later, when the final settlement between the two states was signed and ratified, and diplomatic relations resumed, there was no provision for the release of British prisoners).

Secondly, Hatim stated that Nasser was prepared to announce that all sequestered British property in Egypt would be desequestrated, and that compensation would be paid for the British property which had been Egyptianised. In return, Egypt wanted the U.K. to announce its readiness to

make releases from the sterling balances held in the U.K. Colonel Hatim mentioned the sum of £20 million (this sum was in fact the sum which would have been due to be transferred at the end of December, 1957, according to the Sterling Releases agreement of 1950, to the Egyptian Number One "free" account).

Furthermore, Hatim suggested that the Egyptian claims for compensation for war damage during the Suez War could be offset against the value of the U.K.'s Suez Canal Base. The U.K. favoured this solution to the question of war damage compensation and the value of the base, since to pay compensation as such would have been seen as an admission of U.K. guilt for the Suez War and was therefore unacceptable. Equally, the U.K. knew perfectly well that the Suez Canal Base would be virtually irrelevant strategically without the consent — if not the support — of the Egyptians. Firstly, because the base needed Egyptian labour for its day-to-day operation. Secondly, because the U.K. understood that if Egypt showed hostility again vis-à-vis the Canal Base, as it did during the early 1950s, the British military force in the base would be of no use strategically, since its efforts would be concentrated on guarding itself from the Egyptians rather than on serving the U.K.'s strategic demands in the area.

Indeed, from May 1957, the British government came to realise that if they left these claims to be settled by mutual waiver, abandoning the U.K. claims for the Suez Canal Base and its contents (worth perhaps £70 million) against Egypt's claims for war damages, then the U.K. "shall have done well". [41] In his attempts to soften up the British government, Colonel Hatim offered that Egypt would stop its broadcasts in Swahili and other anti-British broadcasts in

return for the U.K. stopping anti-Nasser broadcasts from Cyprus. Indeed, the reason that Nasser chose Hatim to go to the U.K. was the latter's position as the head of the General Information Authority, which was in charge of the media in Egypt and especially, the propaganda campaigns on Egyptian radio. Egypt observed that whenever the subject of relations with Egypt was broached with U.K. officials, the latter bitterly complained about the propaganda campaign on Egyptian radio against U.K. interests in the Arab world and Africa, and British officials questioned the sincerity of Egypt's attempts at reconciliation with the U.K. while mounting vehement anti-British propaganda campaigns. It was to soothe British fears in this respect, and to assure the U.K. that a reconciliation would mean the end of media attacks, that Egypt had decided to send the man in charge of Egyptian media. [42]

Hatim exposed the Egyptian point of view on the prospects of resumption of diplomatic relations between the two countries when he proposed that the states should exchange counsellors shortly, and that diplomatic relations should come later in "due course". When Colonel Hatim was pressed on the aloof treatment which the Milner-Hallows mission had received in Egypt, especially the fact that they were denied a meeting with the Minister of Finance, he showed sensitivity to the U.K.'s grievance, stating that the minister had been extremely busy at the time. However, Hatim reminded Sir William Hayter that the U.K. had insisted that this mission had not gone to negotiate, but as a fact-finding mission (a point which Sir William acknowledged in his record of the meeting with Colonel Hatim). [43]

## **B      Second Round of Negotiations: Autumn and Winter 1957**

The second round of negotiations or discussions started in the autumn of 1957 in Rome. The United Kingdom entered into this round of negotiations with the Egyptian government with a great deal of apprehension and many reservations. The British government feared firstly, that any agreement would be claimed by Egypt in the regional context as a victory over the U.K. Such a claim would be quite negative — if not even damaging — to the U.K.'s prestige in the area, since it would occur at a time when Egypt had been renewing its pressure against Jordan as well as Iraq, who were the U.K.'s allies in the region, not to mention the propaganda attacks on the U.K. (especially on the Egyptian radio, in Swahili as well as Arabic).

Secondly, the U.K. did not want to release the blocked sterling balances, a prerequisite for any agreement which Egypt might accept. Indeed, these balances were the main motive behind Egypt wanting an agreement with the U.K. at the time. The U.K. feared that such a release would help strengthen Nasser's regime, at a time when it hoped that the economic pressure against Nasser might either cause his downfall or produce a crack in his regime, or at the least limit his ability to cause damage to the U.K. position or its allies in the Middle East. [44] In addition, the U.K. government believed that any improvement in its relations with Egypt was subject to the satisfactory resolution of the Suez Canal Company claim against Egypt, or at least to some progress towards the settlement of that claim. At that time, the Egyptian official position was that it no longer even recognised the existence of the Suez Canal Company. [45]

Indeed, British animosity towards Egypt, and its reservations about an agreement with its government in 1957, was demonstrated even further when news leaked out in September 1957 that negotiations between Egypt and the U.K. were to start soon, and might lead to the resumption of Anglo-Egyptian relations. The British government immediately instructed the U.K. ambassadors in the Middle East to inform the governments to whom they were accredited that, "Her Majesty's Government have no intention whatever of seeking a reconciliation with Nasser or alleviating his present isolation." [46]

The Foreign Office explained that certain contacts with the Egyptians, in connection with the restoration of British property in Egypt, were unavoidable. The U.K. reaffirmed its position that "these (contacts) should not be taken to indicate any desire on the part of Her Majesty's Government for a political rapprochement." [47] Nevertheless, and as explained by the Foreign Office instructions, there were other factors which compelled the U.K. to reach some sort of understanding with Egypt, despite its animosity towards the Egyptian regime and its reservations about making an agreement with it. The most important of these was the need to satisfy the claims of the British subjects whose property had been nationalised, sequestrated or Egyptianised as a result of Presidential Proclamation Number 5 which followed the Tripartite Aggression in 1956. The British Cabinet was not only pressured by public opinion inside the U.K., which commanded strong support, especially in the House of Lords, but also because it feared that the value of these properties would deteriorate even further under Egyptian administration.

There was yet another consideration, though of less importance than the previous one. Despite the deep animosity towards Nasser and his regime in the

U.K., there remained some elements in the United Kingdom government which still wanted to preserve the U.K.'s position as a leading trading partner with Egypt, whether for the jobs which exports to Egypt might create or preserve, or for the revenues which these exports might bring back to the British economy. Indeed, the desire to continue or expand exports to Egypt had convinced the U.K., in 1957, to agree in the Basle agreement to allow the Egyptian authorities to use the new Number One Special account (the account which was created to allow British shipowners to pay the Canal dues to the Egyptian authorities) to purchase goods from the U.K. if they so chose. The British government decided to bar only the sale of military equipment to Egypt, and had decided not to levy a trade embargo on Egypt as this "would be an ineffective means of bringing pressure on the Egyptian government". [48] Treasury officials, during the period of the rupture of the relations between Egypt and the U.K., had expressed their disappointment that, due to the 1956 crisis, the U.K. had "lost what was in 1955 its most important market in the Middle East". [49] Indeed, this was clearly shown by the decline in the U.K. exports to Egypt: from £22.7 million in 1955, to no more than £2.3 million in 1957. [50]

The fact there was a divergence of views within the British government regarding trade with Egypt was illustrated when Egypt desired to purchase two Viscount aircraft (civilian aircraft) in the summer of 1957. The decision on that matter was deferred to be decided by the Prime Minister, due to a difference of opinion within the Cabinet (the President of the Board of Trade, Sir David Eccles, felt that it was not justifiable to permit such transactions while British claims against Egypt remained unsatisfied, while the Chancellor of the

Exchequer, Peter Thorneycroft, supported the sale on the grounds that putting limitations on the way Egypt spent its funds in the Special account would be inconsistent with the statements made by the government to the House of Commons in May, 1957 as well with the assurances given by the U.K. government in the Basle agreement. The Chancellor also supported this sale on the grounds that it would ensure that part of the Suez Canal dues paid by British ships would be used to buy British goods.) Indeed, after over 25 days the Prime Minister and the British Cabinet agreed to allow the deal to proceed, provided there were no unsatisfied orders from any Commonwealth country.

[51]

The pressure to resume trade with Egypt was not restricted to the desire to increase U.K. exports to Egypt. In fact, the U.K.'s prohibition on importing Egyptian goods created pressure from British industries relying on imported Egyptian materials for which they could find no substitutes, such as steatite, essential for the manufacture of certain electrical ceramic components. This raw material was not located in any other country except Egypt at the time, furthermore, there was no substitute. Before the Suez crisis, the U.K. had imported 626 tons of steatite a year from Egypt. Although this product was vital to the production of certain radar equipment, it was relatively cheap (the total annual import bill was no more than £18,000). Due to the importance of this material, as well as to the fact that it was cheap, the U.K. found itself in a situation whereby it needed Egypt more than Egypt needed it, for the total export value of steatite for Egypt at that time was far less than the importance of this product for the U.K. [52]

Furthermore, there is evidence to suggest that, even during the period when

the U.K. was adamantly against any kind of rapprochement with Egypt, there remained a trend in the U.K. which wanted some kind of link to remain. Apart from trade (the issue of the sale of the aircraft) which could be justified on purely internal grounds — the benefits which would result to the British economy — there was other evidence as well. Despite the severing of diplomatic relations with Egypt, the U.K. allowed the Egyptian Cultural Attaché to remain in London, attached to the Indian High Commission. Not only had the Foreign Office allowed Egyptian students to continue their studies in the U.K., but they had been extremely tolerant regarding the Egyptian Cultural Attaché, who had remained in the U.K. to oversee them. They had not objected to the fact that he had violated his terms of stay by exercising consular functions, such as the issuing of visas to Egypt. The Foreign Office even turned a blind eye when he kept issuing visas under the stamp of the Egyptian Consulate-General in London, though the Foreign Office knew about the practice. [53]

Thus, and due to the above-mentioned reasons, the United Kingdom decided to enter into another round of discussions with the Egyptians in the autumn of 1957. The sketchy start and rather loose structure of these “discussions” in Rome (they were called discussions and not negotiations) demonstrates their nature. Scheduled to start in September 1957, they were postponed first to October 8 (because the Egyptian representative failed to arrive), then to the first week of November, since the Egyptian representative had to return to Cairo for fresh instructions as he had misunderstood the basis of these discussions. [54] Apparently, he had thought that he had come to finalise whatever Colonel Hatim had proposed during his visit to London.

The negotiations were conducted between the representatives of the financial ministries of each country, as the heads of the respective delegations. The U.K. delegation was headed by Sir Denis Rickett of the Treasury, and included a representative of the Bank of England as well a representative of the Foreign Office (Mr. J.H.A. Watson, Head of the African Department). [55] The head of the Egyptian delegation was Mr. H. Zaki from the Ministry of Finance.

Furthermore, the U.K. did not enter these talks with the Egyptian government seeking either reconciliation or rapprochement, [56] but merely to solve the problem of the sequestered British property. When the financial talks finally started in earnest on November 4, 1957, the Cabinet was informed that these discussions were "exploratory in character". [57] Indeed the U.K. delegation to these discussions did not have the authority to commit their government to even a provisional agreement with the Egyptians, even if the opportunity had arisen to get the Egyptian delegation to accept the release of a part of Egypt's blocked sterling balances against the deposit of a corresponding sum by Egypt with some neutral international body. [58]

On November 13, 1957, eight days after the start of the Rome discussions, the U.K. Cabinet finally reached a decision to conclude an agreement with Egypt. The Prime Minister, Harold Macmillan, proposed a draft agreement [59] to settle the financial problems. The essence of this draft agreement, which the Cabinet considered on November 13, was that the Egyptian government should nullify all measures which had been enacted against British property and citizens (such as Presidential Proclamation No 5) and return all property which had been seized by the Egyptian government after October 31, 1956. At the same time, the Egyptian government was to pay a certain sum of money to the U.K.

government as compensation for the U.K. property which could be returned, or for the damage done to U.K. property as a result of the measures enacted by the Egyptian government after October 31, 1956. A point which the U.K. position was very clear upon was the inclusion of an agreed form of arbitration over the treaty. Indeed, the draft agreement proposed by the Prime Minister clearly stipulated the need for an agreed machinery for impartial arbitration between Egypt and the U.K., for the settlement of disputes in matters arising from the return of all property — unless its owners had willingly disposed of it — and in matters regarding the payment of compensation for the inability to return property, or when there had been harm done to that property due to its seizure by the Egyptian government. [60]

The U.K. wanted the Egyptian government to pay compensation for “the Egyptian Government failure to protect such property, rights or interests between the 31st of October, 1956 and the return to their rightful owners”. [61] The compensation desired by the U.K. government was also for any damage done to the property involved, whether because of looting, loss of value due to the deterioration of market conditions or because of the mistakes or inefficiency of the sequestrator appointed by the Egyptian government to manage these properties. The U.K. wanted around £37 million, but were prepared to accept £30 million. At the same time the Egyptian government was to agree to allow those property-owners who did not wish to return to Egypt to transfer the value of their property abroad.

This draft agreement specified that only after the Egyptian government had nullified the measures enacted against U.K. citizens, and after the return of these properties to their rightful owners, should the U.K. government raise the

restrictions which it had imposed on the Egyptian Number One account and thus release to the Egyptian government the £18 million pounds sterling which was in the account. Furthermore, the U.K. government was not to release more funds from the Number Two account, even in accordance with the sterling balances agreement, "except after examinations from time to time by the two governments in the light of progress made in effecting payment of compensation". [62] This would have meant that Egypt would have been denied the £20 million which, according to the sterling balance agreement of 1951, was due to be released from the Number Two account to the Number One account in 1957. That draft treaty proposed to keep the whole issue of the sterling balances of Egypt held in the United Kingdom suspended until the U.K. felt that Egypt had satisfied all claims for compensation for British property in Egypt.

Indeed, the main reason for the drive by Egypt to normalise its relations with the U.K. after 1957 was its desire to use its foreign exchange reserves held in the U.K., funds that Egypt needed badly to overcome the economic difficulties which it had incurred since it nationalised the Suez Canal. These difficulties were increasing as the economic sanctions imposed on Egypt began to take effect, and made Egypt desperate for foreign exchange to finance its growing import bill. Some of Nasser's advisors put the view to him that these blocked reserves were the answer to Egypt's economic difficulties. In addition, the fact that Egypt could no longer export its cotton to its most lucrative market, the U.K., meant that it was denied a traditional source of foreign exchange. This made Nasser willing to pursue an agreement with the U.K. in 1957 to be able to regain control of these reserves. [63] The total sum of these reserves or

outstanding balances in the U.K. in 1957 was £70 million sterling, £18 million held in the Number One account and £52 million in the Number Two account.

[64]

The draft agreement proposed by the Prime Minister represented the maximum demands which the U.K. could make in stipulating the return of British property, or compensation in lieu, without actually releasing the blocked sterling balances (for the sum which was to be released was only £18 million, against the payment by Egypt of over £30 million). Nevertheless, members of the British Cabinet stressed that even under these strenuous conditions, the Egyptian representatives in Rome should be told that, before the U.K. would agree on the terms of the settlement, certain political elements would also have to be taken into account.

What the British Cabinet described as political elements included issues which were outside the sphere of the financial agreement and were subject to the political will of the Egyptian government. They included: a) the question of compensation for the Suez Canal company (this was a political element because the Egyptian government's public position at the time was that it refused to acknowledge the existence of the Suez Canal Company); b) the attitude of the United Nations to the proposal made by the U.N. Secretary General concerning the costs of the clearing-up operations in the Suez Canal, which stated that these costs should be met through levying an extra surcharge on the Canal dues; and c) that Egypt should release the two British political prisoners which it held on charges of espionage (Zarb and Swindon).

[65] Perhaps the one demand which might need further elucidation was that concerning the proposal of the U.N. Secretary General to meet the cost of the Canal clearance by levying a 3% surcharge on the Canal dues.

Although this proposal suited the interests of the British government, it still presented it with a dilemma. On one hand, if the proposal failed to receive the necessary majority in the United Nations, it would revive the pressure in the United Nations to have the entire bill for the Canal clearance met by France and the United Kingdom. At the same time, if the U.K. supported the proposal it would be viewed by British shipowners as a betrayal of their interests, and they might either press the U.K. for reimbursement, or even refuse to pay this extra surcharge, which could compel the Egyptian authorities to refuse them passage through the Canal. This of course would involve the U.K. in yet another problem with Egypt over the Suez Canal, and one which would be viewed in the international community as entirely due to the U.K.'s actions. [66] Thus the U.K. wanted this proposal to be approved without having to vote for it. A difficult attitude by Egypt at that time could have led the United Nations to refuse that proposal.

The memoranda by the relevant British officials at the Foreign Office and the Treasury, together with the draft treaty submitted by the Prime Minister and the Cabinet discussions concerning it, illustrate the hard-line position adopted by the U.K. regarding any agreement with Egypt at that moment in time. There were several reasons for this hard-line position. Firstly, despite the end of the Suez War, the reasons which compelled the British government to mount that military operation were still in existence. The Suez Canal had remained in Egyptian hands, despite all the attempts of the U.K. In fact, the Suez War had merely confirmed that Egypt would be allowed to manage and control the Canal. Secondly, the regional conflict between the United Kingdom and Egypt over supremacy in the Middle East had not only been maintained but had

intensified. The main difference which had occurred in the conflict between the two states after Suez was that there were now even more problems between them on the bilateral level as a result of that political and regional conflict, the most important being the British property sequestered or nationalised in Egypt, and the Egyptian balances in the U.K.

The U.K. had great difficulty in signing any agreement with Egypt in view of the opposition such an agreement would face in the House of Commons, as well as the fear that such a deal might compromise the U.K.'s position in the Middle East. Indeed, the memory of the violent response in the House of Commons in May 1957 to the Basle agreement was still fresh in the minds of the Conservative government. There was also the fact that the U.K. thought that the economic pressures being applied to Egypt at that time might cause either the collapse of, or at least a crack in, the Nasser regime. [67] Therefore the idea of releasing some or indeed any of Egypt's blocked balances in the United Kingdom, an action which the U.K. believed would enhance the power of Nasser's regime, was not only unattractive but unacceptable as well.

The British property expropriated in Egypt after the beginning of the Suez War in 1956 fell into three categories, according to the Egyptian government intention regarding their future ownership. The first category was the "sequestered" property. This was the property which the Egyptian government was managing temporarily under the administration of a Sequestrator-General. The Egyptian government had no intention of placing these properties (which included the houses of U.K. citizens who used to live in Egypt etc.) permanently under public ownership, and it was prepared to return this class of property to the U.K. owners. The second category was

“Egyptianised property”, which were properties which the Egyptian government had expropriated and sold to Egyptian citizens to manage. The Egyptian government did not want to return these to their U.K. owners, but at the same time did not want to own them themselves, hence their sale to Egyptians. The third and last category was the “nationalised” property. These were properties, such as foreign banks and insurance companies, which the Egyptian government had placed under state ownership and for which it had agreed to pay compensation to their previous owners. It was understood that nationalised and Egyptianised property would not be returned to its previous owners, and the only point which remained to be discussed between the Egyptian and British governments regarding them was the amount of compensation to be paid.

There were several claims made to the British government regarding these properties. However, it was widely agreed in Whitehall that some owners had over-valued their assets in the figures they gave to the British government. [68] The claims for Egyptianised property totalled around £47 million, and for sequestered property around £119 million. The latter figure was made up of £50 million for private property, £14 million for businesses and a further £55 for Shell, which included a refinery as well as a successful business. In fact, there was disagreement even within the British government regarding the amounts and the classifications (i.e. sequestered, nationalised, or Egyptianised) of many of these claims. An example was the Shell claim, which the Prime Minister classified as Egyptianised property on November 12, 1957 while valuing the total claims regarding Egyptianised and sequestered properties at £160 million. [69] Treasury officials classified the Shell claim as a sequestered property, and valued the total claims at £166 million. [70]

That the U.K. was adopting a hard-line position in 1957 was clear from the demands it made and the conditions it insisted upon in the proposed financial agreement. Firstly, the U.K. insisted on Egypt returning all property which had been nationalised or Egyptianised in October 1956, while at the same time demanding an advance payment of not less than £30 million on account of compensation for damage that the returned British property had incurred, as well as for the British property which could not be returned to British ownership. In return, they offered only the release of the Egyptian funds in the Number One account. Therefore, under such an agreement the Egyptian government was: to return all properties which it had seized; to resume the favourable treatment accorded to U.K. and British nationals pre-Suez; and to pay £30 million on account of compensation. All the Egyptian government wanted to receive from this agreement was the release of the £18 million held in the Number One account, while the remainder of the Egyptian balances in the U.K. were to remain blocked until all claims for compensation from Egypt had been satisfied.

After lengthy negotiations, which lasted until the first week of December, the head of the Egyptian delegation, Mr. Hassan Abbas Zaki, the Under-Secretary to the Ministry of Finance, gave Egypt's response to the British proposals. He explained that what he offered was Egypt's last and final offer, and that, if it was not accepted, he would have no alternative but to end that round of negotiations and return to Cairo. [71]

The Egyptian offer can be summarised as follows: Egypt would sign an agreement based on the return of the sequestered property which had not yet

been Egyptianised. Egypt agreed to pay compensation for the Egyptianised property which could not be returned to the U.K. owners. Regarding compensation, Egypt was willing to make an advance payment of £30 million compensation for the nationalised and Egyptianised property. Moreover, Egypt agreed to resume normal trade with the U.K. after the treaty, and to remove the disabilities imposed on U.K. nationals (such as those under Presidential Proclamation Number 5). Another U.K. demand regarded the resumption of pensions and compensation for British officials who had been employed by the Egyptian government; the Egyptian delegation accepted to pay the compensation agreed in 1954. (This was an agreement made in an exchange of notes between the two governments on October 19, 1954 regarding paying compensation for the British officials dismissed by the Egyptian government in 1951.)

However, Egypt refused to de-Egyptianise the U.K. assets — except as might be agreed in individual cases without commitment. Egypt flatly refused to accept any liability for damages to the sequestered properties, or to pay compensation for any such damages except in cases where there had been irregularities on the part of the sequestrator. The Egyptian delegation clarified that such irregularities meant only cases where the Egyptian sequestrator had contravened Egyptian law. An attempt by the U.K. delegation to bridge the gap, by proposing that Egypt should accept liability for the actions of the sequestrator in cases where he had failed to act as a reasonably prudent manager of property, was also refused by the Egyptian delegation. That proposal by the British delegation could have given the U.K. a good chance to claim for compensation if matters were brought to arbitration.

Egypt also refused to accept neutral arbitration for the settlement of disputes between the two countries on all matters arising from the return of all properties. Egypt was willing to accept a limited form of arbitration in matters regarding the evaluation of properties, but only in extreme cases, where the difference between the Egyptian and British side exceeded 15% of the total value of the property. [72] Egypt insisted that disputes between the two countries over the matters arising from arbitration had to be decided by the Egyptian courts.

The Egyptian side refused to accept the British demand regarding the return of British rights and/or interests in matters other than property. Even a general formula proposed by the U.K. delegation covering these rights and interests in matters other than property was not accepted. However, the Egyptian delegation did agree to restore British nationals' legal rights of access to courts as well as the use of Egyptian ports and airports. As for the original British demand, the Egyptian delegation offered to discuss each "right" or "interest" individually, such as B.O.A.C. rights. [73]

The sudden Egyptian deadline, and especially the delegation's statement that if their final offer was not accepted they would have to break off the negotiations and return to Cairo, was a surprise for the British delegation. They had not anticipated a sudden break in the negotiations at that particular stage, even though they had accepted that each of the points under contention were indeed breaking points (especially those regarding liability for actions by the sequestrator, neutral arbitration and the return of U.K. rights and interests in matters other than property).

In the face of this sudden ultimatum the British government had no alternative but to accept the suspension of that round of negotiations. Accordingly, the heads of the two delegations issued a statement on December 12, 1957, to the effect that both delegations were returning to their respective countries for consultation with their governments. [74]

The Rome negotiations thus ended abruptly. However, this break should not have been unexpected. It arose because the U.K. and Egyptian positions were so far apart and because the party which was at the time seeking an agreement, Egypt, was not given any of the incentives which might have induced it to accept even a tough compromise. To understand the stalemate of December 1957, one should analyse the positions of both the U.K. and Egypt which led them to that impasse, and which later led Egypt to issue its ultimatum and thus break off the negotiations.

As for the U.K., it was in a dilemma. The British government had in its possession £70 million, the value of the blocked Egyptian assets in the U.K. banks; but these balances were supposed to cover a total of £166 million of over-valued British claims. The U.K. was therefore reluctant to release any part of these assets to Egypt, since they covered less than 50% of the declared value of the U.K. property held in Egypt. At the same time, the U.K. government had hoped that the political isolation and economic pressures Egypt was experiencing at the beginning of 1957 would either cause the downfall of Nasser's regime or at least weaken him to the point where he could not inconvenience the U.K. in the Middle East. Thus the U.K. did not want to allow Egypt any assistance which might prolong the life of the Nasser regime

and accordingly did not want to release any of Egypt's sterling balances held in the U.K.

However, the U.K. realised that, if it failed to reach a treaty with Egypt, it would have to seize the Egyptian assets to satisfy the British claims, which it was reluctant to do because of the negative implications of such an action. The U.K. government recognised that the seizure of Egyptian assets would be a "blow to international confidence in sterling. Secondly the British government was aware that such an act would harm the prospect of any improvement in the Anglo-Egyptian relations for a long time" [75] Quite apart from the above factors, the value of the Egyptian assets was not enough to meet even half the value of the U.K. claims. In the event that no treaty had been signed, each country would have seized the other country's assets; the U.K. would expropriate the Egyptian assets and Egypt on the other hand would nationalise all British property permanently. This prospect prompted some of the British officials involved to suggest that any deal which might be made with Egypt and which would involve desequstration of British property worth £119 million was much better than no deal at all, even if there was no advance payment made by Egypt. Indeed, this report suggested that, due to the above-mentioned factors, the British delegation in Rome could accept £20 million, rather than demanding no less than £30 million as their absolute minimum. [76] Moreover, towards the end of 1957, the U.K. Cabinet began to recognise that the economic pressures on Egypt at that stage were not sufficient to topple Nasser from power, and the U.K. therefore began to re-evaluate its position on the basis that it would have to deal with him. Accordingly, a deal with Egypt which might entail the release of some of its assets in the U.K. became more or less unavoidable. However, by the time that realisation came, the prospect of an easy deal with Egypt had passed.

Egypt, on the other hand, was in a different position. Unlike the U.K., which initially was not keen to reach an agreement in 1957, Egypt was more than keen, as shown by its amicable negotiating stance and its efforts through mediators. Yet, by the end of 1957, this eagerness had cooled to the point of breaking off the Rome negotiations — which Egypt initially had struggled to convene.

There were several reasons for the change in the Egyptian position. First of all, the treaty or agreement that Egypt was offered in Rome fell short of the basic requirement which made Egypt want such an agreement in the first place, namely, the ability to use its blocked assets in the U.K. In 1957, the sanctions imposed on Egypt the previous year had begun to cause several major dislocations in its economy. As described earlier, the severing of its trade links with the U.K. led to the disappearances of a great deal of consumer and basic goods (such as pharmaceuticals) from the Egyptian market. At the same time, spare parts and intermediary goods for the few Egyptian industries were now denied, since they had mostly been imported from the West and from the U.K. in particular. [77] In addition, the fact that Egypt had stopped exporting 25% of its cotton crop to the U.K., sold for foreign exchange, and began to export over 60% of its crop as part of barter deals with the Soviet Union, meant that an important source of foreign exchange had been lost.

Therefore, Egypt began to feel an urgent need to utilise its blocked foreign exchange held in the U.K., France and the United States to finance its growing bill for imports. It needed to restore its trade links and position in the Western markets which used to purchase Egyptian goods — especially cotton. Egypt

needed the U.K. in particular, as the latter had been Egypt's main trading partner prior to Suez, with total visible trade between the two states in 1955 reaching around £40 million (with Egypt's exports to the U.K. being almost double the value of its imports from the U.K.). [78]

However, what Egypt was offered in Rome was merely access to £18 million of its reserves, with £30 million of the remainder to be paid to the U.K. as an advance payment for compensation. As the remaining assets (around £22 million) were to remain blocked subject to later discussions between the two governments, the Egyptian negotiators were faced with having to accept returning the sequestered property without receiving the financial windfall they were hoping for.

Secondly, the Egyptian delegation was shocked by the amount the British government was claiming for loss or damages to U.K. property. Indeed, that was the only reason which the British negotiators in Rome saw as the cause for the Egyptian side deciding to break off the negotiations at that time. [79] Thirdly, the British demand for neutral arbitration was totally unacceptable to the Egyptians, both to their political leadership as well as to their economic bureaucracy, on the grounds that it infringed their national sovereignty and was an affront to their independence. [80] Indeed, some of the Egyptian papers reported, after the break of that round of negotiations, that such a request was contrary to Egyptian independence and dignity. [81] It is not surprising that Egypt found such a request for neutral arbitration unacceptable, considering their colonial experience with the U.K. and in the light of the events which followed the nationalisation of the Suez Canal. The idea of neutral arbitration brought to mind their experiences with the consular courts

and the “mixed courts” which replaced them and remained in force until 1949. These had foreign judges and dealt with cases where foreigners were involved, Egyptian courts not being empowered to try such cases at the time. [82] In the atmosphere of mistrust of the U.K. after Suez, the Egyptians feared that a neutral arbitrator would be another name for the practices of the mixed courts. The idea of anything which even resembled the mixed courts and the privileges which were enjoyed by foreign nationals before the 1952 revolution was indeed a very sensitive issue which Egypt found hard to accept.

Another factor that hardened the Egyptian position was the fact that by December 1957 their need for a treaty with the U.K. was considerably less than it had been before. Until the start of the negotiations on November 4, Egypt had been in desperate need of foreign exchange; therefore it had started financial negotiations with both the U.K. and France at almost the same time. However, the negotiations with the U.K. proved to be more problematic than those with France and at the same time did not promise to deliver the expected rewards.

The change which occurred, however, was that Egypt's foreign exchange shortage was temporarily alleviated by the Soviet Union while the Rome negotiations between Egypt and the U.K. were in progress. On November 20, the U.S.S.R. signed a \$200 million dollar loan with Egypt. This loan, in effect, offset Egypt's desperate need to solve its foreign exchange deficit. In addition, Egypt managed to sell its 1957 cotton crop, despite the fact that the U.K., previously a major purchaser of Egyptian cotton, refused to allow its manufacturers to buy any of it. Indeed, among the major purchasers of Egyptian cotton in 1957 was France, with a deal signed in August 1957. [83]

Moreover, the 1957 cotton crop yielded approximately £E106 million, which was 6% more than the previous year. The successful sale of the cotton crop reduced Egypt's trade deficit, totalling £E44.8 million and £E43.8 million in 1956 and 1955 respectively, to only £E11 million in 1957. [84] The fact that the Suez Canal was now operational, with all ships using it paying dues directly to the Egyptian government (unlike the previous year, when U.K. and French ships had not paid the dues to Egypt) meant a new source of invisible earnings, aiding the Egyptian balance of payments. These factors — especially the Soviet loan — made Egypt less anxious to sign an agreement whose only advantage was £18 million in foreign exchange. Indeed, the hope of getting some foreign exchange to solve the acute shortage which Egypt was suffering prior to the Soviet loan was the only reason, as far as the Egyptian delegation was concerned, for keeping the negotiations going for over a month. [85]

In addition to the material reasons which were relevant to the agreement itself, there was the point regarding the national feelings of Egypt regarding the U.K. after the Suez War. Prior to Suez, the Anglo-Egyptian agreement of 1954 had just managed to begin to clear up the anti-British feeling in Egypt which had resulted from the occupation. That feeling had reached a climax with the seizure of Ismailia by British troops in 1951, an act which led to public anger in Cairo and the burning of Cairo immediately afterwards. All these feelings were beginning to clear up before Suez. There was hope and anticipation that the Anglo-Egyptian agreement of 1954 would signal a new and fresh start between the two states based on equality and the independence of Egypt. There were great hopes in Egypt, especially in official circles, about the development of that new relationship. The Suez affair had created a sense of shock as well as anger towards the U.K., not only for the attack itself but also

for disappointing such great hopes for the future of their relationship. [86] The Egyptian government was willing to put this disappointment aside for the sake of achieving an agreement which would allow Egypt to overcome its economic crisis. However, when the need for such an agreement decreased, and as the gain from it also became less visible, this led to the decision by the Egyptian government to break the negotiations.

## V CONCLUSION

The negotiations between Egypt and the U.K. passed through several stages in this period which were relevant to the changing fortunes of the powers of each state. At the beginning, immediately after the crisis, the U.K. was at its lowest ebb. Its relationship with the United States was in a shambles. It was isolated as far as the international community was concerned and its internal politics and economy were in disarray. Egypt, on the other hand, had emerged victorious.

This resulted in the fact that Egypt, as early as January 1957, was appearing more uncompromising towards Anglo-Egyptian relations than the U.K. had when it abrogated the 1954 agreement. The U.K., on the other hand, was desperate to get Egypt's agreement to the speedy clearance of the Suez Canal and the passage of British ships through it. After the U.K. obtained these objectives, there occurred a dramatic change in the fortunes and thus the position of each state. The Anglo-American rapprochement was coupled with a deterioration in American-Egyptian relations. The economic measures which had been taken after the Egyptian nationalisation of the Suez Canal began to bear fruit, and the concerted Anglo-American efforts against Nasser led in

effect to his increased isolation in the Arab world. The result was a change in Egypt's position on reaching an agreement with the U.K.

Egypt had fought, since the first few months of 1957, to reach an agreement with the United Kingdom in order to be able to use the blocked sterling balances in the U.K. Meanwhile the U.K., thinking that the economic pressures on Nasser might lead to his downfall or at least to a crack in his regime, became extremely hard-line in its demands for the financial agreement with Egypt which was the basis of any political settlement. This uncompromising British position continued until almost the end of 1957, when yet another change occurred which will be explained later. This led to the Egyptian position growing harder while the U.K. became more amenable to an agreement.

The change occurred in the U.K. position, and it was due to the British government's realisation that, contrary to its earlier view, the economic pressures maintained on President Nasser were not sufficient to topple him from power, at least in the immediate future. Indeed, amongst the main reasons for the U.K. government's desire to come to some agreement with Egypt was their realisation that "there was little possibility of our being able to overthrow the present Egyptian government by economic pressures." [87]

As for Egypt, its position hardened from their initial desperate eagerness to reach an agreement with the United Kingdom for several reasons. First, the terms the U.K. delegation was willing to offer did not satisfy the minimum demands that the Egyptian delegation found acceptable. Secondly, it appeared to the Egyptian government that such a proposed agreement would not bring the hoped-for financial windfall in releasing their blocked assets in the U.K., as

the claims that the British government presented in fact amounted to more than the total worth of the assets in question. Last but not least was the fact that Egypt's desperate need for foreign exchange was becoming alleviated as the Suez Canal began to become profitable, which meant that the venture which had started in 1956 was finally paying off. Most important was the fact that the Soviet Union had offered Egypt a \$200 million loan, which shored up the financial position of the Egyptian government and allowed it to wait until it was able to reach a satisfactory agreement.

## CHAPTER 3: END NOTES

- 1 Macmillan, *Riding The Storm* (London: Macmillan, 1971) pp. 229-233.
- 2 *Ibid.*
- 3 The British Cabinet authorised the Bank of England to seek this negotiation in its 33rd meeting, April 11, 1957. CC (57) 33rd conclusion, Minute 4 11.4.1957. PREM 11/1789.
- 4 Macmillan, *Riding The Storm*, pp. 233-234.
- 5 Frank Brenchley, *Britain and the Middle East: an Economic History* (London: Lester Crook Academic Publications, 1989) pp. 16-27.
- 6 Macmillan, *Riding The Storm*, p. 234.
- 7 *Ibid.*
- 8 CC (57) 33rd conclusion, Minute 4 11.4.1957. PREM 11/1789
- 9 Conclusions of the 38th Cabinet Meeting, May 6, 1957. CAB. 128/31 Pt. 1 pp. 261-263.
- 10 Confidential Telegram from the Foreign Office to United Kingdom Embassy in Washington, No 2263, May 19, 1957. F.O. 371 125444.
- 11 *Hansard*, May 13, 1957.
- 12 Roger Owen, "Economic Consequence of Suez for Egypt", in *Suez 1956. The Crisis And Its Consequences*. Wm. Roger Louis and Roger Owen. (Eds.) (Oxford: Clarendon Press, 1989), p. 365.
- 13 Macmillan, *Riding the Storm*, pp. 233-238.
- 14 *Ibid.*, pp. 232-236.

- 15      *Ibid.*, pp. 236-238.
- 16      *The Manchester Guardian, The Express, The Times, The Daily Telegraph*, May 16, 1957.
- 17      Heikal, *Sanawat al-Ghalayan* (Years of Ferment) (Cairo: Al-Ahram, 1988), pp. 92-103.
- 18      Interview with Heikal, London: October 3, 1992.
- 19      *Ibid.*
- 20      Confidential Telegram From the Foreign Office To United Kingdom Embassy in Washington No 2263, May 19, 1957. F.O. /371 125444.
- 21      From the Head of the African Department, J.H.A. Watson in the F.O. to Mr. J.S.H. Shatock, P.O.M.E.F., Cyprus, May 20, 1957. F.O. 371/125444.
- 22      Confidential Telegram From the Foreign Office To United Kingdom Embassy in Washington No 2263, May 19, 1957. F.O. 371/125444.
- 23      Brenchley, *Britain and the Middle East*
- 24      Conversation between the Secretary of State and Mr. Dulles in Dinner at No 10 Downing Street (with the Prime Minister Harold Macmillan), July 1957. Top Secret. F.O. 371/125444.
- 25      Memorandum, "Egypt", by A.D.M. Ross, July 10, 1957 (Record of Conversation between Mr. Ross of the Foreign Office and M. Sebilleau of the Quai d'Orsay). F.O. 371/125444.
- 26      "Egypt — Resumptions of Relations", memorandum by J. H. A. Watson, May 8, 1957. F.O. 371/125444.
- 27      Macmillan, *Riding the Storm*, pp. 269-271.
- 28      The uprising in Oman in the summer of 1957 occurred when the Imam of Oman, Ghaleb bin Ali, started a revolt in Oman, calling for independence from Muscat rule under his authority. This revolt

started in the mountains in the Oman interior and was able to spread rapidly to the plains. Thanks to U.K. military support the Sultan's forces were able to subdue the revolt of Imam Ghaleb. However, there remained some rebels in the mountains of Oman until the late 1950s. It was alleged that both Egypt and Saudi Arabia were assisting this rebellion through the supply of arms. Furthermore, Egypt attacked the role of the U.K. in intervening militarily in Oman both at the Arab League and at the United Nations.

- 29 Macmillan, *Riding The Storm*, pp. 273-279.
- 30 *Ibid.* p. 277.
- 31 Sir Robin Day, *The Grand Inquisitor* (London: Weidenfeld and Nicolson, 1989) pp. 94-97.
- 32 Memorandum, Egypt, by Mr A.D.M. Ross of the British Foreign Office about the talks he had in July, 1957 wit M. Sebilleau at the Quai d'Orsay, July 10, 1957. F.O. 371/125444.
- 33 Cable No 1503, From Secretary of State in New York to Foreign Office, 20/9/1957. F.O. 371/125444.
- 34 Memorandum by Sir William Hayter on his Conversation in London with Colonel Hatim on September 19, 1957. 19/9/1957. F.O. 371/125444 XC178494.
- 35 Colin Crowe, "An Account of the Restoration of Relations between the United Kingdom and the United Arab Republic (Egypt) after the Suez Episode. 1957-1961". St. Antony's College Middle East Library, Private Papers. page 6, and Memo from Mr. J.H.A. Watson, in the African Department of the Foreign Office, September 16, 1957. F.O. 371/125444 XC178494.

- 36 Record of conversation between the Secretary of State and Mr. Krishna Menon on July 9, 1957. F.O. 371/125444, and Telegram No 1503 From the Secretary of State (sent from the U.K. Delegation to the United Nations in New York) to the Foreign Office, September 20, 1957.
- 37 Telegram No 1503 From the Secretary of State (sent from the U.K. Delegation to the United Nations in New York) to the Foreign Office, September 20, 1957.
- 38 *Ibid.*
- 39 Record of Conversation between the Secretary of State and Mr Krishna Menon on July 9, 1957. F.O. 371/125444. And Telegram No 1503 from the Secretary of State (sent from the U.K. Delegation to the United Nations in New York) to the Foreign Office, September 20, 1957.
- 40 Report of Conversation between Mr. Ian S. Winchester, of the African Department at the Foreign Office, and Mr. Shepherd and Lt. Col. Tilney. September 16, 1957. F.O. 371/125444.
- 41 "Memorandum on Anglo-Egyptian Relations" by J.H.A. Watson, Head of the African Department at the Foreign Office, May 8, 1957. F.O. 371/125444.
- 42 Interview with Heikal, London: October 3, 1992.
- 43 Minute of the meeting between Sir William Hayter of the F.O. and Colonel Hatim, September 19, 1957. Confidential F.O. 371/125444.
- 44 Conclusions of 79th Cabinet Meeting, November 12, 1957. CAB. /31 Pt. 2 pp. 549-550.

- 45 Memorandum on "Anglo Egyptian Relations" by A.D.M. Ross, October, 7 1957. This memo contains an account of his meeting with Colonel Hatim. F.O. 371/125444.
- 46 F.O. 371/125444 From Foreign Office to Baghdad No 2205 September 1957. This cable was also sent to the U.K. embassies in Beirut, Khartoum, Amman, Ankara, Teheran, Tel Aviv, Rabat, Tunis and Tripoli.
- 47 *Ibid.*
- 48 Conclusions of 61st Cabinet Meeting, August 2, 1957. CAB. 128/31 Pt. 2 p. 425.
- 49 "U.K. Financial and Commercial Relations with the Arab Republic Of Egypt" by A. Ford (Treasury), 12 September, 1958. F.O. 371/133980.
- 50 *Ibid.*
- 51 Conclusions of 63rd Cabinet Meeting, August 27, 1957. CAB. 128/31 PT. 2 pp. 440-441.
- 52 "U.K. Financial and Commercial Relations with the Arab Republic Of Egypt" by A. Ford.
- 53 Memorandum on Anglo Egyptian Relations by J.H.A. Watson, paragraph 16.
- 154 Conclusions of 73rd Cabinet Meeting, October 15, 1957. CAB. 128/31 Pt. 2 pp. 501.
- 55 From Foreign Office to Baghdad No 2205, September 1957. F.O. 371/125481 and F.O. 371/125444,
- 56 From Foreign Office to Baghdad No 2205, September 1957. F.O. 371/125444.

- 57 Conclusions of 78th Cabinet Meeting November 6, 1957. CAB. 128/31  
Pt. 2. p. 539.
- 58 Conclusions of 78th Cabinet Meeting November 6, 1957. CAB. 128/31  
Pt. 2. p. 539.
- 59 C(57) 267, November 12, 1957. CAB. 129/90 pp. 91-95.
- 60 *Ibid.* pp. 93-94.
- 61 *Ibid.* pp. 91-95.
- 62 *Ibid.*
- 63 Interviews with Heikal, London: September 1990 and October 1992.
- 64 Memorandum on "The Egyptian Balances and the U.K. Claims", By  
A.W. Taylor in the Treasury to Sir Roger Makins. 19.11.1957, F.O.  
371/125481.
- 65 Conclusions of 79th Cabinet Meeting, November 12, 1957. CAB.  
128/31 Pt. 2. pp. 549-550.
- 66 Conclusions of 78th Cabinet Meeting, December 6, 1957. CAB./31 Pt.  
2 pp. 541-542.
- 67 "Egypt — Resumption of Relations", Memorandum by J. H. A.  
Watson May 8, 1957. F.O. 371/125444.; Memorandum, "Egypt",  
by Mr A.D.M. Ross, July 10, 1957. F.O. 371\125444.
- 68 "The Egyptian Balances and the U.K. Claims", by A.W. Taylor, and  
"Egypt: Financial Negotiations, a Memorandum by the Chancellor  
of the Exchequer", 31 December 1957, submitted to the Cabinet on  
January 2, 1958. C.(58) January 2, 1958. CAB. 129/91, and "Egypt,  
Note by the Prime Minister" C(57) 267, November 12, 1957 CAB.  
129/90 pp. 91-95.
- 69 "Egypt, Note by the Prime Minister" pp. 91.
- 70 "The Egyptian Balances and the U.K. Claims", by A.W. Taylor.

- 71 Secret Cable No: 848 From Rome to The Foreign Office, December 10, 1957. F.O. 371/125481.
- 72 "Record of Consultations with British Organisations with Commercial Interests In Egypt", by J.A. Ford, 15 January, 1957. The meeting took place on the 3rd of January in the Treasury. It was chaired by Sir Denis Rickett (Treasury), the U.K.'s chief negotiator in the financial discussions in Rome. F.O. 371/131360.
- 73 Secret Cable No. 848 From Rome to The Foreign Office, December 10, 1957. F.O. 371/125481. See also Draft Minute to the Prime Minister, "Financial Talks with Egypt" December 10, 1957. F.O. 371/125481, "Egypt: Financial Negotiations", a Memorandum by the Chancellor of the Exchequer, December 31, 1957, submitted to the Cabinet on the 2nd of January 1958. C.(58) 2nd January, 1958. CAB. 129/91, and "Anglo-Egyptian Talks", by A.D.M. Ross, December 10, 1957. F.O. 371/125481.
- 74 Telegram No. 849 from Rome to the Foreign Office, December 10, 1957. F.O. 371/125481.
- 75 "Egypt: Financial Negotiations", a Memorandum by the Chancellor of the Exchequer.
- 76 "The Egyptian Balances and the U.K. Claims", By A.W. Taylor.
- 77 Charles Issawi, "Negotiations From Strength? a Reappraisal of Western-Arab Relations," International Affairs. Volume 35 No. 1, January, 1959 pp. 1-6. See also Frank Brenchley, *Britain and the Middle East*, pp. 115-118.
- 78 Brenchley, *Britain and the Middle East*, pp. 115-118.
- 79 Secret cable No. 849 From Rome to the Foreign Office, December 10, 1957. F.O. 371/125481.

- 80 Interview with Mr. Sa'id Sonbul, Chairman of *Al-Akhbar*, London: December 12, 1990.
- 81 *Akhbar al-Yawm*, December 28, 1957. "The Problem: The Secrets of the Talks" by Sa'id Sonbul. The writer of that article was the only Egyptian journalist who went to Rome with the Egyptian delegation and was given a complete briefing by the chief Egyptian negotiator at the time.
- 82 Mixed Courts was the practice that replaced the consular courts in the previous century, when each consul of the major Western powers held his own court to deal with cases involving his nationals even when these cases involved Egyptians as well. It was abolished with British help after the 1936 agreement when the U.K. assisted Egypt in reaching an agreement with the Western powers in Montreaux in 1937 which stipulated that the Mixed Courts were to be abolished in 12 years' time. Thus in 1949 Mixed Courts were finally abolished in Egypt.
- 83 "Egypt: Motivation, Capabilities, and Trends", Intelligence Report No. 7577.1 prepared by Division of Research for Near East. South Asia, and Africa, September 4, 1957. United States Department of State.
- 84 Egypt, 1957 Annual Review, February 3rd, 1958. Dispatch from the Canadian ambassador in Cairo to the Department for External Affairs, Canada, received in the British Foreign Office on April 8, 1958. F.O. 371/131320.
- 85 Interview with Sonbul, London: December 12, 1990.
- 86 Interview with Dr. Ahmad Ismat Abd al-Megid, Secretary General of the Arab League, London: Sunday November 10, 1991. Dr. Megid was a diplomat at the Egyptian Embassy in London, 1950-1954.

Later he was the U.K. desk officer in the Egyptian Ministry of Foreign Affairs as well as the representative of the Foreign Ministry in the committee that supervised the implementation of the Anglo-Egyptian agreement of 1954, 1954-1956.

- 87 Conclusions of Cabinet Meeting on Tuesday, 12 November, 1957.  
CAB. 128\31 Pt. 2. pp. 549-550.

## **CHAPTER FOUR**

### **FINANCIAL AGREEMENT**

#### **I INTRODUCTION**

The Rome round of negotiations in 1957 merely served to show the two governments the great gap that had to be bridged before an agreement could be reached. Political considerations — the conflict in the foreign policies of the two states — served to increase the gap between them. However, in 1958 there occurred a shift in the roles of the two states. In 1957 it had been Egypt which worked hard at reaching an agreement, only to be faced with U.K. reluctance. But as the year progressed, the U.K. changed its attitude and began actively to seek an agreement with Egypt. It made compromises and concessions and engaged the offices of mediators for this purpose.

The main reason for this change of attitude on the part of the British government was the pressure on the U.K. stemming from the problems in the bilateral field between the two states. These problems generated enough momentum to force the British government to realise the importance of an agreement. It must be noted, though, that this occurred at a period which witnessed the climax of the regional confrontation between Egypt and the West, including the U.K. It was apparent that the intensifying regional confrontation between the two states in the Middle East had no impact on the negotiations aimed at resolving the problems that existed between them in the bilateral field.

Egypt on the other hand was no longer suffering the foreign exchange shortage which earlier had made it desperate to reach an agreement, and it, therefore, concentrated on getting the best terms it could. Indeed, the financial agreement finally initialled in January, 1959 and signed in Cairo the following month was only possible because of the compromises which occurred in the British position, together with the efforts of the mediators the U.K. engaged.

## **II      CHANGES IN THE NEGOTIATING STANCE OF BOTH COUNTRIES**

### **A      The U.K.**

Towards the end of 1957, the U.K. government came to realise that it would not be able overthrow Nasser by economic pressure alone; that his regime was strong enough to withstand this pressure. [1] At that stage the United Kingdom government began to think realistically of the need to reach an agreement with Egypt. The Cabinet approved on November 13, 1957 a draft agreement with Egypt submitted by the Prime Minister, Harold Macmillan. [2] Nevertheless, at that stage, the U.K. government did not intend to restore diplomatic relations with Egypt (as clearly shown in the previous chapter). At that stage in the negotiations, and as the Egyptian stance hardened, the U.K. position became more amenable and they actively sought an agreement with Egypt. At the outset of the negotiations in the previous year, the U.K. view was that an agreement with Egypt would give Nasser added prestige in the area and extra financial resources which would allow him to cause yet greater damage to U.K. interests. [3] The British government began to think that an agreement with Egypt would serve to ease the acute economic embarrassment

of the Egyptian government, and would lead to a reduction, rather than an increase, in the incentive for the Egyptian government to foment fresh political tensions in the Middle East. [4]

The British government began to re-evaluate its negotiating stance vis-à-vis Egypt after the financial negotiations finally broke down in December 1957, when the British government found that the Egyptian government could definitely resist the financial pressure it was facing. The U.K. recognised that Nasser's regime was going to survive and last for the foreseeable future. The new U.K. position in the negotiations was based on the realisation that its trump card in the negotiations, the Egyptian blocked balances in the U.K., had an inherent weakness: the funds under its control — no more than £70 million — did not cover the full value of the British property claims against Egypt — some £175, according to its owners. [5] And, in any case, the U.K. could not expropriate these funds without damaging confidence in sterling and thus harming the U.K. economy. [6]

As a result of this weakness in its position, the U.K. changed its stance. The first sign of that change occurred on January 2, 1958, when the Chancellor of the Exchequer proposed to the Cabinet that the U.K. should seek a partial agreement with Egypt, limited to the points the two sides agreed on and excluding the contentious points of compensation for desequestrated properties and the question of releases from the Egyptian Number Two account (which contained most of the Egyptian blocked assets). These points were to be left for a future agreement between the two countries. The U.K. Cabinet saw several merits in this course of action. A partial agreement would allow for the resumption of trade between the two states as well as for the

restoration of diplomatic relations. Moreover, it would secure the return of property valued at £128.5 million (the sequestered property) as well as securing £30 million of the compensation payment for Egyptianised assets. [7]

This proposal demonstrated a drastic change in the U.K.'s position on restoring diplomatic relations with Egypt from the previous year, when it had refused to grant Nasser the prestige and recognition that resumption would have brought him. Now, the U.K. believed it needed to restore diplomatic relations with Egypt. Once the Cabinet had decided in favour of reaching an agreement with Egypt in order to resume diplomatic relations, the same United Kingdom officials who had argued in 1957 for the exceedingly tough negotiating stance that the U.K. had adopted in the 1957 financial negotiations began — albeit gradually — to try to find ways of meeting some of the Egyptian demands which had appeared during those negotiations. These officials argued that the U.K. could not realistically expect more compromises than the Egyptian delegation had been willing to offer at that time. The lowering of expectations in the British government began to materialise initially in some minor issues, such as the acceptance that Egypt should allow and provide for transfer facilities of only up to £5000 for each British property owner who did not wish to remain in Egypt. This was half the amount the U.K. had earlier sought. Furthermore, British officials also decided to accept the Egyptians' refusal to include an obligation to return Egyptianised British property in the proposed agreement. The British lowered their demands even further when they decided they would have to accept, subject to getting better terms from the Egyptians, that the entire compensation would be made in the form of securities which could not be encashed for three years. [8]

The British government decided as early as January 1958 not only that it wanted to restore diplomatic relations with Egypt, but on the method of that restoration and the level of the diplomatic relations after they were restored. They decided that such a restoration would begin at the level of chargé d'affaires, following the signing of the financial agreement with Egypt. In addition to the other advantages of restoring diplomatic relations, the U.K. government believed that the financial treaty would create a situation in which they would need to have an embassy in Cairo to oversee its implementation. Moreover, the U.K.'s determination to resume relations with Egypt went beyond taking the decision in private. The British government informed France, which was also attempting to reach a financial agreement with Egypt over the French property in Egypt, of its intentions. The British Minister of State at the Foreign Office, Commander Noble, informed the French Ambassador on January 28, 1958, that "the practical problems which would at once flow from the conclusion of a financial agreement would make the resumption of direct relations with Egypt imperative. It would be quite impossible to deal through a protecting power with all the complications which would be involved in the release of British property in Egypt from sequestration. Our own intention was to resume relations at Chargé d'Affaires level, and not to appoint an ambassador for a considerable period, perhaps even twelve months or more." [9]

## B      Egypt

It was not only the U.K. which changed its negotiating stance. The change in the Egyptian position in the negotiating rounds which followed December 1957 was equally dramatic. The positive changes which had occurred in

Egypt's internal economic situation (which was mentioned earlier), as well as in its diplomatic position (which will be explained in the course of this chapter), were certainly reflected in its stance during the rounds of negotiations which took place in 1958. After Egypt had been able to overcome its financial difficulties towards the end of 1957, its desperate need for its blocked balances in the U.K. subsided, as did its need to resume trade with the U.K. — needs arising from the dislocations which had plagued the Egyptian economy after Suez. [10] This allowed the Egyptian government and its negotiators the chance to try to seek a good agreement (on economic and financial grounds), rather than just any agreement which allowed for the resumption of current trade and the return of any part of Egypt's blocked balances held in the U.K.

Therefore, Egypt no longer backed its own offer to the U.K. government in May 1957 (which the U.K. at the time had refused) of de-sequestrating British properties in return for the resumption of trade between the U.K. and Egypt. [11] When Egypt failed to reach even a mildly satisfactory agreement at the end of 1957, it decided to revive xenophobic nationalistic feelings against the U.K., stating that the latter had tried to infringe on Egyptian independence and dignity, and thus shifting the blame from the Egyptian government to the imperialist policy of the United Kingdom. This was shown by the response to the failure of the financial talks in the Egyptian Press in December 1957. Less than two weeks after the Rome negotiations broke down, Egypt's most widely circulated weekly paper, *Akhbar al-Yawm*, printed a front-page article about the failure by the paper's economics editor Sa'id Sonbul, who had been the only Egyptian journalist present with the Egyptian delegation in Rome. The article strongly attacked the U.K. for the failure of the Rome financial talks and asserted that they had broken down because the U.K.'s request for neutral

(third party) arbitration for claims of compensation for the actions of the sequestrator was an attempt to infringe on Egypt's independence and dignity. The article continued with a veiled threat, stating that if these talks finally failed, it would mean that the remaining British assets in Egypt would be Egyptianised and their U.K. owners would not receive the value of their property. It also included a threat to Egyptianise the British oil companies in Egypt, a threat directed at the Shell Oil Company, the biggest single claim amongst the British properties sequestered in Egypt. *Akhbar al-Yawm* went on to say that such a result would mean the loss of all British interests in Egypt, as well as the loss of the Egyptian markets and the ruin of any hope of resuming diplomatic relations. [13] The importance of this article was not merely its prominence in a leading Egyptian paper, a paper owned and managed by Mustapha and Ali Amin who were — at that time — close confidants of President Nasser. The significance of the article was mainly that it was an indirect message from the Egyptian government to the U.K. about what the U.K. might expect if the negotiations failed. Indeed, the information in that article was given to the journalist through private briefings by the head of the Egyptian delegation in the talks, as well as by other senior officials in the Egyptian Ministry of Finance. [14]

Signs of the hardening of the Egyptian position were not limited to reports in the Egyptian press. At the beginning of 1958 a source close to President Nasser, Emil Bustani, informed a U.K. ally (the Canadian Ambassador in Cairo) that Nasser felt that the Anglo-Egyptian financial talks had finally broken down — and not merely stopped for consultations between the delegates and their governments, as had been announced by the leaders of the two

delegations in December 1957. This was combined with what the French saw as a sudden hard-line stance from Egypt during the Franco-Egyptian financial talks. The United Kingdom did not know whether this was actually a new Egyptian hard-line position, or whether it was a tactical move by the Egyptian government to obtain more gains as a price of signing the financial agreements and resuming diplomatic relations with the two governments. [15]

When this information reached the Foreign Office, it aroused interesting comments which exposed the thinking of some of the U.K. negotiators at the time. For though deciding that such a report should not be taken too seriously, as it could be a tactical attempt by the Egyptians to obtain a "stiffer price on resumption than they would have settled for in December", the Head of the African Department at the Foreign Office, who had participated in the financial negotiations in Rome earlier the previous month, concluded reproachfully that "This was one of the reasons I wanted to take what we could get before leaving Rome." [16]

### **III THE NEGOTIATIONS**

The negotiations between the U.K. and Egypt resumed during the first month of that year. The structure of the negotiations in 1958 was as loose as that of the previous round in 1957, although the British government did term them financial negotiations and not merely financial talks. Most of the negotiations, which took place in January, February-March, June, July-August and September 1958, were held in Rome. During most of the negotiations, the British delegation was headed by Sir Denis Rickett of the Treasury and including Mr. Colin Crowe of the Foreign Office. The Egyptian side was headed by the Under-Secretary of the Ministry of Finance, Mr. Hassan Abbas

Zaki, in the early rounds of the talks, until he was promoted to become a minister involved with home affairs, when he was replaced by Dr. Emery, the Governor of the National Bank of Egypt. A representative of the Egyptian Ministry of Foreign Affairs was rarely present, as the negotiations were considered by the Egyptian government to be covering purely technical and financial matters.

The pattern of these rounds of negotiations was set by the structure of the first round, January 30-31, 1958, and could be summarised as follows: the Egyptian representative started the negotiations by stating the new position of his government regarding the British proposals submitted in the previous round. That usually represented a hardening of the Egyptian position in the negotiations. This was followed by an Egyptian request for the British delegation to hand him the British proposals in the form of a draft agreement so that he could return with it to Cairo and come back with his government response.

The hardening of the Egyptian position was demonstrated prominently by the insistence on payment of war damages by the U.K. to Egypt for the Suez War. This was coupled with a refusal to budge on any of the points under contention, mainly a refusal to accept any liability for damage to the sequestered property, maintaining that it was a matter to be decided by the Egyptian courts. The Egyptian delegation also refused to accept a general formula proposed by the British side about U.K. rights and interests (other than property); a point was raised regarding the conditions under which British property would be desequestrated — i.e. freeing the firms returned to their

British owners from liability or impediments imposed on them under sequestration. Egypt flatly refused to give a commitment to return the U.K. property to the status quo ante. [17]

The British delegates at the first round of these talks proposed the idea of a partial agreement — i.e. an agreement which dealt mainly with the compensation for Egyptianised properties and which left aside governmental claims. The proposed partial agreement also avoided the question of the compensation for damage done to sequestered property (which was to be returned to its rightful owners under this agreement). [18] Under this proposed agreement, the U.K. would only release the assets in the Number One account, which contained the smaller part of the Egyptian blocked balances, while keeping most of the Egyptian balances (in Number Two Account) blocked until the claims for compensation for sequestered property damage were settled. This proposal was submitted to the Egyptian delegation on January 31, in the form of a draft agreement (at the request of the head of the Egyptian delegation Mr. Hassan Abbas Zaki). [19] It was designed to try to override the problem of neutral arbitration on the sequestered properties, which the Egyptian delegates had adamantly refused in the previous year. It was also designed to circumvent the problem introduced by Egypt's insistence on the payment of war damages by the U.K. (which the United Kingdom could not accept).

The idea of a partial agreement was appealing to the U.K. because it permitted them to reach an agreement with Egypt and resume diplomatic and commercial relations. It allowed them to break the impasse resulting from differences in the above-mentioned points, without having to make any concessions regarding

them. Even more attractively, it also allowed the U.K. to maintain its hold over the bulk of the Egyptian blocked balances held in the Number Two account.

In addition, the financial negotiations also covered other technical aspects of the problems between the two states, namely: the remittance facilities (the facility offered by the Egyptian government for British subjects who did not wish to remain in Egypt, to allow them remit their financial assets out of Egypt); the Egyptian request that whatever compensation Egypt agreed to pay to the U.K. should be in the form of securities which would mature in a period of up to three years; as well as the payments for the pre-zero contracts (a term that covered commercial and financial transactions contracted prior to the nationalisation of the Suez Canal in July 1956 and not fulfilled). On the first and third point, the Egyptian position was more amenable, as they had agreed to the payment of some of the pre-zero contracts. The Egyptian delegation indicated it would accept the resumption of the pre-1956 practice of allowing each British claimant to remit the sum of £5000. And though the British demanded that, after the initial cash remittances of £5000, a further annual remittance of the same amount should be allowed, until the entire balance of the assets of U.K. subjects was remitted, Treasury officials knew that they had little hope of the Egyptian side accepting such a proposal. Furthermore, they were resigned to the fact that they would have to accept that situation (the return of the pre-1956 remittance arrangement). Indeed, they justified such acceptance in their interdepartmental memos. [21] As for the Egyptian demand that their payment to the U.K. on account of compensation should be in the form of securities not realisable before three years, the British agreed to accept some of this in cash and the rest in securities which matured in one year's time. The British officials realised that, if they went further in meeting the full Egyptian demand on that point, they would leave themselves

exposed to criticism in Parliament, as well as to attempts by other nations — namely India, Malaya and Ghana, which held British government securities — to receive similar concessions. Nevertheless, they still thought that they should not break off the negotiations over this point. [22]

The British proposal of a partial agreement was later modified to make it even more acceptable to Egypt. The modification was rather cosmetic; to summarise it briefly: Egypt would pay a certain sum of money for compensation for the Egyptianised property. Egypt would also deposit with the U.K. a sum of money as security for compensation claims for the sequestered property. Furthermore, the U.K. would allow supplementary releases from the Number Two account subject to the progress made by Egypt regarding these claims (for damage done for sequestered property). [23] The reason the U.K. government amended its earlier draft was to try to make their offer more attractive to the Egyptians, so that financial agreement could be reached. Indeed, this proposal “was designed to enable the Egyptians to agree to postpone consideration of governmental claims”. [24]

The first serious prospect of an agreement appeared in May, when the Egyptian delegation indicated their wish to agree on a lump-sum settlement, in which all British claims for compensation for Egyptianised property and for damage done to sequestered property would be met by a one-off lump-sum payment. [25] This avoided the thorny issue of neutral arbitration for sequestered property. This proposal was first thrown in by the British delegation to the Rome talks in December 1957, when the difference between the two sides regarding arbitration and the release of part — not all — of the Egyptian blocked balances had led to an impasse. The Egyptian delegation

first indicated that they might accept a lump-sum payment in January 1958. However, it had then been put in the context of the Egyptian insistence on war damages from the U.K.; the Egyptian delegation had suggested that since the payment of war damages would present the U.K. with the need for large funds, this could be offset by a lump-sum compensation payment from Egypt. [26] When, in June 1958, the Egyptian government finally rejected the British proposal for a limited financial agreement as outlined above, and proposed the lump-sum settlement, it was accepted by the two departments in the British government directly concerned with the financial negotiations with Egypt, the Treasury and the Foreign Office. [27]

The negotiations between the two sides now began to concentrate on one major point of difference — the amount of the lump sum. The British government at the time believed that the figure indicated privately by the Egyptian delegation, £25 million, was inadequate to cover the realistic (rather than the inflated value according to the claimants themselves) value of the claims. The U.K. estimated that figure to be between £40-45 million. The Chancellor of the Exchequer informed the Cabinet that anything less than around £35 million would be difficult to defend politically — i.e. in Parliament — or among Arab states friendly to the U.K. Moreover, the U.K. was anxious not to give Egypt the opportunity to portray any agreement as a victory for Egypt or to accede to Egyptian demands for war damages. [28] To its allies in the Arab world, the U.K. intended to present the agreement and the ensuing resumption of diplomatic and commercial ties as a purely financial settlement for practical reasons, namely: compensation for the claims of British subjects and companies for their Egyptianised or sequestered property. [29]

The amount of the lump-sum settlement introduced considerable points of disagreement because it allowed the United Kingdom to offer to pay Egypt indirectly in respect of Egypt's claims for war damages without publicly admitting liability for these. [30] These disputes over the amount of the lump sum, and the refusal of the U.K. to pay any kind of war damages, led to an impasse in the negotiations, which consequently broke down after the February-March round.

To break that impasse, the U.K. decided to kick-start the negotiations, using a similar method to that used by Egypt when the latter sent Colonel Hatim to conduct secret talks with the U.K. in September 1957. Therefore, the U.K. authorised Mr. Hamilton, of the Bank of England, to make a secret visit to Egypt in June 1958 (June 7-12) to discuss with Dr. Emery, the Governor of the National Bank of Egypt, the basis on which negotiations might be resumed between the two countries. [31] Mr. Hamilton's visit managed to persuade the United Kingdom Cabinet to accept the principle of a lump-sum settlement with Egypt, and the Cabinet authorised the early resumption of the talks between the two countries on that basis. (This was made possible by a favourable report by the Secretary of State, which was requested by the Cabinet on May 13 when it became probable that the Egyptian government would propose a lump-sum settlement, regarding the feasibility of the British government managing to distribute the lump sum among individual claimants for compensation.) [32]

Accordingly, the financial negotiations were finally resumed in Geneva (12-15 July, 1958) between Sir Denis Rickett of the Treasury and Dr. Emery. These

negotiations, which were mainly centred on the amount of the lump-sum settlement, managed to narrow the difference between the two countries. The British delegation insisted that Egypt pay at least £40 million, while Egypt's official offer was £10 million. However, the chief Egyptian negotiator, Dr. Emery, indicated privately to Mr. Hamilton — when the latter was in Egypt during the previous month — that he believed that he might increase that offer to £25 million. [33] At the end of these negotiations, the Egyptian offer was officially raised to £25 million, and meanwhile Dr. Emery indicated that he would recommend to his government that it be raised to £35 million, provided that the U.K. conceded some administrative costs which would offset or decrease the net amount which Egypt would finally pay. [34]

At the end of this round of talks, the delegations of both states agreed to resume the negotiations later the same month after consulting their governments. The U.K. delegation hoped that Dr. Emery would manage to get agreement from Nasser to increase the Egyptian offer to around £35 million, and that their own government would consent to raise the payment due to the Egyptian government for the administration of the British property to somewhere in the region of at least £4.5 million. This would offset the lump sum paid by Egypt by around £2.5 million (as £E2 million — approximately £1.8 million sterling — had already been collected by the Egyptian Sequestrator General as a percentage of the revenues from these properties).

[35]

Accordingly, negotiations were resumed in Geneva from July 29 to August 2, 1958. During this round of negotiations the two delegations settled almost all major points of difference, [36] so that at the end of this round there was only

one point outstanding — the amount of the lump sum to be paid by Egypt. The negotiations progressed — at the outset — extremely well, to the extent that the leader of the Egyptian delegation was hoping to reach an agreement before the weekend. He informed the British delegation that he had “full powers to initial an agreement which, if completed by the weekend would only require final signature to enter into effect.” [37]

Despite this optimism, the negotiations did not result in any agreement being signed at that stage, due to a sudden hardening of the Egyptian position on the last day of the talks. It was a surprise to the British delegation to be suddenly informed by Dr. Emery that he could not advance on the sum of £25 million, with sequestration charges totalling £E4.5 million (approximately £4.1 million sterling) — thus the net sum of compensation was in effect £22.5 million. This sudden rigidity of the Egyptian position led to the negotiations breaking up over the amount of the lump sum. But despite the fact that the second round of negotiations held in Geneva did not result in an agreement over the last point of difference, the amount of the lump sum, it still managed to produce a draft of an agreement acceptable to both delegations — excluding the amount of compensation money to be paid. In fact the U.K. delegation believed that Emery had received new instructions from Cairo to the effect that “no concessions” were to be made. Indeed, Emery mentioned as much to his U.K. counterpart, Sir Denis Rickett. [38]

The U.K. in August 1958 was extremely keen to reach this financial agreement with Egypt, for financial or technical reasons, as well as political reasons. The U.K. wanted to reach an agreement even when the amount of compensation offered was much less than the value of the U.K. property and below the

expectations of the British government and the owners of the properties. On the financial side, the U.K. doubted whether it could get better terms or a greater amount of compensation from the Egyptians. The British government believed that the sequestered property would continue to deteriorate the longer it remained under the management of the Egyptian government, and wanted to regain control of these assets to prevent their value from dropping even further. Moreover, an agreement meant the recovery of the Shell property in Egypt, valued at £171.5 million out of a total claim of £210 million, which was pending signing a financial agreement.

On the political side, the Cabinet, in its 67th meeting on August 12, 1958, recognised that there were strong political and economic advantages to be gained by the conclusion of an agreement which would enable the resumption of commercial and diplomatic relations with Egypt. [39] The British officials involved in the negotiations wanted to conclude an agreement with Egypt at that point in time. They saw two main arguments against doing so. The first was that an agreement with Egypt would put £40 million pounds at Nasser's disposal, at a time when he was causing the U.K. and the West a great deal of political difficulty and when he was suffering from economic problems resulting from Egypt's shortage of foreign exchange. [40] The second was that it was not going to be an incentive to Nasser to stop causing the U.K. damage in the Middle East.

On the other hand, British officials believed that there was a host of reasons in favour of concluding an agreement with Egypt. They believed that, in the absence of such an agreement, the U.K. was losing £10 million annually of trade with Egypt to the Germans and Japanese, who were attempting to take

the place of the U.K. in the Egyptian market. In addition, the U.K. needed both Egypt and Syria for their commercial sea and air communications. They also feared that the longer the negotiations lasted, the less hope there would be of ever reaching an agreement with Egypt (as in the case of the U.S.-China rupture, which continued for decades without an agreement between the two states). Furthermore, British officials believed that they needed diplomatic representation in Egypt so as to be able to talk directly to the Egyptians and observe developments at first hand. Additionally, they were aware that the state of the British property in Egypt was deteriorating, which meant that the longer they waited to sign an agreement, the more it would cost the U.K. in terms of its own compensation payment to the claimants. Finally, and most importantly, British officials believed that they had no option but to conclude an agreement with Egypt because, if they failed to do so, the only course of action available to the British government — due to pressure from the claimants for compensation — was either to seize the Egyptian assets, an option which was unacceptable because of its serious consequences for confidence in sterling, or to pay full compensation to the claimants from the Exchequer, an option which was also unacceptable because of the heavy liability of such a course of action to the British government. [41]

What prevented the U.K. in August of 1958 from accepting the Egyptian terms and signing the financial agreement was the fear that the Egyptian government did not want to sign a final agreement at that particular time. There were several signs that led them to that belief; the U.K. representative in the negotiations with Egypt formed the impression that the Egyptian representative had received last-minute instructions from Cairo to make no

concessions. This impression was confirmed from other sources. The U.S. Deputy Under-Secretary of State, on his way back from the Middle East, told the Foreign Secretary, Selwyn Lloyd, that Nasser had indicated that he was not keen to improve relations with the U.K. at that time. Therefore the U.K. Cabinet, particularly the Lord Chancellor and the Chancellor of the Exchequer, did not want to agree to the Egyptian terms at a time when Egypt was not prepared to sign the agreement anyway, so as to avoid being in a worse bargaining position vis-à-vis Egypt. [42] The Prime Minister, Macmillan, took the view that it was important to conclude an agreement even at the Egyptian figure because it “would serve our interests by enabling us to recover possession of sequestered property and to resume normal commercial and diplomatic relations with Egypt.” Macmillan even proposed “to consider to open the next round of negotiations by tabling a draft agreement whose detailed terms would be acceptable to the Egyptians and concentrating discussions purely on the sum to be paid.” [43]

The impasse which blocked the agreement between the two states at the beginning of August had convinced the U.K. Cabinet that they should not attempt to reach yet another compromise with the Egyptians at a time which they felt that Egypt did not want to sign an agreement. Moreover, the U.K. Cabinet decided they should not make any fresh attempt to restart the financial negotiations with Egypt. [44] The British ministers and officials negotiating with Egypt feared that if they made any initiative to restart the talks they would weaken their position. This created a deadlock, especially since Egypt was not eager to restart the negotiations, or indeed to make any concessions, at a time when British forces were in Jordan.

The deadlock was only broken through the good offices of the United Nations Secretary General Dag Hammarskjöld. To try to stimulate the situation, the British Foreign Secretary met his Egyptian counterpart, Dr. Mahmud Fawzy, in Mr. Hammarskjöld's office on August 21, 1958. During that meeting, Dr. Fawzy expressed his hope that the difference between the two states might be bridged and indicated that a compromise could be reached on the suggested compensation figure. Both ministers agreed that financial negotiations should restart as soon as possible. [45]

That meeting resulted in the negotiations starting again in Rome on September 3. British officials were so encouraged by the position of Dr. Fawzy that they thought that this round of negotiations would result in reconciling the differences between the two sides over the agreement. Foreign Office officials were so concerned and optimistic that they objected to Treasury demands that the leader of the U.K. delegation, Sir Denis Rickett, should leave the Rome negotiations early in order to join the Treasury team in a meeting in Montreal. They feared this might offend the Egyptian delegation and thus jeopardise a settlement which the U.K. badly needed. [46]

However, the British delegation to these talks was surprised to be told by the Egyptian negotiator, Dr. Emery, the Governor of the National Bank of Egypt, that he was entirely ignorant of the meeting between the two foreign ministers in New York. The British delegation were also surprised to be informed by Emery, while he was still waiting for instructions from President Nasser, that the Minister of Finance had been assured by the Egyptian Foreign Minister that the latter had made no offer of a compromise on the basis of splitting the difference between the Egyptian and British figures, and that he had not

intended to imply that the Egyptian offer for compensation might be increased. Indeed, the British delegation were convinced that the Egyptian negotiator knew that his offer, which he described as final, had little chance of being accepted. [47]

The Egyptian position at that round of the negotiations made it clear to the British officials that, unless Egypt changed its stance, there was no hope of reaching a financial agreement in the immediate future. In fact, this prompted a Foreign Office view that it might be better to try to establish diplomatic relations with Egypt before reaching a financial agreement. [48] The uncompromising attitude of the Egyptian negotiator at that round of talks suggested that Egypt definitely did not want to reach an agreement with the U.K. For not only did the Egyptian negotiator refuse to advance on his initial offer of £25 million (the offer he had submitted during the previous round of the negotiations July 29-August 2, 1958), but he even demanded a 10-year loan from the U.K., at nominal interest, of a sum greater than the amount of the net compensation which Egypt was to pay to the United Kingdom. In addition, though the draft text of the agreement had mostly been agreed during the previous round of the talks, Dr. Emery made fresh objections on points the United Kingdom considered to be substantive. [49]

The failure of this round of negotiations led in effect to the United Kingdom temporarily halting direct approaches to Egypt to restart the financial negotiations or reach an agreement. The U.K. believed that the main reasons for the toughening of the Egyptian position were the accommodating attitude of the British delegation [50] and the presence of British troops in Jordan. [51] This led the United Kingdom to try yet another way to bring Egypt to the

negotiating table without prejudicing their bargaining position. It began to actively seek mediation to bring the two countries closer together, and engaged the help of two mediators. The first was the Secretary General of the United Nations, who had intervened previously to get the two sides talking. It was thought that he might help in convincing Egypt of the need for diplomatic relations with the U.K. The second and most important intermediary was Mr. Eugene Black, the President of the World Bank, who was known to be listened to by Nasser. [52] In fact, the British government decided to engage the efforts of Mr. Black. This decision by the Cabinet was qualified with the stipulation that Mr. Black's efforts should be conducted with as little publicity as possible, and that it should be understood that the U.K. regarded his efforts as mediation on its behalf rather than arbitration, which would leave the United Kingdom freedom of manoeuvre if it did not like any of Mr. Black's proposals, especially regarding the way Egypt should pay the lump sum. [53]

#### **IV NOTE ON THE EFFECT OF THE REGIONAL CONFLICT ON BILATERAL ISSUES**

In 1958, major events and developments occurred in the Middle East, as well as in the field of bilateral relations between the U.K. and Egypt. An examination of these developments sheds some light on the dynamics of the relations which had developed between the two states. On the one hand, 1958 witnessed the escalation of the foreign policy conflicts between the two states into a full-blown regional confrontation between Egypt and the West (including the U.K.). On the other hand, in that very same year, the negotiations which had taken place between representatives of both countries had almost led to the signing of an agreement to settle the problems between them in the realm of

bilateral relations. Indeed, it was during the peak of the regional competition in the Middle East that the two countries had come so close to settling their differences and been prepared to restore diplomatic ties. This is exceptionally relevant, in the light of the fact that it was the foreign policy conflicts which had led to the destruction of the bilateral relations between the two states in the first place. The U.K. was willing to restore its relations with Egypt, even though this entailed Nasser's regaining possession of over £40 million of the Egyptian blocked balances in the U.K., an act which would have solved Egypt's foreign exchange problems. In fact the U.K. was willing to allow Nasser to regain his assets in July 1958, at a time when he was causing maximum damage to U.K. interests in the Arab world.

That year witnessed the culmination of Egypt's active Arab policy. Egypt's Arab alliance at the outset of the Suez War was comprised of Saudi Arabia, Syria and Egypt. However, as mentioned in the previous chapter, Saudi-Egyptian relations cooled down considerably during 1957. The struggle for Syria, between the West, on the one hand, and Egypt on the other, characterised the remainder of 1957. [53] The resolution of that struggle in 1958 proved to be the most spectacular success of Egypt's Arab policy up to that date. Some factions in Syrian politics had been pressing Egypt for unity since November 1957, and Nasser finally agreed to this in January 1958. The rapid succession of events which led to the declaration of unity between Egypt and Syria, after the plebiscite of February 21, and the formation of the United Arab Republic was Nasser's greatest achievement. His influence in the Arab world reached unprecedented heights. In addition, Nasser had recognised, during the Suez crisis, his influence over the masses in the Arab world, a hold which he believed transcended the existing regimes there. [54]

He began to utilise that power by talking directly to the masses, overruling governments and whatever regimes were in power at the time. He especially exercised this policy of overruling governments vis-à-vis countries whose regimes were following a pro-Western line contrary to Nasser. [55]

Nasser's power and influence over the Arab masses manifested itself throughout 1958. The Egyptian-Syrian Union and the formation of the United Arab Republic was a startling success of Nasser's influence. However, it was not the only one. During the course of 1958, Nasser managed to disrupt governments and cause tremendous damage to hostile regimes in the Arab world, mostly by the power of his speeches. At the zenith of the rift between King Saud and Nasser in February 1958, Nasser managed to use his speeches to contribute to the collapse of King Saud's power. Nasser's speech in Damascus on the 25th of February, where he exposed King Saud's role in the conspiracy against the resolution of the Egyptian-Syrian Unity, [56] created such problems for King Saud that by March of that year he had to delegate all powers of state to the Crown Prince Faisal, in a last attempt to save the ruling regime in Saudi Arabia from collapse. [57] Moreover, Nasser managed to topple the cabinet of Prime Minister Morgan in Iraq solely by the pressure generated in that country by a fiery speech by Nasser; indeed that speech was the only pressure Egypt exerted on Morgan's government, as Egypt was not engaged in any other overt or covert action against Morgan at the time. [58]

The wave of pro-Nasser feeling in the Arab world which was unleashed by the formation of the U.A.R. began to cause problems for Western interests throughout the region. The first result was the decline in the power of King Saud. However, there was an improvement in Egyptian-Saudi relations, due to the good relations between Crown Prince Faisal and Nasser.

This did not mean that Saudi Arabia fell under the influence of Nasser, for the relations between Saudi Arabia and the United States (which was opposing the spread of Nasser's influence in the Arab world) remained strong. The pro-Western government which became destabilised as a result of that unity was Lebanon. The formation of the U.A.R. unleashed strong pressures within Lebanon to join Egypt and Syria. Indeed, it has been estimated that over half a million Lebanese crossed the border to Syria to participate in the pro-unity marches and celebrations taking place in Syria in February and March 1958. [59] This prompted the West, especially the United States, to try to counter Nasser's influence in Lebanon, and the C.I.A. spent over \$50 million in propaganda and a covert action program to prevent Lebanon from joining the U.A.R. At the same time Shamoun, the President of Lebanon, portrayed the opposition he was facing in trying to change the Lebanese constitution to permit his re-election for a second period as a fight between himself, as the defender of Western interests, and the Christians in Lebanon. This internal debate was blown up out of all proportion by the Lebanese president, into a regional confrontation, in order to save his power and position and to try to ensure his re-election prospects. [60] In addition, Shamoun requested the support of the United States, under the Eisenhower Doctrine, and asked for U.S. troops to save Lebanon from communist-led insurgencies. The official request for such intervention was received in the middle of June 1958, but Shamoun had been privately asking the United States government for it since May. [61]

By that time, the summer of 1958, the U.K. believed that Nasser was causing maximum damage to the interests of the U.K. and the West in the Middle East.

The foreign policy clashes between the two states had finally developed into a fully-fledged regional conflict between Nasser and the U.A.R., on the one hand, and the U.K., the U.S. and the pro-Western regimes in the Arab world, on the other. The pro-Western Arab states were Iraq and Jordan, who had formed the Arab Federation (the union which was created by both states to try to counter the unity between Egypt and Syria and the creation of the United Arab Republic). The U.K. believed Nasser was fostering dissension and political instability in these states as well as in the trucial states of the Gulf. With the creation of the United Arab Republic in February of that year, Egypt had intensified its efforts to try to shake pro-Western regimes in the Arab world. The U.K. believed that the instability in Lebanon, which almost led to the outbreak of full-fledged civil war in May 1958, was due to Egypt's efforts. The U.K., from the beginning of July, called for a joint effort with the United States to try to counter Egyptian pressure and infiltration in Lebanon. [62]

Just prior to the anniversary of the Egyptian revolution on July 23, the entire foundation of United Kingdom alliances in the Middle East began to shake. It started with the Iraqi coup on July 15. The fall of Iraq represented a major setback for the United Kingdom's Middle East policy. The reason was not just because of the death of one of the major and most reliable of the U.K. allies in the Middle East, namely the Iraqi Prime Minister Nuri al-Said, or even the burning of the British Embassy in Baghdad and the death of a British member of the staff. More importantly, the fall of Iraq represented the fall of the only reliable partner that the United Kingdom had hoped to use in its effort to combat Egypt and defend the declining British position. From the mid-1950s, the British government knew that it needed a partner within the region to help it combat the rising Egyptian influence in the Arab countries. [63] British

policy makers were convinced that their “only effective measure seemed to be the creation of an Arab bloc led by Iraq”. [64]

Evidence of such a policy in action appeared throughout the mid-1950s, starting with the creation of the Baghdad Pact, the constant attempts by the U.K. to bolster the power and standing of Iraq and later in 1958, when the U.K. supported the “Arab Federation”, which Iraq formed with Jordan as a counter-measure against the U.A.R. The loss of Iraq had two major implications. Firstly, it meant that the pro-Nasserite camp led by Egypt was gaining ground over the U.K. and its allies in the region. Secondly — but more important — it meant the failure of the policy designed to counter Egyptian influence because of the fall of the main and only credible opponent to Egyptian influence — Iraq. The U.K. feared that the negative developments it was facing in the Middle East were all engineered by Nasser. The U.K.’s initial reaction was to try to mobilise the support of the U.S., France and the Commonwealth countries for a major intervention in the Lebanon, Iraq and Jordan to prevent what it believed to be insurgencies instigated by Egypt, [65] insurgencies which would lead to the loss of the entire Middle East. [66] And though the United Kingdom may not have necessarily believed that Nasser was involved in actually plotting the coup d'état in Iraq, it still was convinced that this result (i.e. the Iraqi coup) was one that Nasser had exerted maximum efforts to obtain. Furthermore, it was convinced that Nasser’s attempts at undermining the Iraqi regime had contributed directly to the fall of the Iraqi government in the bloody coup of 1958. [67]

The U.K. government was alarmed by the reports which it was receiving from the Middle East, whose gist was that Nasser was trying to implement a grand

design to control the Arab world and eliminate U.K. and Western standing in the Middle East. This design included toppling King Saud from the throne and replacing him with Faisal (though Saud had delegated Faisal in March to run the affairs of Saudi Arabia, he remained on the Saudi throne), overthrowing the Lebanese government and creating a Jordanian Palestinian government to pressurise King Hussein and stopping the supply of petroleum passing through the T.A.P. Line in Syria. [68]

The reaction of the U.K. to the rise in Egypt's influence in the Arab world and the decline of its own influence in 1958, compared with its reaction to the same variables in 1956, shows that a drastic change seems to have occurred. In 1956 a considerably less significant event — the dismissal of General Glubb — had led the United Kingdom into an extreme anti-Egyptian policy which had led it in the final analysis to forfeit the gains achieved in the area of bilateral relations between Egypt and the U.K., the Sudan Agreement of 1953, and the 1954 Anglo-Egyptian agreement, in favour of the regional conflict between Egypt and the U.K. In 1958, however, when a major confrontation took place between Egypt and what the U.K. perceived as the entire Western interest in the Middle East, the outcome was quite different. In 1956, the threat was the possible loss of Jordan to Egypt. But in 1958, the reality was that Egypt gained Syria and the U.K. lost Iraq. In addition there was also a threat of civil war in Lebanon, which prompted United States military intervention, as well as the threat that the U.A.R. might make a military move against Jordan, or that some of Nasser's sympathisers in the Arab Legion might to try to stage a coup d'état against King Hussein, which led the U.K. to send troops to the support of King Hussein in Jordan.

Nevertheless, and despite the active Egyptian Arab policy which the U.K. believed to be fostering insurgencies which might lead to the entire loss of the Middle East, [69] the U.K. did not even contemplate forfeiting bilateral relations with Egypt because of this regional conflict. Indeed, while it was underway the U.K. was actively pursuing negotiations with Egypt to reach a financial settlement. It was during that confrontation between the two states that the U.K. sent Mr. Hamilton of the Bank of England from 7-12 June to try secretly to reactivate the financial negotiations between Egypt and the U.K. [70] The result of this mission was the U.K.'s decision to resume negotiations with Egypt to try to reach an agreement allowing for the resumption of diplomatic relations between the two states. This occurred while British forces were on maximum alert in Cyprus, ready to intervene in the Lebanon in case of a direct Egyptian military intervention there. [71]

Certainly the major negotiations (described earlier in this chapter), in which the British government was actively seeking a treaty and resumption of relations with Egypt, occurred at the climax of the conflict between the two states. This was the case even though at the time British troops were in Jordan trying to shore up the position of King Hussein against any possible attempt by Egypt at subversion and infiltration. The U.K. position can best be summarised in the words of a British diplomat who worked resolutely in favour of the reconstruction of the Anglo-Egyptian relationship, the late Mr. Colin Crowe, when he briefed Mr. John Greville Beith, the Counsellor at the United Kingdom Embassy in Paris, [72] on how to reply if the French government enquired whether the confrontation between the U.K. and U.A.R. in Lebanon might have harmed the prospects of an Anglo-Egyptian agreement. The U.K. response was to be "that we consider that a financial agreement on British

property and related matters should still be pursued on its merits, and the re-establishment of a foot-hold in Cairo by means of an agreement becomes even more desirable with the passage of time: we have been finding our absence from Cairo an increasing handicap.” [73]

That position expressed by Colin Crowe is extremely important for two reasons. The first part of that statement, “that we consider...on its own merits”, illustrates in no uncertain terms that the U.K. had finally come to realise that problems related to its bilateral relations with Egypt should be divorced from the clashes in the foreign policies of the two states. The second part of that statement confirms that the more powerful a country appears to be becoming, the more the advantages to others of re-establishing formally correct relations with it and the stronger their desire to do so, even if it means paying a financial price. And indeed, that latter belief was not limited to the U.K. Among the major factors that had convinced the Egyptian government to pursue an agreement with the U.K. since 1958 was their belief that they had to establish some formal contact with the U.K., especially since the U.K. was a major player in the politics of the region, a power that could not be ignored. [74]

## **VI PRESSURES ON THE UNITED KINGDOM TO REACH AN AGREEMENT**

The course of the negotiations in 1958 illustrates unequivocally the will and the desire of the United Kingdom to reach an agreement with Egypt, regardless of the political and regional conflicts which reached their peak during the same period. There were several reasons for this desire, reasons which influenced the way the United Kingdom viewed the negotiations as well as its relentless

efforts to achieve an agreement. They could be classified into two main areas. The first was concerned with factors strictly limited to bilateral relations between Egypt and the U.K. These factors included the internal pressures exerted on the U.K. government because of: the plight of the British evacuees from Egypt; the state of the British property in Egypt, the need to resume trade with Egypt and the concern over the U.K.'s oil supply. The other set of reasons concerned the regional dimension and were not directly related to the bilateral relations between the U.K. and Egypt. They included: the Franco-Egyptian financial settlement, the success of the Egyptian Arab policy during that period and the effects they had on these negotiations.

## A      Internal Pressures

### 1 — British Evacuees From Egypt

One of the major negative results of the Suez affair was unquestionably the plight of the British evacuees from Egypt whose property and assets were Egyptianised or sequestrated after the Suez War by Presidential Proclamation Number 5. This issue was of paramount importance to the British ministers and therefore to the British officials who were responsible for relations with Egypt at the time and those who conducted the negotiations with Egypt. The problems related to the British property in Egypt were entwined with the problems of the British evacuees, and it was an issue which commanded public and powerful political sympathy in the U.K. for two reasons. Firstly, the public and the members of both Houses of Parliament sympathised with the plight of the "small men" — a term which consistently appeared in the Cabinet discussions as well as memoranda of officials, and which referred to those whose entire life savings had been expropriated by the Egyptian government.

Secondly, substantially powerful British concerns were also requesting compensation for expropriated property and assets. Indeed one such claim, the Shell Claim, was the major stumbling block to concluding an agreement between the two countries. [75]

The plight of the British evacuees not only commanded public sympathy but also the support of some powerful Conservative Party figures such as Lord Salisbury, a former senior Conservative Cabinet Minister. He wrote to the Secretary of State regarding the Egyptian refugees on June 11, 1958. [76] and also led a deputation to see the Secretary of State on the afternoon of July 3, 1958, to complain about their plight. The refugees and their supporters were exerting a great deal of pressure on the British government with two contradictory demands: for the U.K. to get the maximum compensation and the best terms from the Egyptian government, and for a quick settlement with Egypt. This naturally put the British negotiators in a dilemma, because pursuing the first demand might mean waiting to receive the best possible terms from the Egyptian government, which would risk undermining the second demand regarding a quick settlement. [77] The refugees and their pressure groups criticised the government for the long and protracted negotiations it had with Egypt without reaching a settlement. They pressed the government to seize the Egyptian balances in the United Kingdom, or accept to pay full compensation for the British refugees from Egypt. [78]

To seize the balances was clearly unacceptable, as it would result in the U.K. losing any hope of restoring relations with Egypt and the loss of the Egyptian market for a very long time. Moreover, it would shake confidence in sterling. Further, the value of the balances, £70 million, was insufficient to cover the

entire British property in Egypt, which was valued at £130 million. The second option, paying full compensation for the refugees from the Exchequer, was also unacceptable, as it would commit the British government to a heavy liability (£130 million). Additionally for the British government to assume the responsibility for making good the loss of British citizens' property abroad would set a bad precedent.

The Cabinet was preoccupied with this issue. On more than one occasion there were debates and/or questions regarding it in both Houses of Parliament. To ease the hardship of the refugees without prejudicing the U.K.'s position in its negotiations with Egypt, the U.K. designed an Ex-Gratia Loan Scheme in 1957. However, when political pressures on the government increased in 1958 in the absence of an agreement with Egypt, it was forced to examine ways of extending the scope of the loan scheme to increase the cover given to the refugees. [79] Therefore, on October 30, 1958, the British Cabinet approved and announced in Parliament another scheme of ex-gratia advances for compensation for the personal and business claims of the British evacuees from Egypt. The total cost of the scheme was £3 million. The U.K. believed that this scheme weakened its bargaining position vis-à-vis Egypt, but it also believed that it was essential, to save the government further criticism from the British public, which was sympathetic to these claims. [80] However these ex-gratia advances were so heavily criticised as inadequate that the government was threatened with a defeat on the issue in the House of Lords on November 12. This compelled the Cabinet to indicate in the House of Lords that the government was prepared to consider according special treatment to cases of exceptional hardship. [81] This kind of pressure made the government increase the public funding for this loan scheme to around £9 million [82], a drastic change from what it had originally envisaged.

## **2 — Trade with Egypt**

Amongst the factors which persuaded the British government to try to seek a financial agreement and resume relations with Egypt was the issue of trade and commercial relations. In fact, when the Chancellor of the Exchequer spoke in the House of Commons (March 16, 1959) about the advantages of the treaty which was eventually signed with Egypt, among his main arguments in defence of the treaty was that it would allow for the return of British companies to Egypt. He cited the total British exports to Egypt in 1955, prior to the Suez crisis (around £28 million). [83]

Trade with Egypt influenced the United Kingdom government from several points of view, namely: the need to export to Egypt so as not to lose the Egyptian markets to competitors, the need to import certain commodities from Egypt; and the inability to enforce a strict trade embargo on Egypt as a way of exerting pressure. The British government regretted its earlier refusal, in May 1957, to accept the Egyptian offer of a resumption of trade between the two countries in return for desequstration of British property in Egypt. [84] The issue of the U.K.'s return to the Egyptian market put considerable pressure on the British government, especially in 1958. The memoranda of British officials concerning negotiations with Egypt, as well as the conclusions of Cabinet meetings about the same subject, show an overriding concern that the delay in signing a financial treaty with Egypt was costing the United Kingdom between £10 and £14 million a year in terms of lost exports to Egypt, and a fear that the longer British companies stayed away from Egypt, the more deeply-rooted their competitors would become in positions occupied previously by British concerns. [85]

Certainly the business community in the United Kingdom had exerted sufficient pressure on the government to make it aware of its demands. The lobbying of the business community was not restricted to private briefings for the relevant ministers or officials. Towards the end of 1958 a new high-powered body was formed with top-level representation from major British firms such as Shell, I.C.I., the British Bank of the Middle East etc., under the chairmanship of the Minister of State, Board of Trade. Its Foreign Office member was the Mr. Roger Stevens, Deputy-Under Secretary of the Foreign Office, who noted, at one of their meetings on December 1, 1958, that the predominant view of those present was the need to resume diplomatic relations with Egypt, as the current situation was damaging British interests. He was asked to transmit their views to the Secretary of State Selwyn Lloyd. [86] It was not only a question of the need to export to Egypt, but also of the need to import certain commodities from Egypt which were considered necessary for British industry, such as steatite (see Chapter Two) and long staple cotton. Steatite is an Egyptian raw material which was — up to 1958 — indispensable for the manufacture of certain electrical ceramic equipment necessary for the production of radar equipment. The British firms who used this component could not find a replacement for Egyptian steatite. The need for Egypt's cotton was a direct result of the failure of the Sudan cotton crop in 1958. This left the United Kingdom manufacturers, who relied on long staple cotton, in a tight spot. For the only alternative to buying the cotton from Egypt was either to buy from other sources at a prohibitive price or to rely on inferior cotton; the end result of either would be that U.K. suppliers would lose their share of the international textile market. [87] And though there was no official ban on trade with Egypt — except on the export of military equipment — it was prohibited to purchase directly from Egypt, [88] a restriction imposed after the nationalisation of the Suez Canal in an attempt to deny Egypt the ability to

accumulate foreign exchange. Thus British companies realised that the trade restrictions the U.K. had imposed on Egypt to hurt its economy and exert pressure on its government were, in fact, having exactly the opposite effect. They were exerting pressure on the United Kingdom government and causing damage to United Kingdom industries.

The final point which made trade a factor of pressure against the United Kingdom was the inability to enforce the trade sanctions which were levied on Egypt after the latter nationalised the Canal. The United Kingdom observed that the result of the trade ban on Egypt was that Eastern bloc countries were replacing the British position in the Egyptian markets. Moreover, it realised that other Western bloc companies from the United States, Japan, Germany and even France were competing for contracts in the Egyptian markets. Even worse, Commonwealth countries were themselves breaking ranks and actively importing from Egypt. Australia resumed commercial flight links with Egypt; South Africa imported Egyptian cotton and Australia was considering following suit etc. [89] The United Kingdom could no longer prevent its own firms from getting into Egypt; two British companies had agreed to work in Egypt on the High Dam and the Aswan Dam projects, and Standard Telephones was constructing a telephone network between Cairo and Alexandria. The U.K. government had to accede to Thomas Cook's request for the sterling facilities necessary to arrange for quick tours to Egypt, and to I.C.I. opening a representative office in Egypt. [90]

### **3 — Oil**

The importance of Egypt for the U.K.'s oil situation was highlighted even further by the Egyptian-Syrian union and the formation of the United Arab

Republic. After the creation of the U.A.R., the routes of most of the British oil supplies fell under Egyptian control. These were the Suez Canal, the route for the oil supply from the Gulf and the refinery in Aden; and the oil pipelines passing through Syria (which was mainly the route for the oil supplies from Iraq). It had been a painful experience during the Suez War when both routes were blocked, and the U.K. had endured severe damages and cost. The U.K. calculated the extra cost that Western Europe would have to pay in 1958, if such a case occurred again, at around one billion dollars. The U.K. felt extremely vulnerable as it could see no way to put pressure on Nasser if he choose to block the oil supply routes. The U.K. even entertained the idea of exerting pressure on Nasser through threatening the supply of the Nile waters; however, when studied this idea proved impracticable. [91]

## B      External Pressures

### 1 — Franco-Egyptian Agreement

The negotiations between the Arab Republic of Egypt and France to settle the claims against each other had a direct impact on the United Kingdom negotiating stance versus Egypt, since both the U.K. and France were in a very similar position vis-à-vis Egypt in terms of the fact that, as a result of both countries waging war against Egypt, the Egyptian government had expropriated their — and their nationals' — property in Egypt. The separate negotiations which both the U.K. and France were conducting with Egypt were attempting to settle similar, if not identical, claims of compensation from the Egyptian government. At the same time, both countries were facing claims for war damages from Egypt. The U.K. and France had different positions of strength and weakness as well as different cards to deal during their

negotiations with Egypt. Nevertheless, it was feared that any concession from either country to Egypt would mean that the other would face increasing pressure to make the same concession. The French authorities were the first to recognise this, and thus, when they feared that the United Kingdom might give in to the Egyptian insistence on refusing neutral arbitration, they submitted an aide mémoire to the British Embassy in Paris stating their position — that it was important to insist on neutral arbitration — and emphasising their fear that for the U.K. to give way on this issue would create an awkward precedent. [92] Furthermore, it was feared that if one of the two countries managed to reach to an agreement with Egypt first the other would be left out in the cold. In fact, the leader of the British delegation to the financial negotiations with Egypt expressed these thoughts, during the critical round of the negotiations which almost led to an agreement in August 1958, when he learnt that France would manage to reach an agreement with Egypt first. [93]

Although it was the French who were initially concerned that any British negotiating concession would compromise their own negotiating position, what unfolded later on in the course of the same year proved to be entirely the opposite. France managed to beat the U.K. in reaching an agreement in August 1958. The most important and relevant aspect of the Franco-Egyptian financial agreement of August 1958 was the fact that France agreed to pay around £E30 million as war damages to Egypt. Most of that money was paid in kind, by France relinquishing most of its educational establishments in Egypt, such as the lycée schools, etc. In that agreement, most of what France requested in terms of compensation for Egyptianised and nationalised property and damages to the sequestrated property was deducted from the war damages which France was to pay to Egypt. Therefore, France's payment of war

damages was either in the form of French property which France agreed to leave to Egypt, or compensation claims which France agreed to relinquish. [94] Moreover, as the French relinquished all claims to compensation, such claims being offset by the war damages, France also avoided the issue of neutral arbitration. Nevertheless, by signing an agreement with Egypt France exerted even further pressure on the United Kingdom's negotiating stance, primarily because France, in its eagerness to reach an agreement, had conceded most of the Egyptian demands. Indeed the French officials involved in these negotiations confided to their British counterparts that they considered the agreement they had reached a bad one. [95]

The Franco-Egyptian agreement had a compound effect on the British negotiating stand. It whetted the appetite of the Egyptian negotiators, who thought that they might be able to get as much, or at least nearly as much, from the British as their colleagues had got from the French. Secondly, it made the Egyptian political leadership less prone to accept their negotiators' request for more concessions to the U.K. as they thought that they had already achieved more from France. Therefore, the Franco-Egyptian agreement increased the expectations of the Egyptian government and made it less prone to accept or offer more compromises. Indeed, this could account for the sudden Egyptian toughness at the end of the round of negotiations in August when the British delegation thought that the instructions from Cairo to the Egyptian negotiator were "no concessions".

### C      The Removal of the Obstacles to the Agreement

The U.K., after the Suez War, was faced with two major obstacles to reaching a

treaty and restoring relations with Egypt. The first was the absence of an agreement between Egypt and the Suez Canal company, the reason which compelled the U.K. and France to the course of action they took against Egypt in October of 1956. The second obstacle, which appeared during the negotiations, was the failure to settle the largest single claim for compensation in Egypt, the Shell claim. With the removal of these two obstacles the British government had no excuse, in the eyes of its own people, for refusing to come to terms with Egypt, especially since it could not cite any problem it had with the Egyptian offer regarding the lump sum or the terms of the treaty. This was due to the fear that it might later have no alternative but to accept those conditions; it would put the U.K. government in great difficulty internally if it accepted terms it had attacked earlier. Therefore, the settlement of the Suez Canal Company claim as well as the Shell claim paved the way for an agreement and increased the internal pressure exerted on the United Kingdom to come to terms with Egypt.

## **1 — Suez Canal Agreement**

The first of these obstacles to be removed was the agreement between the Suez Canal Company and Egypt over the compensation the latter was to pay for the nationalisation of the Suez Canal Company assets. In fact, as soon as agreement was reached between the Suez Canal Company and Egypt, in 1958, diplomats in the relevant British embassies began to prepare what their line ought to be in explaining the inevitable resumption in the U.K.'s relations with Egypt. [96] Certainly this agreement, which was reached in May 1958 and formally signed in July of that year, whereby Egypt paid the Suez Canal Company the sum of £26.5 million as compensation for the nationalisation of its Egyptian assets, [97] removed the U.K.'s major excuse for not normalising

its relations with Egypt. It also increased speculation about and expectations of a quick settlement between the two countries.

## **2 — Shell agreement**

The second obstacle which blocked the reaching of an agreement took a longer time to be removed. This obstacle, the settlement between Shell and the Egyptian government, was a major one, as the Shell property in Egypt represented a huge part — £55 million — of the British property expropriated by the Egyptian government after the Suez War. [98] The agreement over the Shell claim was reached separately, through direct negotiations between Shell and the Egyptian government. During the Rome negotiations in February-March 1958, arrangements were made for a delegation from Shell to go to Egypt. This delegation, consisting of Shell and British Petroleum staff, went to Egypt from March 14 until April 9, 1958 when they submitted a draft agreement to the Egyptians to settle their claim. [99] The Shell negotiations were a protracted affair which lasted until December of that year, and though they were conducted directly between the Egyptian government and Shell, the British government negotiators kept stressing the need to settle the Shell claim before any agreement could be reached between the two states. [100] These efforts finally resulted in a private settlement between Shell and the Egyptian government in December 1958. However, the Shell settlement was subject to the conclusion of the financial agreement between Egypt and the United Kingdom. [101] Thus the settlement which was supposed to alleviate the pressure on the United Kingdom for a quick agreement with Egypt, since it meant the resolution of the largest single British claim against Egypt, had the opposite effect because the execution of that settlement was subject to the conclusion of the financial agreement, a factor which exerted substantial

pressure on the U.K. in the final stages of the negotiations prior to the signing of the treaty. [102]

#### **IV      REMARKS ON THE EGYPTIAN NEGOTIATING POSITION**

During the course of the negotiations in 1958, and especially in June-August, there were hopes and expectations from both the British and Egyptian delegates regarding the possibility of reaching an agreement. However, on the last day of the negotiations, in August, the Egyptian stand suddenly hardened, causing an abrupt break in the negotiations. In September, the Egyptian negotiators showed a position far more rigid than ever before, completely disregarding the positive attitude displayed by their own Foreign Minister a few weeks earlier in August. As mentioned earlier in this chapter, some of the British officials assumed that the presence of British troops in Jordan at the time was the reason for the new hard-line Egyptian position. This assumption implied that factors pertaining to regional conflict had managed, once again, to spill over into the field of bilateral relations between Egypt and the United Kingdom.

However, there are elements which suggest that this was not the case. The presence of the British troops in Jordan certainly increased the pressures and strains on the loose fabric of the Anglo-Egyptian negotiations, but there is no evidence to suggest that it was the regional conflict that was responsible for the break in the negotiations. Firstly, the negotiations between the two countries in June-July and early August took place against the background of increasing tension and conflict between the two states in the region. If the

presence of the British troops in Jordan was the cause of damaging the chances of an agreement between the two states at that juncture, then it would have led to Egypt withdrawing its negotiators from the negotiations which took place in Geneva in the middle of July. Further, the Egyptian negotiator would not have been able to return to Geneva at the end of July expecting to reach an agreement. And he certainly would not have informed the British side that he had the authority to initial such an agreement. In the light of the way the Egyptian system of government worked at the time, it would have been unthinkable that the Governor of the Central Bank of Egypt would arrive in Geneva at the end of July to conduct a new round of negotiations with the U.K., with the authority to initial an agreement, without the explicit approval of Nasser.

As mentioned earlier, Nasser made all major decisions on his own. However, he convened sessions where his advisors and officials debated the major issues and decisions facing Egypt. The decision to conduct negotiations with the U.K. since 1957 was a triumph for those bureaucrats and technocrats among Nasser's advisors who believed that relations with the U.K. were based on solving technical (financial issues) which would bring Egypt the acquisition of its blocked sterling balances in the U.K. Nasser gave the green light for those holding this view to proceed with an agreement. However, he was to be informed of every development during the negotiations. [103] Indeed, as Emery told the British negotiators, every decision at that time had to be taken by Nasser. Therefore, for the Egyptian negotiator to come to Geneva in July-August 1958, he had to have had a clear and direct mandate from Nasser. If he had failed to receive that prior to his departure, then his job was going to be the least important of his losses.

Indeed, the dispatch of U.K. troops to Jordan and the increased role of the United Kingdom in the region at the time became factors which increased the desire of the Egyptian government to come to some form of agreement with the U.K. Nasser believed that Egypt had become a regional power in its own right, “a mini-superpower” in the Middle East. [104] This self-perception made the Egyptian government feel that it had to deal with all the parties concerned in the Middle East. The British intervention in Jordan confirmed to the Egyptian government that the U.K. was still a major force in the Middle East, perhaps beaten, but still one which had to be reckoned with. This was due to the U.K. influence in the Gulf, in Iraq and in Libya. Egypt also believed that the United States, despite its rivalry with the U.K., still sought consultation with the U.K. because of the latter’s experience and knowledge of the Middle East. [105] But since Nasser was the one responsible for making any major decision in Egypt at the time, and as he did not write (as far is known) any memoirs, it is indeed impossible to know for certain whether the factor which prevented him from allowing the signature or the initialling of an agreement with the U.K. at that juncture was the presence of the British troops in Jordan. Nevertheless, even if this was what made him refuse a treaty, his reservations could have been due to the likely internal reaction to his signing an agreement with the U.K. at that time rather than to the regional confrontation itself. An agreement with the U.K. could be interpreted by Nasser’s political enemies as a surrender on his part because of the presence of British troops so close to home. His constituency then was not limited to Egypt, for it included Syria as well. In 1958, the only Syrian political party which refused to dissolve itself was the Syrian Communist Party. Its leader, Khaled Bakdash, escaped to Lebanon where he concentrated his efforts on trying to undermine Nasser’s position. Moreover, an exiled political party led by Ahmed Abul Fath, based in Lebanon, mounted a propaganda campaign against Nasser (with French

support). [106] And though these groups posed no serious threat to the Egyptian regime, still Nasser was not necessarily keen on giving them ammunition to use against him.

In addition, there is another point which supports the view that it was not regional conflict which caused the Egyptian negotiators to balk at the last minute before signing an agreement. This was related to Egypt's ability to pay the lump-sum compensation required by the U.K. The main point of contention between the British and Egyptian sides during the negotiations in 1958 was the amount of this lump sum. In fact, the British government and its delegation to the financial negotiations in Rome were surprised to find that just when they thought they would about to reach agreement with Egypt, the Egyptian negotiators either balked at the last moment or hardened their position suddenly without a reasonable explanation.

A feasible explanation was given to the British Foreign Office for the Egyptian refusal to go ahead with an agreement during the first half of 1958 by the London correspondent of *Al-Akhbar*, Zag. [107] He informed a Foreign Office official that the reason Egypt was not forthcoming in the negotiations with the U.K. was that the Egyptian officials had prepared themselves to spend a certain amount of funds in order to patch up relations with the West at the time. Thus the first priority was the amount of compensation Egypt had to pay the Suez Canal Company, a prerequisite to any agreement with the U.K., France and United States. According to the Egyptian correspondent, Egypt wanted to know its entire commitment, as negotiations with the Suez Canal Company were underway, before they settled with the U.K. [108] Another factor which probably influenced the Egyptian government's decision not to

give any concession during the July-August negotiations was the situation regarding the Franco-Egyptian financial agreement negotiation. As mentioned earlier, the fact that the Egyptian side had managed to obtain much better terms in the financial treaty signed with France convinced the Egyptian government that the terms they were offered from the U.K. were not as attractive. Indeed, the agreement which France and Egypt signed on August 13, 1958 was more attractive than the proposed deal with the U.K. as it stipulated that France should pay Egypt war damages.

A final point, which had a direct effect on the course of the Anglo-Egyptian negotiations, was the ineptitude of the Egyptian negotiator Dr. Emery, the Governor of the National Bank of Egypt. In his discussions with Mr. Hamilton of the Bank of England, Dr. Emery mentioned privately that he thought that the Egyptian official offer of compensation, £10 million, could be increased to around £25 million. The British side took this figure of £25 million, which Emery had indicated privately, as a starting point in order to restart the negotiations with Egypt. According to what Emery told Sir Denis Rickett, he feared that he had made a mistake by mentioning the sum of £25 million, and what Emery told the British delegation in Geneva also implies this. It appears in fact that £25 million was the maximum Egypt was prepared to pay; but, as a result of Emery's mention of this sum, British negotiators managed to use it as the starting bid, not the final offer. [109] Therefore, when the Egyptian negotiator asked his government to increase the Egyptian offer to £35 million they were bound to refuse, especially in the light of the Egyptian achievements in their negotiations with France which were conducted at the same time. Thus, the failure to reach an agreement in that period could be attributed to the Egyptian negotiator's mistake in giving his final offer early on in the

negotiations and in allowing that offer to be the starting offer for a compromise.

## VII FINANCIAL AGREEMENT

The events in 1958 demonstrated that a certain role-swapping occurred between the U.K. and Egypt in the matter of the desire to reconstruct their bilateral relations. Egypt, after trying throughout the second half of 1957 to reach almost any kind of agreement with the U.K., re-evaluated its position and adopted a tough negotiating stance in order to get better terms in the financial agreement. The U.K. on the other hand, after re-examining its position, almost reversed its negotiating stance, for three reasons. First was the realisation that they could not bring the Nasser regime down through economic pressure, and that Nasser would stay in power in Egypt at least for the foreseeable future. The U.K. therefore knew that in solving the problems in the bilateral field with Egypt it had to deal with Nasser's regime. Secondly, and as a result of that realisation, a re-evaluation of the strength and weakness of the British negotiating position showed the policy makers that the trump card they held over Egypt, the blocked Egyptian sterling balances, had inherent weaknesses. The U.K. could not seize these because of the negative implications of such an act on the Sterling Area and because their value was less than half the value of British property in Egypt. Thirdly, there were considerable internal pressures (from the business community wanting to export to Egypt and from the British evacuees from Egypt) on the British government to reach an agreement with Egypt.

Therefore, by the end of 1958, there was a will in both countries to reach a

financial agreement; for Egypt also wanted that agreement as it still faced shortages in foreign exchange and needed to be able to export its main cash crop to the United Kingdom and import British goods openly. The problem was — as outlined earlier — the terms of such an agreement, or to be more precise, the amount of money which Egypt had to pay the United Kingdom as a lump-sum payment for the British property that had been Egyptianised, as well as for damages done to the sequestered property. (Another point was the method of payment of the lump sum: i.e. how much was to be paid immediately, and how much in securities maturing later. The maturity date for these securities was also an issue, but the issue of the method of payment was of less importance than the amount of compensation to be paid). As the U.K. was the country that was more anxious to reach an agreement, it tried to break the impasse in the negotiations by seeking mediation with the Egyptian government.

#### A      British Attempts at Using Mediation over the Financial Agreement

Until the third quarter of 1958, the U.K. tried to induce Egypt to signing an agreement mainly through improving the British offer — i.e. decreasing the minimum that the U.K. would accept as a lump-sum payment. [110] The British government's efforts to persuade Egypt to reach an agreement were not limited to its amicable negotiating stance. A main feature of British policy at the time was the care that it took not to appear to insult Nasser, or to give any impression that it had changed its mind about wanting to reach an agreement with Egypt. This is most interesting, especially in that such a policy was executed while the U.K. and Egypt were engaged in a fierce regional conflict.

Therefore when a Labour Member of Parliament wanted to propagate an idea, suggested to him by the Egyptian Ambassador to Washington, that Nasser be invited on an official state visit to the United Kingdom, the British response was surprisingly restrained. Although British officials believed the suggestion was “absurd”, the Foreign Office decided against shooting it down on the grounds of its absurdity if Mr. Yates, the Member of Parliament concerned, made his suggestion public as he intended. The Foreign Office decided that its reaction to this suggestion should be guarded, stating the reason the visit could not occur was that it “is not possible to invite here on an official visit the head of a state which H.M.G. are not in diplomatic relations”. [111]

This policy of not giving Egypt the impression that the U.K. was changing its attitude on the financial agreement, or toughening its restrictions against Egypt, was also evident in other cases. One of these concerned the travel firm Thomas Cook. In April of 1958, the chairman of Thomas Cook went to Egypt where he made an agreement to arrange for “quick trips” to Egypt for tourists from ships transiting through the Suez Canal. This project was against British policy for several reasons, both financial and political. Politically, this venture was contrary to British policy, which aimed at discouraging tourism to Egypt because it appeared to mark the return of normal relations between the two countries and because the U.K., in the absence of diplomatic relations and having no consular representation in Egypt, could not fully protect its nationals. [112] Furthermore, this venture meant easing the U.K.’s restrictions on sterling dealings with Egypt, and would give Egypt around £80,000 a year in foreign exchange. The British government initially refused to grant Thomas Cook the sterling facilities to continue executing their project. Nevertheless, it had to agree to grant Thomas Cook the facilities to proceed with their

agreement with Egypt because Thomas Cook announced the details of its venture to the Press. The U.K. feared that if the Thomas Cook arrangement were abruptly cancelled due to a British government decision, this might jeopardise the negotiations with Egypt. [113]

However, when the British government discovered that, despite its compromises in the negotiations, its efforts were fruitless, it decided to try yet another avenue. After the failure of the negotiation rounds held in Geneva and Rome (August-September 1958), British officials became increasingly aware of the limited prospects of these negotiations. They were frustrated by the fact that “nothing in Egypt can be decided except by Nasser”. [115] Thus, they became more sceptical of reaching an agreement with Egypt through the existing level of negotiations between Sir Denis Rickett and Dr. Emery, the Governor of the National Bank of Egypt. This brought the suggestion that the U.K. might try to enlist the good offices of Mr. Eugene Black, the President of the International Bank for Reconstruction and Development (World Bank), who was known to be listened to by Nasser. [116] After much deliberation, the British government finally endorsed a proposal to engage the efforts of Mr. Black to try to break the deadlock in the Anglo-Egyptian financial negotiations.

The British Cabinet did not authorise the Chancellor of the Exchequer to approach Mr. Black officially, except after sounding him out first and being assured that he would accept the task. However, the U.K. government conditioned that these mediation efforts should be informal, and with as little publicity as possible.[117] Eugene Black agreed to mediate between the U.K. and Egypt after both countries requested him to do so, and his efforts began in

earnest on December 31, 1958. The U.K. Cabinet authorised the Chancellor to tell Mr. Black that he could inform the Egyptian government that the U.K. would concede to the Egyptian request to draw £3.3. million, which was required as part of the compensation to the Suez Company. This concession was an attempt to soften the Egyptian government's position and give Mr. Black's mediation a chance to succeed. [118]

Eugene Black's mediation proved to be invaluable in reaching a financial agreement between Egypt and the U.K., but it was not the only, or the first attempt at mediation that the U.K. had engaged in during 1958. The first attempt was that made by the Foreign Secretary Selwyn Lloyd, when he engaged the efforts of the Secretary General of the United Nations, Mr. Dag Hammarskjöld. This mediation was first attempted in August 1958, and, as a result, a meeting was held between the Egyptian Foreign Minister, Dr. Fawzi, and Selwyn Lloyd in the office of the Secretary General in New York. This meeting succeeded in activating the negotiations, and, as a result, the next round of negotiations was held in Rome in September, 1958. However, when that round of the negotiations failed disastrously, the British Foreign Secretary continued his attempts to try to engage the services of the United Nations Secretary General when he gave him a written message the following month, complaining to him about the about-face which had occurred in the Egyptian position. [119] Moreover, the British government had also accepted the mediation of President Tito to try to convince Nasser to come to terms with the U.K. When the Yugoslavian Foreign Minister proposed that President Tito should use his influence with Nasser, Selwyn Lloyd readily agreed, provided that Tito did not give Nasser the impression that the U.K. was desperate to

come to terms with Egypt or that it was willing to change its bargaining position. The British Foreign Secretary wanted Tito to assure Nasser that the U.K. wanted to establish some working relationship with Egypt [120] and did not intend to overthrow Nasser.

## B      The Conclusion of the Financial Agreement

The efforts made by mediators engaged by the British government to try to bring Egypt to accept a financial settlement, especially those of the President of the World Bank Eugene Black, began to bear fruit in January 1959. Shortly after Mr. Black began his consultations in Cairo, on December 31, the U.K. gave in to another compromise with the Egyptian government in agreeing to send a delegation to Cairo to negotiate and sign the financial agreement. In fact, this request was submitted to the British delegation during the last round of the Rome negotiations in September 1958. [121] The President of the World Bank stayed in Cairo to broker the agreement between the two sides. This mediation led finally to the agreement being initialled between the heads of the delegations of the two countries on January 17, 1959 in Cairo.

According to that agreement, the major point of difference between the two sides, the amount of the lump sum, could only be resolved through compromises on both sides. During the final stages of the negotiations in Cairo, before the initialling of the agreement, the U.K. refused to accept less than £28 million as the lump-sum payment. Eugene Black intervened and persuaded the British side to make a concession of £0.5 million as a compromise. [122] The final figure for the one-off compensation payment then became £27.5 million. At the same time the United Kingdom also accepted that only £3.5 million

should be paid on the signing of the agreement and that the rest (£24 million) be paid on February 29, 1960. [123]

However, the final conclusion of this agreement proved to be just as difficult as the start of the negotiations which conceived it. After it was initialled, two issues halted its ultimate signature, one political and one technical. The political issue was mainly that of diplomatic relations. At the last moment, the U.K. raised the resumption of diplomatic relations as a condition of the financial agreement. [124] The British delegation to the financial talks had, prior to their departure for Cairo, instructions to try to secure an agreement over establishing a British diplomatic mission in Cairo, and had chosen Colin Crowe, the Foreign Office representative in the British delegation to the financial negotiations, to be the chargé d'affaires in Cairo when diplomatic relations were resumed. At the same time, it had been decided that Crowe was not to return from Egypt until he secured an agreement to resume relations. [125] However, this ambitious hope was dashed when the British government received press reports to the effect that the U.K. would only receive permission for consular relations. This prompted London to send instructions to the British delegation in Cairo which hardened the British stand. The Prime Minister, Harold Macmillan, ruled out the signing of an agreement unless a satisfactory agreement could be reached over the British diplomatic mission in Cairo. This meant "a proper mission, adequately staffed and with proper immunities, communications and diplomatic contacts with the Egyptian Government". [126] The reason the British government gave to Mr. Black and the Egyptian government was that they felt that such a mission was essential for fulfilling the agreement, whether in terms of helping the British claimants for

sequestered property, or in terms of the re-establishment of trade. Crowe's instructions were to inform the Egyptian government that even if initialling had taken place before the Egyptian government agreed on establishing the mission, British ministers would find it difficult to approve the signature of the treaty until the question of the mission was agreed. When it became probable that an agreement would be concluded, Crowe stressed the importance for the U.K. of establishing a diplomatic mission with proper immunities and facilities. Crowe also stated that the U.K. would not accept merely consular relations, insisting on a mission led by a chargé d'affaires and adequately staffed to handle the problems arising from the implementation of the agreement. [127] Subsequently, Crowe wrote to the Egyptian Ministry of Foreign Affairs outlining the U.K.'s proposals in that regard. In his letter, Crowe explained that the U.K. believed that the mission should be led by a chargé d'affaires and that the decision to re-establish diplomatic relations should be announced at the signing of the financial treaty. [128] Again Crowe, after the agreement was initialled, asked to see the Egyptian Foreign Minister Dr. Fawzy to ask him about the Egyptian government's reaction to the U.K.'s request for resumption of diplomatic relations. He pressed for a response on the grounds that the British Foreign Secretary would have to issue a statement about it when the financial agreement had been signed and was presented to Parliament. In response, Dr. Fawzy suggested that such a statement should say that "it is understood that diplomatic relations will be resumed as soon as possible". [129] However, Fawzi said he would only accept such a statement on condition that particular care was taken when issuing it so as not to "create an unwarranted impression that there exists any relation of cause and effect between it (i.e. diplomatic relations) and the conclusion of the agreement". [130]

British pressures to achieve the resumption of diplomatic relations on signing the financial agreement were by and large unsuccessful. All the U.K. was able to obtain was a personal message from Dr. Fawzi to his British counterpart stating that the Egyptian government would find it acceptable for the U.K. government to appoint “a representative” for the implementation of the agreement, who would be accorded diplomatic immunities and facilities. [131] As for the resumption of diplomatic relations, Dr. Fawzi assured the British Foreign Secretary that it would eventually take place.

This was not the only political matter of substance which was still pending; there was also the question of the two British political prisoners held in Egypt at the time. The United Kingdom government, despite the importance it placed on their release, still decided the matter should not be allowed to delay the signing of the financial treaty. They therefore decided to raise the issue without linking it to the signature of the financial agreement, stating merely that it was an important matter for the U.K. and that its resolution would help improve relations between the two countries. [132]

The other issue which halted the process of signing the financial agreement was a technical issue, namely the definition of “land” in that agreement. The question arose concerning what was to be considered as Egyptianised land which Egypt was not to return, and for which compensation was to be paid to its owners by the British government out of the lump sum (the £27.5 million) which the Egyptian government was to pay. This problem emerged after the initialling of the agreement, when the text of the agreement was sent to London to be finally checked with the list of properties at the Foreign Office.

The claim of one family, Smouha, was the main one under contention and it opened the door for a British demand that the Egyptian government include in the agreement — or the accompanying exchange of letters — some detailed commitment explaining what they considered agricultural and what building land and the implications of this for individual claims, including that of the Smouha family. [133] Negotiations regarding this issue appeared to reach an impasse, mainly due to the Egyptian government's inability or unwillingness to supply the facts required by the U.K. delegation. [134] This was purely a technical hitch, for it was the U.K. which brought it forward fearing a financial commitment of some £12 million on the Smouha claim alone. The attitude of the Egyptian negotiators was not antagonistic, but nevertheless they were unable to meet the British delegation's requests for the facts of the case as it appeared that they did not have them. [135]

This stalemate prompted the U.K. government to ask the President of the World Bank, Mr. Eugene Black, to act as an arbitrator in this issue, subject to the acceptance of the Egyptian government. For this purpose the leader of the British delegation to the talks, Sir Denis Rickett (who had returned to London after initialling the agreement), went to Washington to meet Mr. Black and present the U.K.'s case. The deadlock was only resolved when the U.K. finally accepted a draft form of an exchange of letters to be included in the treaty. [136] And though the draft form did not in any way satisfy the U.K.'s demands on the subject, [137] it was finally [138] accepted merely because it was believed that the Egyptian side was not going to make any advance on their offer, and British officials feared that if they did not sign the agreement at that stage they would risk everything they had gained in the agreement and might have to re-negotiate the whole deal again from scratch.

Another factor putting pressure on the U.K. position was the fact that the Shell agreement reached the previous month (December 1958) could not be executed until the financial treaty was finally signed. [139] The last minor hurdle before the signature of the treaty concerned protocol. The Egyptian side designated Dr. Abd al-Moneim al-Qaissuni, the Central Minister of the Economy, to sign the treaty on behalf of the Egyptian government. It was then highly embarrassing that his counterpart signatory was to be Colin Crowe, whom the U.K. had chosen as the senior U.K. diplomat to stay in Cairo after the resumption of diplomatic relations. The Egyptian government mentioned this issue to Mr. Black, who passed it on with his own recommendation that the U.K. should send a “very senior British Official” to sign the agreement. [140] Although the Egyptian side did not broach the subject directly with the British delegation, they also gave Colin Crowe in Cairo that impression. [141] The point was finally resolved when the United Kingdom sent the Economic Secretary to the Treasury, Mr. Frederick James Erroll, to Cairo where he signed the financial treaty with Dr. Qaissuni on February 28, 1959.

The signing of the financial treaty allowed for the resumption of the trade relationship between the United Arab Republic and the U.K. It also meant that the main obstacles to the resumption of diplomatic relations between the U.K. and Egypt, the settlement over the Egyptian balances in the U.K. and for British property in Egypt, were now finally removed. The way was clear to concentrate on reconstructing official and diplomatic relations between the two countries.

## **VIII CONCLUSION**

Since the beginning of 1958, the attitude of both the United Kingdom and Egypt towards settling their bilateral problems changed drastically. The U.K., on the one hand, began actively to seek an agreement with Egypt. This led the British government to make several compromises on its initial stand in the negotiations, as well as to send a representative on a secret visit to Egypt to break the stalemate in the negotiations. Moreover, the internal pressures on the British government which resulted from these problems led it to engage the help of mediators, such as the President of the International Bank for Reconstruction and Development, to convince the Egyptian government to settle these bilateral problems.

The Egyptian government's position, on the other hand, also changed. This change was manifested by a sudden rigidity in the Egyptian stand during the negotiations. Egypt only became interested in signing a favourable agreement with the U.K. although it had been keen, in 1957, to reach an agreement of any kind. This Egyptian position resulted from the alleviation of the pressure Egypt had faced during 1957, due to its shortage of foreign exchange. The Egyptian position was also bolstered by the fact that it managed to reach a favourable financial settlement with France whereby the latter paid for war damages.

The fact that the financial negotiations and the financial settlement took place against a background of heightened regional confrontation between the two states, illustrates that the resolution of the problems in the bilateral field between the two states became more important to both governments than the clashes between their general foreign policies and the regional confrontation

which was the main reason for souring past Anglo-Egyptian relations. Indeed, the problems which were created in the bilateral field during, and as a result of, the events of 1956 gave a *raison d'etre* for both countries to initiate and maintain contacts between themselves in order to resolve these problems. Moreover, it led both governments, eventually, to realise the importance of maintaining official links between themselves to oversee the execution of the settlement that they had agreed.

## CHAPTER 4 :END NOTES

- 1 Conclusions of 79th Cabinet Meeting, November 13, 1957. CAB. 128/31 Pt. 2 pp. 549-550.
- 2 "Egypt: Note By the Prime Minister", November 2, 1957. C(57) 267 CAB. 129/90 pp. 91-95.
- 3 Memo, "Egypt" by A.D.M. Ross, July 10, 1957. F.O. 371/125444.
- 4 Conclusions of 79th Cabinet Meeting, pp. 549-550.
- 5 "Egypt: Financial Negotiations, Memorandum by the Chancellor of The Exchequer", Treasury Chambers, December 31, 1957. CAB 129/91 p. 3.
- 6 *Ibid.*
- 7 *Ibid.* and Conclusions of 1st Cabinet Meeting, January 2, 1958. CAB. 128/32 pp. 2-4.
- 8 "Rome Talks: Miscellaneous Points", by M.E. Johnston, Treasury Chambers, to Frank Brenchley at the Foreign Office, January 13, 1958. F.O. 371/131360.
- 9 Record of Conversation between the Minister of State (Commander Allan Noble) and the French Ambassador, January 28, 1958. F.O. 371/131344, 3019.
- 10 "Egypt: Motivations, Capabilities and Trends", prepared by Division of Research for Near East, South East Asia and Africa, September 1957. United States Department of State, and Frank Brenchley, *Britain and the Middle East* (London: Lester Crook Academic Publishing, 1989), pp. 125-126.

- 11 "Rome Talks: Miscellaneous Points", by M.E. Johnston.
- 12 Sai‘d Sonbul, "Details of The Negotiations: Crisis" *Akhbar al-Yawm*, Saturday 28 December, 1957.
- 13 *Ibid.*
- 14 Interview with Mr. Sa‘id Sonbul, London: December 1990.
- 15 Memorandum "Anglo-Egyptian Relations" by R. Arculus, January 14, 1958. J.E. 1051/1 F.O. 3711/131344 3019.
- 16 Notes made by Mr. J.H.A. Watson, Head Of The African Department at the British Foreign Office on the Memorandum "Anglo-Egyptian Relations", by R. Arculus, January 14, 1958. J.E. 1051/1 F.O. 3711/131344 3019.
- 17 Telegram No. 58 From British Delegation to the Financial Talks in Rome to the Foreign Office, January 30, 1958. F.O. 371/131361.
- 18 "Rome Talks: Miscellaneous Points" by M. E. Johnston, and Telegram No 58 From British Delegation, F.O. 371/131361.
- 19 *Ibid.*
- 20 Telegram No 58 From British Delegation, F.O. 371/131361.
- . 21 "Rome Talks: Miscellaneous Points" by M. E. Johnston.
- 22 *Ibid.*
- 23 This proposal was submitted to the Egyptian delegation in the second round of the talks on the 6th of March in a draft agreement form. Memorandum handed to the Egyptian Delegation in Rome, March 1, 1958. F.O. 371/131362; and Telegram Number 623 From Foreign Office to the British Embassy in Baghdad, March 6, 1958. F.O. 371/131363.
- 24 "Financial Talks with Egypt" by Colin Crowe of the African Department, March 4, 1958. F.O. 371/131363.

- 25 Conclusion of 41st Cabinet Meeting, May 13, 1958. CAB. 128\32 Pt. 2  
p. 249.
- 26 Telegram No 58 From British Delegation, F.O. 371/131361.
- 27 "Egypt's Financial Negotiations," Note by the Chancellor of the Exchequer, June 26, 1958. C133 (58) CAB. 129/93 and Foreign Office Memorandum C134 (58), June 27, 1958 CAB. 129/93.
- 28 Conclusions of 51st Cabinet Meeting, July 1, 1958. CAB. 128/32 Pt. 2  
pp. 312-314.
- 29 Memorandum on "Anglo Egyptian Financial Agreement: Effect on Opinion in the Middle East, The United States And France" by Colin Crowe, March 14, 1958. F.O. 371/131363.
- 30 "Anglo-Egyptian Financial Negotiations", Report by Mr. Hamilton of the Bank of England on his talks in Cairo, 7-12 June. Appendix to "Financial Negotiations With Egypt" Note By The Chancellor of The Exchequer, June 26, 1958. CAB. 129/93 p. 249.
- 31 "Financial Talks with Egypt", Memorandum By Officials June 1958. Annex to "Financial Negotiations With Egypt" Note By The Chancellor of The Exchequer, 26 June, 1958. C(58) 133 CAB. 129/93 p. 246.
- 32 Conclusions of 51st Cabinet Meeting, pp. 312- 314.
- 32 Conclusions of 41st Cabinet Meeting, May 13, 1958. CAB. 128/32 Pt. 2 p. 249, and "Egypt: Compensation for British Property" Memorandum by the Secretary of State For Foreign Affairs, June 27, 1958 C(58) 134 CAB. 129/93 pp. 253-254.
- 33 "Anglo-Egyptian Financial Negotiations", Report by Mr. Hamilton of the Bank of England on his talks in Cairo.
- 34 "Anglo Egyptian Financial Talks" Note by Officials, July 18, 1958 in

- "“Financial Talks with Egypt” Note by the Chancellor, July 21, 1958. C(58) 161 CAB. 129/94 pp. 57-64.
- 35 “Financial Negotiations with Egypt” a Note by the Chancellor. July 21, 1958. And “Anglo Egyptian Financial Negotiations” Note by Officials in C(58) 161 CAB. 129/94 pp. 57-64.
- 36 “Minute by the Leader of the United Kingdom Delegation”, (in these negotiations) by Sir Denis Rickett in “Egypt: Financial Negotiations” Note By the Secretary To The Cabinet, Sir Norman Brook C(58) 168, August 8, 1958. CAB. 129/94 p. 92.
- 37 Report By The United Kingdom Delegation, August 3, 1958, in “Egypt: Financial Negotiations”, Note by the Secretary to the Cabinet Sir Norman Brook, August 7, 1958. CAB. 129/94
38. *Ibid.*
- 39 67th Cabinet Meeting, August 12, 1958, CAB. 128/32 Pt. 2 pp. 397-402.
- 40 “Anglo-Egyptian Financial Negotiations”, Report by Mr. Hamilton of the Bank of England on his talks in Cairo, p. 250 and also: “Minute by the Leader of the United Kingdom Delegation”, (in these negotiations) by Sir Denis Rickett in Egypt: Financial Negotiations. Note By the Secretary To The Cabinet, Sir Norman Brook C. (58) 168, August 8, 1958. CAB 129/94 p. 92.
- 41 “Egypt Financial Negotiations”, Note by Officials, August 6, 1958, pp. 1-2 in “Egypt: Financial Negotiations”, Note by the Secretary to the Cabinet Sir Norman Brook, August 7, 1958. CAB. 129/94 pp. 90-94.
- 42 67th Cabinet Meeting, August 12, 1958. CAB. 128/32 Pt. 2 pp. 397-402.

- 43      *Ibid.*, p. 402.
- 44      *Ibid.*
- 45      Message to Mr. Hammarskjöld from Mr. Selwyn Lloyd, the British Foreign Secretary, handed to him on September 26, 1958. F.O. 371/133980.
- 46      Letter From Sir William Hayter (Foreign Office) to Sir Roger Makins (Permanent Under Secretary at the Treasury), September 3, 1958, and internal Foreign Office memo from Sir William Hayter, September 2, 1958. F.O. 371/133980.
- 47      "Anglo Egyptian Financial Talks", Memorandum by J.H.A. Watson, September 7, 1958. F.O. 371/133980.
- 48      "Future Policy Towards The United Arab Republic", Memorandum by the Levant Department in the Foreign Office, September 17, 1958. F.O. 37/133980.
- 49      Message to Mr. Hammarskjöld From Mr. Selwyn Lloyd, September 26.
- 50      "United Kingdom Financial And Commercial Relations with the United Arab Republic (U.A.R.)", Memorandum by Mr. J.A. Ford (Treasury) to Mr. M.E. Johnston, September 12, 1958. F.O. 37/133980.
- 51      Note by Sir Roger Stevens the Deputy Under Secretary of State. September 18, 1958. F.O. 37/133980.
- 52      "Negotiations with The United Arab Republic," paper by Mr. Colin Crowe, September 17, 1958. F.O. 37/133980.
- 53      Conclusions of Cabinet Meeting No. 77, October 23 1958. CAB. 128/32 Part 2 pp. 477-478.
- 54      Mohamed Hassanein Heikal, *Sanawat al-Ghalayan* (Years of Ferment) (Cairo: Al-Ahram, 1988) pp. 250-274.

- 55 Interview with Heikal. London: October 3, 1992.
- 56 Interview with Heikal. London: October 2, 1992.
- 56 *Al-Ahram*, February 26, 1958.
- 57 Heikal, *Sanawat* , pp. 304-309.
- 58 Interview with Heikal. London: October 2, 1992.
- 59 Heikal, *Sanawat* , p. 319.
- 60 Eisenhower, *The White House Years, Waging Peace* (New York: Doubleday and Company, 1965) p. 265.
- 61 Heikal, *Sanawat* , p. 331.
- 62 Conclusions of 51st Cabinet Meeting, p. 310.
- 63 Dispatch No. 143 from the Political Resident in Bahrain, Sir B.A.B. Burrows, to the Foreign Secretary The Rt. Hon. Selwyn Lloyd., December 24, 1955.
- 64 Macmillan, *Tides Of Fortune* (London: Macmillan, 1969) p. 640.
- 65 Cabinet Meeting, July 15, 1958, CAB. 128/32, pp. 325-326.
- 66 *Ibid.*
- 67 Telegram Number 72 Separate, from the British ambassador to Iraq to the Foreign Office, August 12 1958. PREM 11/ 2368.
- 68 F.O. 37/133791.
- 69 Cabinet Meeting on July 15, 1958. CAB. 128/32 pp. 325-326.
- 70 "Financial Negotiations With Egypt", Note By the Chancellor of The Exchequer, June 26, 1958. CAB. 129/93.
- 71 Chief Of Staff Committee, Confidential Annex to C.O.S. (58) 49th Meeting, June 10, 1958. TOP SECRET DEF/108.
- 72 Mr. Beith was the Deputy Chief of Mission at the British Embassy in Paris and had acted as chargé d'affaires there in 1957. *The Foreign List And Diplomatic And Consular Year Book 1964*, ed.

- by Members of Staff of the Foreign Office, One Hundred And Thirty Sixth Publication (London: Harrison And Sons Ltd., 1965) p. 126.
- 73 Letter from C.T. Crowe to J.G.S. Beith at the British Embassy in Paris, May 28, 1958. F.O. 37/131344.
- 74 Interview with Heikal, London: October 2, 1992.
- 75 "Anglo Egyptian Financial Negotiations" Report of Discussions between Dr. Emery and Sir Denis Rickett in Geneva, July 12-15. Appendix I to "Financial Negotiations with Egypt", Note By the Chancellor, July 21, 1958. C(58) 161 CAB. 129/94 pp. 57-64; and Macmillan, *Riding the Storm*, p. 239.
- 76 Extract from a letter sent to the Secretary of State (Selwyn Lloyd) enclosed in a letter from Lloyd to the Chancellor of the Exchequer D. Heathcoat Amory, June 17, 1958. F.O. 37/131393.
- 77 Memorandum on "Refugees From Egypt", July 1958. F.O. 37/131393.
- 78 "Egypt: Financial Negotiations", Note By Officials in a Note By Sir Norman Brook the Cabinet Secretary, August 7, 1958. CAB. 129/94. p. 92.
- 79 "Points on the Ex-Gratia Loan Scheme raised in discussion with representatives of the Refugees from Egypt" by P. V. Dixon, August 18, 1958. F.O. 371/ 133994.
- 80 79th Cabinet Meeting, October 30, 1958. CAB. 128/132 Pt. 2 p. 488.
- 81 Cabinet Meeting, November 11, 1958. CAB. 128/132 Pt. 2 pp. 493-494.
- 82 *Hansard*, March 16, 1959.
- 83 House of Commons Debate, March 16, 1958. H.C. 110/2.
- 84 "Rome Talks: Miscellaneous Points" by M. E. Johnston.
- 85 This theme, i.e. the concern for the resumption of trade with Egypt, is evident in several memoranda by officials as well in conclusions of

- Cabinet meetings which dealt with the subject, some of which are:  
Memorandum: "Egypt: Financial Negotiations", Note By Officials,  
August 6, 1958. CAB. 129/94. p. 91 and "Financial Negotiations  
with Egypt", Memorandum by Officials, June 1958. CAB. 129/93 p.  
247. *See also* Conclusions of 51st Cabinet Meeting, p. 313 and  
Conclusions of 67th Cabinet Meeting, August 12, 1958. CAB.  
128/32 Pt. 2 pp. 400-402.
- 86 Minute by Roger Stevens, December 1, 1958. F.O. 371/133970.
- 87 "United Kingdom Financial And Commercial Relations with the United  
Arab Republic (U.A.R.)" by J.A. Ford.
- 88 *Ibid.*
- 89 *Ibid.*
- 90 "Commercial Relations with Egypt", Colin Crowe, April 16 1958. F.O.  
371/13161.
- 91 Briefs for the N.A.T.O. meeting May, 1958. Egypt Item III 4. F.O.  
37/131348 XC 148931.
- 92 Aide mémoire to the British Embassy in Paris from Minister des Affaires  
Etrangères, Direction Générale des Affaires Politiques Direction  
d'Afrique-Levant, Paris, February 4, 1958. Letter from the British  
Embassy in Paris to Mr. Adam Watson (Head of the African  
Department) who was a member of the British delegation to the  
negotiations in Rome. F.O. 37/131344.
- 93 "Minute by the Leader of the United Kingdom Delegation" by Sir  
Denis Rickett, August 1958. CAB 129/94.
- 94 Interview with Dr. Ahmed Ismat Abd al-Megid, London: November 10,  
1991. Dr. Megid, the present Secretary of the Arab League, was the  
Egyptian Ministry of Foreign Affairs representative in the Egyptian

- delegation which reached the agreement with France.
- 95 "Future Policy towards The United Arab Republic", Levant Department, September 17, 1958. F.O. 371/133980.
- 96 Letter from J.G.S. Beith, British Embassy in Paris, to Adam Watson, Head of the African Department, May 5, 1958, and reply from Colin Crowe, May 28, 1958. F.O. 371/131344.
- 97 Roger Owen, "Economic Consequences of Suez for Egypt", in *Suez 1956. The Crisis And Its Consequences*, Wm. Roger Louis and Roger Owen (eds.) (Oxford: Clarendon Press, 1989) p. 366.
- 98 "Egyptian Balances and U.K. Claims" by A.W. Taylor (Treasury) to Sir Roger Makins, November 11, 1957. F.O. 371/125481.
- 99 From W.L.F. Nuttall (Shell) to J.A. Beckett (Ministry of Power), April 18, 1958. F.O. 371/131361; also a memorandum handed by Mr. Mcfadzen (Shell) to Mr. Taylor (Treasury), April 21, 1958; and also "Note for the Record on Egypt: Negotiation with Shell", April 21, 1958. F.O. 371/131361.
- 100 "Financial Negotiations with Egypt", Memorandum By Officials, June 1958. CAB 129/ 93 p. 247.
- 101 87th Cabinet Meeting, December 23, 1958, CAB, 128/32 Pt. 2 p. 544.
- 102 Telegram No. 60 from United Kingdom Delegation to Financial Talks Cairo, to Foreign Office, January 29, 1959. F.O. 371/142028.
- 103 Interview with Heikal, London: October 2. 1992.
- 104 Interview with Heikal. London: September 15 1990.
- 105 *Ibid.*
- 106 Heikal, *Sanawat*, pp. 321-350.

- 107 His real name was Zaghloul; however British Foreign Office officials referred to him as Zag.
- 108 Letter from the Head of the African Department J.H.A. Watson containing the information passed on to David Hope, Head of the News Department at the Foreign Office, April 11, 1958. F.O. 371/13161.
- 109 "Anglo-Egyptian Financial Negotiations", Report by Mr. Hamilton of the Bank of England on his talks in Cairo, p. 250 and "Anglo Egyptian Financial Negotiations" Report of Discussions between Dr. Emery and Sir Denis Rickett in Geneva, July 12-15. Appendix I to "Financial Negotiations with Egypt" a Note By the Chancellor, July 21, 1958. C(58) 161 CAB. 129/94 pp. 57-64, and also: "Minute by the Leader of the United Kingdom Delegation" (in these negotiations) by Sir Denis Rickett in "Egypt: Financial Negotiations" Note by the Secretary to the Cabinet, Sir Norman Brook. C(58) 168, August 8, 1958. CAB. 129/94 p. 92.
- 110 "Egypt Financial Negotiations", Memorandum by the Chancellor of The Exchequer, December 31, 1957 CAB. 129/91, and also Rome Telegram No 58 and Conclusions of 67th Cabinet Meeting, August 12, 1958. CAB. 128/32 Pt. 2 pp. 410-402.
- 111 Memo from Sir William Hayter, April 8, 1958. F.O. 371/ 131344.
- 112 "Commercial Relations with Egypt", Colin Crowe, April 16 1958.
- 113 Ford, "United Kingdom Financial and Commercial Relations with the United Arab Republic". In fact, if the Thomas Cook arrangement had not been made public at the time, the Chancellor of the Exchequer intended to deny Thomas Cook the permission which they required to carry out their project.

- 114 "Egypt and Thomas Cook" Letter from the Chancellor of the Exchequer D. Heathcoat Amory to Sir David Eccles, President of the Board of Trade, May 19, 1958. F.O. 371/131361.
- 115 "Negotiations with the United Arab Republic" Memorandum by Colin Crowe, September 17, 1958. F.O. 371/133980.
- 116 *Ibid.*
- 117 Conclusions of 77th Cabinet Meeting, October 23, 1958. CAB. 128/132 Pt. 2 pp, 477-478.
- 118 87th Cabinet Meeting, December 23, 1958. CAB. 128/32 Pt. 2 p. 544.
- 119 Message to Mr. Hammarskjöld from Mr. Selwyn Lloyd, the British Foreign Secretary, handed to him on September 26, 1958. F.O. 371/133980.
- 120 From the Secretary of State to Sir John Nicholls, K.C.M.G., O.B.E., the United Kingdom Ambassador to Belgrade, November 4, 1958. F.O. 371/133970.
- 121 "Anglo-Egyptian Negotiations", by Colin Crowe. January 7, 1959. F.O. 371/141920.
- 122 Record of Discussions with Mr. Black, February 2, 1959. F.O. 371/142028.
- 123 Article IV (2) in the Agreement between the Government of the U.K. of Great Britain and Northern Ireland and the Government of the United Arab Republic concerning Financial and Commercial Relations and British Property in Egypt, Cairo, February 28, 1959. (Treaty Series No. 35, 1959) (London: Her Majesty's Stationery Office 1962), p. 5.
- 124 From Washington to Foreign Office Cabled 209, January 23, 1959. F.O. 371/141920.

- 125 "Anglo-Egyptian Negotiations", by Colin Crowe. January 7, 1959.
- 126 From Foreign Office to the United Kingdom Delegation to the Financial Talks Cairo, Ciphered Cable No. 1, January 13, 1959. F.O. 371/141920.
- 127 Telegram No. 14 from U.K. Delegation to the Financial Talks in Cairo to Foreign Office. January 15, 1959. F.O. 371/141920.
- 128 Letter from Colin Crowe to Ambassador Dr. Talaat, the Director of the Economic Department, January 16, 1959. F.O. 371/141920.
- 129 From U.K. Delegation to Financial Talks Cairo to Foreign Office, Ciphered Cable No. 23, January 19, 1959. F.O. 371/141920.
- 130 *Ibid.*
- 131 From U.K. Delegation to Financial Talks Cairo to Foreign Office, Ciphered Cable No. 23, January 19, 1959, and Telegram No. 14, January 15 1959, From U.K. Delegation to the Financial Talks in Cairo to Foreign Office. F.O. 371/141920.
- 132 Aide mémoire, "Sales Of Land Under Proclamation Number 5", prepared by J.A. Ford (Treasury), January 30, 1958. F.O. 371/142028.
- 133 Telegram No. 60 From the U.K. Delegation to the Financial Talks Cairo to Foreign Office, January 28, 1959. F.O. 371/142028.
- 134 *Ibid.* and "Sales Of Land Under Proclamation Number 5", by J.A. Ford, January 30, 1958.
- 135 Memorandum, "Egypt" From Sir Denis Rickett to Sir Roger Makins, January 30, 1958. F.O. 371/142028; and Record of Discussions with Mr. Black, February 2, 1959. F.O. 371/142028 Telegrams No. 413, 414, February 11, 1958, From Washington to the Foreign Office, and Telegram 987, February 12, 1958, From Foreign Office to

Washington, and "Sales Of Land Under Proclamation Number 5", by J.A. Ford, January 30, 1958. This aide mémoire was handed to Mr. Black by Sir Denis Rickett on January 31. F.O. 371/142028.

- 136 Minute on "Anglo-Egyptian Financial Agreement" by F. Burrows, February 17, 1958. F.O. 371/142028.
- 137 From the U.K. Delegation to the Financial Talks in Cairo to Foreign Office, January 28, 1959. F.O. 371/142028.
- 138 Cipher telegram No. 209 Immediate From Washington to Foreign Office, January 23, 1959. F.O. 371/142028.
- 139 From United Kingdom Delegation to Financial Talks, Cairo to Foreign Office. Telegram No. 49, January 26, 1959. F.O. 371/141920.

## **CHAPTER FIVE**

### **THE RESTORATION OF OFFICIAL RELATIONS**

#### **I — INTRODUCTION**

The United Kingdom intensified its efforts to reach a financial settlement with Egypt in the period 1958-1959. Once this goal was achieved, there remained two issues that the U.K. tried to resolve. The first was the restoration of diplomatic relations between the two states, the second was the release of the two British subjects imprisoned in Egypt on charges of espionage.

The same pattern that occurred in 1958 and 1959, regarding the signature of the financial treaty, repeated itself in 1959-1961 regarding the restoration of full diplomatic relations between the two states. Once again, there were consistent British pressures to induce the Egyptian government to accept restoration of diplomatic relations in the face of an Egyptian posture that can best be described as reluctant. The United Kingdom employed the same methods it had used with regards to the financial treaty, namely a personal message from the British Foreign Secretary to his Egyptian counterpart and the efforts of mediators. The U.K. also tried to put pressure on Egypt through threatening to block the path of the I.B.R.D. loan to the Suez Canal project, as well as trying to calm down Egyptian fears about the role of the U.K. in undermining Nasser's position in the Arab world.

However, though the regional conflict that existed between the two states at

the time had not affected the financial negotiations and settlement, it did affect the speedy restoration of diplomatic relations, because the issues involved were generically different from those involved in the financial agreement. These issues included the effect of the historical legacies, the strength of the domestic constituencies involved, and the perceptions of the decision-makers of bilateral relations in general and their effect on their constituencies. Nevertheless, diplomatic relations were eventually restored to chargé d'affaires level in December 1959. The restoration of full diplomatic relations to ambassadorial level finally occurred in 1961, after much delay due to the refusal of the U.K. to grant Egypt consular posts in some of its colonies.

The restoration of diplomatic and official relations between the two states did not mean that the U.K. reached a genuine reconciliation with Nasser or vice versa. It occurred because the severe and sudden rupture of 1956 had created a multitude of problems which had to be redressed, to the extent that the problems between the two states were settled and relations restored at a time that witnessed the climax of the regional conflict between them. Nevertheless, the restoration of relations led to an improvement in the atmosphere between the two states; a direct result of this was the release of the last British subject imprisoned in Egypt. The restoration of the relationship not only improved bilateral relations between the two states but also led to a decrease in the regional conflict between the two states, as the events in Kuwait in 1961 proved.

## **II THE U.K.'S EFFORTS AT RECONSTRUCTING THE OFFICIAL RELATIONSHIP AND EGYPTIAN OBJECTIONS**

The issue of the resumption of diplomatic relations with Egypt was one on which the U.K. government placed great importance. As previously explained, since 1958 the U.K. had considered the possibility of resuming relations prior to the final settlement of British claims in Egypt. The U.K.'s determination to resume relations with Egypt was further manifested by the decision to appoint Mr. Colin Crowe, the Foreign Office representative in the delegation that went to Cairo and negotiated the financial agreement, as the Chargé d'Affaires there when relations were restored. Indeed, the eventual reconstruction of the official and diplomatic relations between the U.K. and Egypt shows a consistent pattern of British efforts at establishing relations faced with firm (though gradually easing) Egyptian resistance.

### **A The Mission**

The United Kingdom initially tried to make the financial agreement conditional on the resumption of diplomatic relations. Later, and as a last resort, the U.K. tried to establish a diplomatic mission, which it thought to be essential for the implementation of the financial agreement. The U.K. had to lower its sights from seeking the immediate resumption of relations because of the Egyptian position, which, while accepting the eventual resumption of diplomatic relations between the two countries, would only agree to start with a diplomatic mission for the U.K. in Egypt. The British government was informed by Western diplomats who had access to President Nasser that he favoured resumption of relations with the U.K., but in stages, fearing that an immediate

resumption might be too drastic in the sense that it might be exploited against him by communist and left-wing elements in the United Arab Republic. [1]

Nasser's concern that his relations with the U.K. might be used as a weapon against him by left-wing elements and communists in Egypt and Syria was evident during that period. This was because the greatest opposition to Nasser's rule at the time appeared to be the communists in Egypt and Syria. Nasser believed that the enemies of the Egyptian-Syrian unity in Syria centred around the Syrian Communist Party. Moreover, communist activities in Egypt during that period intensified. This belief was strengthened by the rise of Qasim's regime, which Nasser believed to be communist, in Iraq and by the animosity that developed between Nasser and Qasim. [2]

Several indications at the time served to soothe U.K. anxieties about the prospects of Egypt agreeing to resume diplomatic relations. The information received through the Italians, the confidence of Mr. Black that Egypt would agree to the immediate resumption of relations after the signature of the financial agreement took place [3], as well as the personal message from Dr. Fawzi to Selwyn Lloyd on 25 January, [4] convinced the British government that relations would be resumed after the agreement. Indeed, the brief prepared for the Economic Secretary to the Treasury F.J. Erroll, before his departure for Egypt to sign the financial agreement, asserted that there "should be no cause to discuss this" (resumption of full diplomatic relations), as the U.K. was "relying on an assurance by the Egyptians that diplomatic relations will be resumed as soon as possible following an agreement". [5] Therefore it was with this in mind that the British government signed the financial treaty with Egypt on February 28, 1959. Mr. Erroll was asked to convey to the Egyptian

several points intended to dispel Egypt's and Nasser's suspicions of the U.K. He was to stress that the British government was not opposed to Arab unity, that it wanted normal relations with Arab countries and that it did not want to exploit inter-Arab differences or even interfere in them. More importantly, Erroll was to confirm that the U.K. was neither working with Iraq against Egypt, nor encouraging the Sudan to quarrel with Egypt. He was also to deny that the U.K. was operating a clandestine radio broadcasting station to attack Nasser. [6]

This attitude by the British government proved to be highly optimistic and their hopes of establishing diplomatic relations soon became frustrated. After the signing of the financial agreement, the U.K. found the Egyptians reluctant to re-establish diplomatic relations on the level of chargé d'affaires, or even to establish a British diplomatic mission until the formal resumption of relations. The Foreign Office instructed Colin Crowe, who had remained in Egypt after the signature of the financial treaty, to make representations to the Egyptian government regarding this point and stressing its urgency, as there was going to be a debate on the financial treaty in the House of Commons. The Foreign Office asked Crowe to mention that the absence of a British mission in Egypt would strengthen the hand of the enemies of the financial agreement. [7] To carry out this instruction, Colin Crowe met Qaissuni, the Central Minister for the Economy, after being unable to meet the Egyptian Minister of Foreign Affairs or the Vice Minister, who had promised to investigate the matter. [8] After that meeting, Crowe was asked to see the Director of the Economic Department at the Egyptian Ministry of Foreign Affairs, who listened to his request to be formally accepted as the U.K. representative in Cairo with the customary privileges and immunities and to be allowed to bring the necessary

staff from the U.K. for the work of the British mission. The only response that Crowe received was a request — for formality or procedure' sake — that the Embassy of Switzerland, the protector of British interests in Cairo while relations were severed, might submit a note to the Egyptian Ministry of Foreign Affairs regarding Crowe's appointment as the U.K. representative in Egypt. [9]

After that meeting, Crowe was again asked by the Egyptian authorities (on March 23) to submit a formal note from the Embassy of Switzerland regarding his appointment as the U.K. representative and was promised a speedy reply to it. Accordingly, he persuaded the Swiss Embassy to submit the note the same day [10] In fact the delivery of this note marked an intensification of the U.K.'s long efforts to establish diplomatic relations with Egypt, whether by merely having a diplomatic mission in Cairo, or by proper diplomatic representation on the level of chargé d'affaires, or by full representation on the level of ambassador. This diplomatic effort included seeking the mediation of Western countries and constant messages and gestures from the British government to the Egyptian government. When the formal note by the Swiss Embassy failed to have the desired effect, Selwyn Lloyd sent a message to his Egyptian counterpart, Dr. Mahmoud Fawzi, reminding him of his promise to establish a British diplomatic mission in Cairo. In his message, Lloyd treated the issue of the British diplomatic mission as a matter "in connexion" with the financial agreement between the two states. He reminded the Egyptian Foreign Minister of the U.K.'s desire to resume diplomatic relations. [11] This message also reminded Dr. Fawzi of the importance the U.K. placed on the release of the two British prisoners held in Egypt, stating that such a release would help improve the relations between the two countries. [12]

The U.K.'s efforts to secure Egyptian acceptance of a British diplomatic mission transcended simply utilising mediation efforts or personal high-level messages between some of the leaders of both countries. To try and shift the Egyptian position, and as part of an effort aimed at confidence-building between the two states, the U.K. reversed its restrictions on selling goods of military use to Egypt. These restrictions had been put into effect in 1956 as a result of the events leading to the Suez War and had resulted in halting the delivery of several shipments of arms and military equipment that Egypt had paid for. [13] Egypt could now receive these shipments, the U.K. stated, if the Egyptian government still wanted them. [14] That this was an attempt to soften the Egyptian position was demonstrated by the fact that Selwyn Lloyd, in his message of March 26 to Dr. Fawzi, made a point of informing the Egyptian Foreign Minister of the U.K. decision to lift the restrictions in the same message in which he asked for the resumption of diplomatic relations. [15] The U.K. decision not to prevent the sale of military equipment to Egypt was not limited to the delivery of old contracts; indeed the U.K. also approved new contracts to Egypt in March of that year when it approved the sale of Marconi radar and monitoring equipment. [16]

The significance of the U.K. allowing the sale of military equipment to Egypt can be summarised in the following points. Firstly, it marked the ending of the trade restrictions imposed on Egypt after the nationalisation of the Suez Canal assets in Egypt in 1956. Secondly, the U.K.'s willingness to allow the sale of arms to Egypt, after being in military conflict with it in 1956 and after sending troops to Jordan a year before to shore up the latter's defences against Egypt, shows the strength of its desire to restore relations with Egypt. Moreover, though most of the military equipment designated to Egypt was not thought

likely to drastically increase the fighting capabilities of the Egyptian armed forces, nevertheless it was a thorny issue which could have laid the British government open to criticism, whether from supporters of Israel or from Nasser's enemies in the U.K.

The U.K.'s efforts continued and intensified. It developed a two-tier approach or pattern, which it used to establish a diplomatic mission in Cairo, restore diplomatic relations and finally upgrade relations to ambassadorial level. The first tier was the direct approach to Egyptian officials, with assurances that the U.K. was not trying to utilise Arab differences to attack Egypt or undermine Nasser. The second tier was the indirect approach, the use of the good offices of other Western diplomats in Cairo and the mediation of leaders of international organisations, especially the United Nations and the World Bank for the same purpose, i.e. to assure Egypt that the U.K. was not gunning for Nasser through the exploitation of inter-Arab differences, especially the Egyptian-Iraqi conflict which marked that period.

When the British Representative in Egypt could not gain access to Nasser or his close advisors, the U.K. authorised Sir Frank Lee, the Permanent Secretary to the Board of Trade, to visit Egypt in April 1959, where he was excellently received by Egyptian officials. [17] Egypt's desire to promote the sale of Egyptian cotton to the U.K., when British firms showed no interest in purchasing it because of the high price Egypt imposed, contributed to the excellent reception accorded to Sir Frank. [18] That visit allowed Mr. Crowe his first chance to meet Amin Shaker, the Chef de Cabinet of the President, when he accompanied Sir Frank to a meeting with him organised at the latter's request. It allowed the U.K. representative and the visiting British officials to

try to dispel the Egyptian anxieties arising from Anglo-Iraqi relations and their fear of the effects of the U.K. policy in the Arab world on Egypt.

During the meeting, Amin Shaker informed the British envoy that President Nasser would be taking a decision soon regarding the British mission in Cairo and promised that "very soon there would be good news for Mr. Crowe". Nasser's Chef de Cabinet said that the United Arab Republic wanted to establish diplomatic relations soon with the United Kingdom. However, he stated that the main complication was the fact that other Arab countries had already severed diplomatic relations with the U.K. at the time of Suez, and that these had to be consulted first. Moreover, Amin Shaker said, these Arab countries suggested that some preconditions ought to be met by the U.K. before the restoration of diplomatic relations. Naturally the country referred to by Shaker was Saudi Arabia, as the U.A.R. and Saudi Arabia were the only Arab countries without diplomatic relations with the U.K. The British envoy understood that the preconditions implied by Shaker referred to the U.K. position on the Buraimi dispute between Saudi Arabia and the Sultan of Oman.

[19]

The Foreign Secretary, anxious for the speedy establishment of the British diplomatic mission in Cairo, instructed Crowe to continue his demands for the mission by directly approaching the Egyptian authorities. Selwyn Lloyd's desire for the establishment of the mission was heightened by the pressure for it in Parliament. [20]

At the same time the United Kingdom was engaging the efforts of Western

ambassadors to Cairo to try to hammer the message home to the Egyptian government about the need to establish diplomatic relations between the two states. Therefore, in April 1959, Western ambassadors to Cairo, at the U.K.'s request, undertook a concerted effort to stress that message and argue the British government case. This began with the Italian Ambassador, Fornari, who put the U.K.'s case to the Egyptian Vice Minister for Foreign Affairs Zulfikar Sabry, who was also the brother of Ali Sabry, the Egyptian Minister of Presidential Affairs. The same message was also drilled home by the German Ambassador, who argued the same points during his contacts with Egyptian officials. [21] It was also emphasised by the United States Ambassador to Cairo when he met Ali Sabry. [22] In addition, the U.K. diplomatic effort in Cairo was also reinforced by the help of the Canadian and the Swiss ambassadors to Cairo. [23] Moreover, the U.K.'s efforts were not limited to relying on the aid of the Western ambassadors to Cairo; other British nationals from outside the government who got a chance to meet Egyptian officials stressed the importance of restoring diplomatic relations and tried to disperse Egyptian apprehensions regarding U.K. policy in the Arab world. These nationals reported what transpired during such meetings to their governments. [24]

However, when the diplomatic efforts of Colin Crowe proved insufficient to persuade the Egyptian government to change its position, the British Foreign Office started to increase the pressure on the Egyptian government even further. During a dinner between Selwyn Lloyd and the Secretary General of the United Nations, Dag Hammarskjöld, the former asked Mr. Hammarskjöld to assign Dr. Bunche, his envoy, who was about to visit Egypt, to speak on behalf of the British government to the Egyptian government. He wished Dr. Bunche to state that the Secretary General of the United Nations had spoken

with the British Foreign Secretary and received his assurances that the U.K. was anxious to resume relations with Egypt. Dr. Bunche should confirm to the Egyptian government that the U.K. did not want to undermine Nasser's position and that they did not intend to build up Qasim as a substitute for or an enemy to Nasser. Lloyd asked Hammarskjöld to give this as a message from himself to Nasser with his own recommendations. [25] The Secretary General of the United Nations agreed to the U.K. request and wrote a message to the Egyptian Foreign Minister endorsing the U.K. position.

At the same time the United Kingdom engaged the help of two other allies in trying to persuade the Egyptian government to yield to the British demand of opening a British diplomatic mission in Cairo and the resumption of diplomatic relations. The first was Mr. Eugene Black, President of the International Bank for Reconstruction and Development (I.B.R.D.). The U.K. government asked Mr. Black to impress on Egypt the importance of a British mission in Cairo. [26]

The mediation of Mr. Black was extremely critical and effective in exerting pressure on Egypt as it was on the eve of the departure of the I.B.R.D. delegation to Egypt to finalise the \$100 million World Bank loan for a Suez Canal development project. [27] When the U.K. engaged the mediation of Mr. Black at that stage to try and convince the Egyptian government to accept a British diplomatic mission in Cairo, there was the insinuation or implication that the U.K. could take an unhelpful attitude to the I.B.R.D. loan. Moreover, the Ambassador of the United Kingdom in Washington was asked by the British Foreign Secretary to ask the U.S. State Department that Mr. Hare, the U.S. Ambassador to Cairo, should make representations on behalf of the American

government to the Egyptian government regarding the U.S.'s hope "that the present deadlock in connexion with the establishment of Mr. Crowe's Mission" be broken. The U.K. wanted the American message to be in "the strongest possible terms". [28]

The fact that all of these efforts began to bring pressure to bear on the Egyptian government at the same time was one of the factors that helped the U.K.'s case. To start with, Hammarskjöld's message to Dr. Fawzi (which also included a personal message from Lloyd to Nasser) was received on April 20, the same time the I.B.R.D. mission arrived in Cairo. Hammarskjöld's message to Nasser was exceptionally effective, according to what Dr. Fawzi said after reading it, because it explained the British attitude to Qasim. [29]

At last, on April 25, Mohamed Hassanein Heikal, the editor of *Al-Ahram* newspaper and the close confidante of Nasser, asked to meet Colin Crowe late that evening. In that meeting, Heikal informed Crowe that Nasser had approved the establishment of a British mission and Crowe's credentials as the representative of the United Kingdom in Egypt. Heikal said that Crowe would receive the official notification within 24 or 48 hours, and that Nasser had given him special permission to inform Crowe in advance of the official notification. [30] Heikal explained to Crowe that the reason for the delay was the religious festival Ramadan as well as Nasser's absence. Crowe was not totally optimistic about the truth of this report, as he had been receiving similar promises for several months, whether from Amin Shaker or from Dr. Fawzi a few months previously. Heikal's information, however, was accurate and on the next day the Swiss Embassy received the official reply from the Egyptian Ministry of Foreign Affairs with the approval of Colin Crowe's credentials and permission for the establishment of a British mission in Cairo.

Thus the United Kingdom's first immediate goal of opening a mission was finally achieved, albeit after haggling that had lasted for over three months. However, the U.K. found that, after all the delay, the permission finally granted fell far short of what they had requested . The most important shortcoming was that the mission received no diplomatic status, with the exception of some diplomatic tax privileges, and was refused either Diplomatic Bag or cypher facilities. The name of the mission was the British Property Commission, and it was not allowed to use the premises of the British Embassy in Cairo or even the Residency of the British Ambassador. Moreover, only five diplomats and five secretaries were allowed to work in the mission, and their work was to be strictly limited to areas of trade and desequstration (i.e. matters related to the financial agreement). Although the mission was allowed direct access to the Ministry of Finance, they were not permitted to contact the Ministry of Foreign Affairs; they had to continue to be in contact with the Egyptian Foreign Ministry through their protecting power, i.e. the Swiss Embassy. [31]

The U.K. government found these terms unsatisfactory. It had expected diplomatic status and the use of the premises of the British Embassy — or at least the use of the Residence of the British Ambassador. The U.K. also expected the mission to have direct access to the Ministry of Foreign Affairs (by virtue of being a diplomatic mission). It also wanted the mission to comprise a larger number of staff than was granted. As for the title of the mission, it wanted it to be called "The Office of The United Kingdom". [32]

Despite the shortcomings of the Egyptian offer, the British government decided to accept it, under protest, and to try to gradually improve the status and facilities of the mission. [33] The reason the U.K. accepted the Egyptian offer was that it thought that politically "the most important (thing) for our

Middle East policy is that we should be back in Cairo without delay". And since "nothing would be gained by our having a row with the Egyptians over the inadequacies of their offer on the Mission", the British government decided to accept the Egyptian offer. [34]

## **B      The Reasons for the Egyptian Refusal to Normalise Relationships with the U.K.**

From August 1958, it became obvious that the U.K. faced serious objections, if not outright rejection, from Egypt in attempting to restore diplomatic relations. No matter how hard the U.K. tried to persuade the Egyptians to do so, whether by direct contact or through intermediaries, the Egyptians adamantly refused to yield. There were several reasons behind Egypt's continuing refusal to restore diplomatic relations. However, before outlining these, one has to be aware that at the time the only authority in Egypt able to decide on the matter was Nasser himself. There were some in the Egyptian government who were willing to resume relations with the U.K., such as Dr. Mahmud Fawzi, the Egyptian Foreign Minister, whose favourable attitude was manifest in his conversation with Mr. Selwyn Lloyd at the office of the United Nations Secretary General in August 1958; but restoration of relations was Nasser's decision in the final analysis. Even the agreement to grant the U.K. a mission in Cairo was Nasser's decision, a fact that was made clear to the U.K. Representative in Egypt at the time, Mr. Colin Crowe. [35]

Indeed the events which occurred in the field of bilateral relations between the U.K. and Egypt since the severance of relations illustrate several points. The problems between the two states in the field of bilateral relations, created as the

result of the rupture in the relations, forced the two countries to meet, negotiate and finally reach compromises towards their settlement. Therefore the fully-fledged regional confrontation between the two states in 1958 had almost no effect on bilateral relations or the efforts of both countries to reach a settlement. However, the restoration of official relations between the two states proved to be not as straightforward as the settling of financial issues. The issues involved in the restoration of official relations were generically different from those related to the financial settlement. These issues included the reactions and strength of the domestic constituencies, the symbolic meaning of the restoration of relations, the historical legacies as well as the regional confrontations between the two states.

The reasons for Egypt's reluctance to normalise diplomatic relations with the U.K. could be divided into psychological, internal, and regional reasons. By psychological reasons is meant the attitude and frame of mind of Nasser towards the U.K. and relations with it. This was largely due to the colonial legacy of the U.K. in Egypt but more importantly due to the events which had led to the tripartite aggression in October 1956.

The Suez War had caused tremendous feelings of anger, bitterness and mistrust of the U.K. amongst the Egyptians in general and for Nasser in particular. [36] These feelings made the decision to resume diplomatic relations with the U.K psychologically difficult for Nasser. Indeed that very point was reiterated by the Vice Minister at the Egyptian Foreign Ministry, Zulfikar Sabri, to the Italian Ambassador in April 1959. [37] Nasser's difficulty in taking the decision to resume diplomatic relations with the U.K. was relayed to the British government via the Canadians. The Canadian Ambassador to Cairo was

stressing to Nasser the need for direct contact between the U.K. and Egypt and the exchange of views between the two countries, especially in the light of the developments in the Arab world. And though Nasser conceded this point, his response illustrated his personal and psychological difficulty in restoring relations with the U.K. "What do you want me to do?" Nasser asked. "Do you expect me to welcome the British in Cairo after all they have done, not only in November 1956 but subsequently?" The Canadian Ambassador was convinced that Nasser's remark was not a debating point but an expression of perplexity. [38]

This psychological difficulty contributed to the Egyptian tendency to mistrust every British move in the Middle East. It made Egyptian officials, particularly Nasser, prone to believe anything that linked the U.K. with their problems and whatever ill was aimed at Egypt at the time. As a result some Egyptian officials held implausible beliefs; for instance, that the U.K. (namely the British secret service) was aiding the communists in Iraq. [39]

President Nasser told the Canadian Ambassador to Cairo, in May 1959, that a few months earlier he had contemplated an early resumption of relations between Egypt and the U.K. What prevented him at the time was the discovery that the British secret service were trying to recruit members of the Syrian minorities (especially the Druze) from Beirut. Nasser said that he feared that to allow a diplomatic mission would be to assist the recruitment efforts of British intelligence and increase the prestige and respectability of the U.K. [40] Moreover, Nasser formed the belief that the U.K. was running a clandestine radio station in the Middle East, directing its broadcasts towards Egypt and attacking him. He persisted in this belief (he actually mentioned it to a British

member of Parliament, Mr. Woodrow Wyatt, in the course of his complaints about the U.K.). [41] No matter how hard the U.K. tried to assure him it was not true, their efforts were to no avail. His belief that the U.K. was running that clandestine radio station was apparently among the reasons which prevented Nasser from restoring diplomatic relations with the U.K. at that time. [42]

This point sheds some light not just on Anglo-Egyptian relations or the conduct of Egyptian foreign policy during that period. It exposes the nature of foreign policy decision-making in such a “one-man-band” regime, or Presidential-Type system. In such a system, the final arbiter of all major decisions is the president, or leader of the state. Indeed in such a regime, the state’s foreign policy is decided by its leader’s perceptions of reality. However, that perception of reality is also influenced by the past experience of that leader. [43] Thus, the leader’s perceptions of reality and his past experience directly influence his immediate decisions of foreign as well as domestic policy. In Nasser’s case, his delaying the restoration of relations with the U.K. out of the belief that the U.K. was aiding the communists in Iraq and operating a clandestine radio station that attacked him, and more importantly out of anger at the U.K.’s actions against Egypt in 1956 or even before 1952, illustrates how the autocratic type of decision-making affects the foreign policy of the state in question. Moreover, it shows how the fear of the foreigner reflects fears closer to home, namely the position of Nasser internally and in the Arab world. Nasser apparently felt threatened on both fronts because of the activities of the communists in Iraq and the clandestine radio station referred to. The crisis that was facing Nasser’s position in the Arab World at the time contributed to his tendency to fit “incoming information into pre-existing beliefs and to perceive what they expect to be there”. [44] Nasser saw the

invisible hand of the U.K. and its secret service in whatever threat was facing Egypt.

Another reason which prevented Nasser from restoring diplomatic relations with the U.K. was his concern about the internal implications of normalising relations with the United Kingdom. After constantly attacking the U.K. ever since Suez, in his speeches as well as in the mass media, blaming all evils in the Arab world on that country, Nasser found it difficult to normalise relations with the U.K. abruptly. He mentioned these implications of the restoration of relations with the U.K. to the Italian Ambassador in January 1959, when he said that although he was prepared to resume relations with the U.K., he was not prepared to do it in one.

Instead, he was willing to start by opening a U.K. office in Cairo responsible only for carrying out the financial agreement, followed by chargés d'affaires and then later by the exchange of ambassadors. The first reason that Nasser gave for this course of action was the fear that immediate resumption of relations would be too spectacular and would be exploited by communist and left-wing elements in the United Arab Republic to make trouble for him. [45] These apprehensions about the effects of the normalisation of relations with the U.K. on the left-wing elements in Egypt were particularly important because of the U.A.R. policy at the time, which was aimed at putting a check on the communist elements in Egypt with the resulting arrest of several hundreds of them in Egypt and Syria at the time. Indeed, what adds to the credibility of this account of Nasser's motives and intentions was that this course of mass arrests was exactly the course adopted by Nasser when the

resumption of diplomatic relations between the U.K. and U.A.R. actually took place.

The third important set of reasons for Egypt's willingness to resume relations with the U.K. at that time were related to regional issues. The struggle between Egypt and Iraq was at its peak. Egypt suspected that the U.K. was actively aiding the communist elements in the Iraqi regime against the nationalist forces in that country, which were sympathetic to Nasser and adhered to his doctrine of Arab nationalism. There was a widespread story in Egypt at the time, a story which was believed by Egyptian officials close to Nasser, regarding the British responsibility for Qasim getting rid of Arif and Gailani, two leading figures in the Iraqi regime who were sympathetic to Nasser. [46] Egyptian officials believed that the U.K. Ambassador to Iraq, Sir Michael Wright, had given Qasim information incriminating Arif and Gailani at two o'clock in the morning. Egyptian officials believed that the U.K. Ambassador's keenness to go to Qasim at that late hour, simply to give him incriminating evidence against these pro-Nasser men, was yet another proof of the U.K.'s animosity towards Nasser and the U.A.R., and it confirmed their fear that the U.K. was aiding the communists in Iraq to undermine Nasser.

The Egyptian government increased its violent attacks on Iraq to fever pitch. [47] Moreover, Heikal, the editor of *Al-Ahram*, published an article accusing the U.K. of collaboration with Iraqi communist elements. [48] The significance of Heikal's article was not merely that Heikal was a close friend and confidant of Nasser, but more importantly that *Al-Ahram* became, during Nasser's time, a semi-official newspaper and that Heikal himself used to represent the official view of the Egyptian government. The belief that the U.K. was supporting the

communists in Iraq against Egypt was predominant among Egyptian officialdom, who spoke freely to Western diplomats and others to the effect that Egypt would not resume relations with the U.K. because of the latter's policy vis-à-vis Iraq. Thus, the Vice Minister of the Egyptian Foreign Ministry told both the Belgian Ambassador [49] and the Italian Ambassador [50] that the difficulty Egypt was having with the U.K.'s policy in Iraq was the cause of the delay in resuming relations. The same message was also reiterated by two members of the Free Officers who were among Nasser's small circle of intimates, Colonel Hatim and Murad Ghalib. Hatim expressed anger to a British journalist, Rawle Knox of the *Observer*, at the U.K. policy towards Iraq, especially the arms deliveries to Iraq which were announced at the time, stating that the U.K. arms were being given to communists to shoot down Arab nationalists and that because of this Egypt would not establish diplomatic relations with the U.K. [51] Murad Ghalib repeated that message in a private conversation with a British businessman who was in Cairo attending the Arab Oil Conference in April 1959. [52] Murad Ghalib emphasised the point regarding Sir Michael Wright giving Qasim the information about the Gailani revolt to Colin Crowe in a private dinner at the Residence of the Canadian Ambassador. [53]

That the question of Iraq was a major impediment to the restoration of relations between the two countries was further confirmed by Dr. Fawzi, the Egyptian Foreign Minister, when Dr. Bunche of the United Nations gave him a letter to President Nasser from Dag Hammarskjöld, which stated the Secretary General's positive views about the need for the establishment of relations between the U.K. and the U.A.R. and also tried to dissipate Egyptian alarm at the U.K.'s Iraq policy. The Egyptian Foreign Minister confirmed that the

U.K.'s support for President Qasim was the only serious obstacle to the continued development of good relations between the United Kingdom and the United Arab Republic. [54]

As mentioned earlier, the restoration of diplomatic relations involved issues different from those related to the financial settlement. Among these were the regional confrontation and the implications of such a conflict on Nasser's domestic constituencies. The issue of Iraq was an illustration of such an effect on bilateral relations, specifically on the prospects for the restoration of diplomatic relations.

Although the Iraqi problem was classified as a regional issue, one has to realise that its importance for Nasser was largely due to its internal dimension. The Egyptian-Iraqi dispute of 1958-1960 coincided with or even resulted from the ongoing doctrinal clash in the Arab world between two ideologies: Arab nationalism as represented by Nasser on the one hand, and Communism on the other. Egypt believed that the Iraqi regime of that period represented Communism in power and it soon clashed with Nasser's active Arab policy, especially since a communist Iraq was diametrically opposed to Egyptian Arab policy. Nasser did not see his constituency as simply limited to Egypt but as including most of the Arab world — especially Syria, as Egypt's partner in the U.A.R. After the Iraqi revolution in July 1958, the movement in Syria which favoured unity with Iraq gained considerable strength.

In fact, the main political power rallying opposition to Nasser in Syria at the time were the communists, the only party which had managed to survive the dissolution of Syrian political parties in 1958 with a functioning apparatus.

[55] At that time, the Egyptian-Iraqi rift seemed to be causing embarrassment for Nasser in Syria. The failure of the Gailani revolt in Mosul (northern Iraq), which had been backed by the U.A.R., had been considered in Syria as a sharp blow to Nasser's prestige. [56] Certainly the danger from Iraq, whether controlled by communists or by non-Nasserite Arab nationalists, was mainly that it presented a serious threat to the Egyptian control of Syria and thus to the very existence of the United Arab Republic itself. [57] Therefore, the main reason for Nasser's quarrel with Qasim's Iraq was in effect the fear that the northern province of the U.A.R. would defect. Indeed this feeling was predominant in the thinking of Egyptian officialdom at the time.

In looking at the ill effects of the Iraq problem on Anglo-Egyptian relations, one must take three factors into account: the effects of the Iraqi-Egyptian conflict on the state of the union between Egypt and Syria; Nasser's belief that British intelligence was trying to recruit Syrian agents to work against Egypt; and finally Nasser's state of mind regarding the U.K. This perspective allows us to realise that the problems between Egypt and Iraq transcended a mere conflict over power in the region and managed to reinforce Nasser's belief that the U.K. was actually gunning for him, [58] a belief that was undoubtedly responsible in the final analysis for Nasser's refusal to re-establish diplomatic relations with the U.K.

A final point relevant to the Egyptian refusal to re-establish diplomatic relations with the U.K. was the absence of diplomatic relations between the U.K. and Saudi Arabia. Saudi Arabia had severed diplomatic relations with the U.K. as a result of the Suez War in 1956, and up until that time (1959) diplomatic relations between the two had not been restored. Since the

beginning of 1959 Egyptian officials had been giving this fact as the reason for the delay in resuming diplomatic relations with the U.K., saying that Egypt would have to consult Saudi Arabia before doing so. The U.K. initially considered this a mere delaying tactic by the Egyptian government. However, this belief was almost dispelled when Amin Shaker voiced the same argument to the Permanent Secretary to the Board of Trade, Sir Frank Lee. [59] The same argument was given to the Secretary General to the United Nations, Dag Hammarskjöld, when he argued the U.K.'s case with Nasser and the Egyptian Foreign Minister Dr. Fawzi. The latter had explained that they found it very difficult to resume relations with the U.K. before Saudi Arabia did so — especially since Saudi Arabia had severed relations with the U.K. as a sign of solidarity with Egypt.

This was even more important at that time (July 1959) in the light of the improved relations between Egypt and Saudi Arabia, and also in the light of Saudi Arabia's attempt to achieve some concession from the U.K. — vis-à-vis the Buraimi dispute — in return for the resumption of relations. [60] Although the U.K. representative in Egypt dismissed this as the reason for the Egyptian delay in the resumption of diplomatic relations, [61] there was growing evidence that this issue (U.K.-Saudi Arabia diplomatic relations) did have an impact on the decision-making process of the U.A.R. vis-à-vis diplomatic relations with the U.K. This was confirmed when the U.K. learned, from the Swiss Embassy in London, that the Swiss Chargé d'Affaires in Jeddah had been told by Prince Faisal — in July — that the latter had received a message from President Nasser stating that Egypt wanted to resume relations with the U.K., but, for internal reasons, wanted to take that step at the same time that Saudi Arabia did. [62]

There are two possible explanations for the importance of the restoration of Saudi Arabian relations with the U.K. Firstly, if both Egypt and Saudi Arabia restored relations with the U.K. at the same time, it would dilute any negative effects Nasser might endure inside Egypt and in the Arab world as a result, since he would be able to portray it as a joint Arab action. Secondly, Nasser was very keen at the time to preserve the excellent relations he enjoyed with Prince Faisal, the Crown Prince of Saudi Arabia. [63] He was, therefore, anxious to take no risk of souring relations with Faisal by restoring relations with the U.K. at a time when Saudi Arabia, which had severed relations with the U.K. in solidarity with Egypt, had not.

The fact that conflict between the foreign policies of Egypt and the U.K. managed to delay the resumption of diplomatic relations illustrates the generic differences between the restoration of diplomatic relations and the resolution of bilateral problems. Resolving those bilateral problems certainly needed political will to sign an agreement, but it involved relatively straightforward technical and financial issues. Diplomatic relations, on the other hand, involved more complex issues. The psychological attitudes of the decision-makers of both states towards each other became a major issue in the restoration of diplomatic relations. Thus, the legacies of imperialism and the feelings of anger on the part of Nasser and some of his colleagues because of the Suez affair, contributed to Egypt's reluctance to restore diplomatic relations with the United Kingdom.

Moreover, the particular perceptions of the decision-makers of the benefits and dangers of restoring diplomatic relations naturally affected their decision. For instance, the perception of Nasser that the the U.K. was encouraging his

opponents inside the U.A.R., as well as outside it, made him reluctant to allow an official U.K. presence in Cairo and Damascus which he feared might become a centre for anti-Nasser movements. This meant that Nasser was also concerned by the internal ramifications of the restoration of diplomatic relations with the U.K. It was Nasser's concern for his power inside Egypt and in the region which led to his hesitation over restoring diplomatic relations with the U.K.

## C The Resumption of Diplomatic Relations

### 1 — Chargé d'Affaires

The period which followed the U.K. obtaining a mission in Cairo witnessed the continuation of the U.K.'s efforts to normalise its relations with Egypt. The first objective in that policy was the resumption of diplomatic relations. In the absence of a direct official link between the two countries, the efforts of the U.K. in trying to convince the Egyptian government to resume diplomatic relations were through the occasional opportunities that Mr. Crowe in Cairo had to meet senior Egyptian officials or leading Egyptian personalities who were close to and had direct access to Nasser.

However, as these opportunities were haphazard and not necessarily consistent, the U.K. relied on other channels of communication. These continued to be some of the Western ambassadors in Egypt as well as some world leaders, especially Mr. Eugene Black and Mr. Dag Hammarskjöld, who were asked to represent the U.K.'s case to the Egyptians. In these contacts, the U.K. was trying to dissipate Egyptian fears and assure Nasser that the U.K. was neither trying to overthrow him nor was it against nationalism. More importantly, the messages which the U.K. sent to Egypt concentrated on

explaining British policy towards Iraq, stressing that the U.K. did not encourage Communism in Iraq and that it was not trying to build up Qasim as a rival to Nasser.

The main thrust of these messages was to try to dispel the fears behind the Egyptian refusal to allow the official relationship between the two countries to resume. The first opportunity to do that occurred to Colin Crowe, when he met Murad Ghalib at the Canadian Ambassador's Residence at the beginning of May, where he tried to persuade Ghalib that the U.K. was not against Nasser. [64] This did not bring any positive developments.

Nevertheless, there immediately occurred an opportunity to improve the atmosphere of the relations between the two states. This happened, strangely enough, when the U.K. decided to sell arms to Iraq. The U.K. government feared that the announcement of that decision would eventually lead to worsening relations with Egypt. To prevent this, the Foreign Secretary, Selwyn Lloyd, sent a personal message to his Egyptian counterpart informing him of the U.K.'s decision, and explaining that the U.K.'s main reason for selling arms to Iraq was to attempt to strengthen the internal position of Qasim vis-à-vis the Communists inside Iraq. However, other negative circumstances provided the opposite effect. As Dr. Fawzi was away in Geneva, Colin Crowe asked to see Zulfikar Sabri, the Vice Minister for Foreign Affairs, who was totally against the U.K., but the latter refused to see him. Therefore, the Canadian Ambassador to Cairo met President Nasser and argued the British case and the reasons for the U.K. position. He emphasised that the U.K. was not out to get Nasser, and stressed the importance of diplomatic relations between the two countries. They would facilitate direct access and contacts between the U.K. and Egypt,

and thus prevent misunderstandings. Nasser's reaction to the British gesture of forewarning him of the arms sale to Iraq was "much more favourable than we (the U.K.) could reasonably have hoped". [65]

Nasser's initial favourable reaction dissipated to some extent when the Minister of State for Foreign Affairs revealed, in response to a question in Parliament later the same day (May 11), that Selwyn Lloyd had taken the necessary steps to inform Nasser of the U.K.'s decision, a disclosure which Nasser found embarrassing. But the U.K.'s gesture in forewarning him about the arms shipment to Iraq still had a positive effect. This was confirmed when Nasser spoke to the Pakistani Ambassador to Cairo with understanding about the U.K. decision to sell arms to Iraq and expressed appreciation for being forewarned. [66]

At the same time, the U.K. engaged, yet again, the help of Mr. Black who visited London in May (1959) and was about to visit Egypt. The Foreign Secretary asked Mr. Black to speak to Nasser about the resumption of diplomatic relations, the need for immunities and diplomatic facilities for the British diplomatic mission, the delay of the Egyptian government in giving permission for the opening of the British mission in Egypt and also about the release of the two British prisoners held in Egypt (Zarb and Swindon). [67] Mr. Black accepted that task. When he talked to President Nasser, shortly after the meeting between the president and the Canadian Ambassador who delivered the message from Lloyd (in fact it was the same day), Nasser told him what he had told the Canadian Ambassador earlier the same day: that he recognised that his policy towards the U.K. should be reviewed and had given instructions to that effect. [68]

Once the U.K. learnt of Nasser's decision to review Egyptian relations with the U.K., it decided to send another message to Nasser through the Canadian Ambassador. However this message, unlike the previous one, was to appear as coming from the Canadian government and not as inspired by the U.K. Its essence was that the U.K. was definitely not recruiting agents in Syria or operating a clandestine radio station against Nasser. Furthermore, this message stressed that the U.K. was not involved in any effort to use inter-Arab differences to topple Nasser but, on the contrary, was interested in a rapprochement between Egypt and both Iraq and Jordan. [69] The U.K.'s efforts to seek mediation with Nasser was by no means limited to the Canadians. The U.K., believing that Tito had a beneficial influence over Nasser, engaged the efforts of the Yugoslavs. [70] In the hope of inducing Egypt to respond favourably to the U.K. demand regarding the resumption of relations, the Minister of State at the Foreign Office responded to a question in the House of Commons that the U.K. would like to have fuller diplomatic representation in Cairo. [71] However the Egyptian government did not take the hint and this favourable answer by the U.K. Minister of State went unheeded.

However, the U.K.'s optimism in May and June turned out to be ill-founded. British officials discovered that they were still far from achieving their hopes of a quick restoration of diplomatic relations with Egypt. There were some positive indications in that regard, such as the briefing which the U.K. Minister of State received from Mr. Hammarskjöld in Geneva about the latter's recent conversation with Nasser and Fawzi. Although the Secretary General of the United Nations informed the British Minister of State of Egypt's desire to re-

establish diplomatic relations, he added that there was no hope of this occurring in the next few months. [72]

When the U.K. found that its policy was not achieving the required result, it changed its tactics completely. Instead of hammering home the message to Egypt, through intermediaries, that the U.K. wanted to normalise its relations with Egypt and meant Egypt no harm, the U.K. began to try to exercise pressure on Nasser in the hope that this would persuade him to change his stance. When the Secretary of State met Eugene Black on July 9, 1959 in London, the Secretary of State complained bitterly to Mr. Black regarding Egypt's policy. These complaints were centred on the slow rate of desequstration, the state of the British diplomatic mission in Cairo and Egypt's refusal to free the two political prisoners still held in Egypt. And as Mr. Black was intending to discuss with Selwyn Lloyd the issue of the \$100 million World Bank Loan to the Suez Canal development project, the Foreign Secretary seized the opportunity to inform him that unless Egypt changed its policy on the passage of Israeli cargoes through the Canal, and accelerated the rate of desequstration of British properties, the U.K. would find it difficult to agree the Suez Canal loan with the World Bank. [73]

The same line was taken by the Foreign Secretary when he met Hammarskjöld in Geneva on July 14, 1959. Furthermore, Lloyd indicated to the United Nations Secretary General that there was a large probability that the United Kingdom would object to the World Bank Loan, unless "Nasser would make some public statement about freedom of passage through the Suez Canal and had also come to some satisfactory modus vivendi over Israeli shipping". [74] Although there is no record to prove this, nevertheless, it seems that the U.K.

decided to try to impose certain demands which Nasser could not afford to accept, such as public statements about freedom of passage through the Canal and the freedom of passage for Israeli shipping. This was also evident when the U.K. refused to accept Hammarskjöeld's assurances that Nasser's private and actual position was quite different from his public stance.

The rationale behind such a policy, asking requests from Nasser which he could not deliver, was that it served to force Nasser to realise the need for some kind of dialogue with the U.K. and would open the subject of diplomatic relations and give the U.K. a leverage versus Egypt, after it lost its only previous leverage when it released the Egyptian blocked balances in the United Kingdom according to the stipulation of the financial agreement. This leverage could aid the U.K. efforts to re-establish diplomatic relations with Egypt and to free the two British prisoners in Egypt.

However, this policy of exerting pressure on Nasser was not successful in immediately achieving any of the goals of the U.K.: diplomatic relations, the release of the two prisoners or even granting the British property commission in Cairo proper diplomatic facilities. The result was a stalemate until September 1959. Nevertheless, the policy apparently served to soften the Egyptian position, for when one of the two British prisoners, Mr. Swindon, became eligible for a Presidential parole after completing over half his sentence, he was released and allowed to return to the U.K. Indeed, Nasser decided to release Swindon as a gesture to the U.K. and as an attempt to break the stalemate which had occurred in the relations between the two states. However, Egypt privately requested that the U.K. should not greet the release of either of the two British prisoners with massive media attention, so as not make the release appear as a U.K. victory over Egypt. [75]

By October, the U.K. representative began finally to see a glimmer of hope of reaching the end of the road and achieving diplomatic relations. The editor of *Al-Ahram*, Mohamed Hassanein Heikal, met Colin Crowe on 13 October and informed him that President Nasser had decided to establish diplomatic relations with the U.K., first on the level of consular and economic missions and then to move within a couple of months to the ambassadorial level of representation. However, Heikal said that the initiative for the restoration of relations should come from the U.K., either with an official note forwarded through the Swiss Embassy in Cairo, or with a statement from the British government which the Egyptian government would pick up and respond to with an official note to the Swiss. [76] Crowe expressed his personal view that he doubted whether consular relations would be feasible for technical reasons. It would entail a difficult process of negotiation over the status, rights and privileges of the consular mission, since there was no consular convention at the time between the two countries. [77] Nevertheless, Crowe asked his government to accept the Egyptian proposal of an exchange of consulates, in case he could obtain no more than that from the Egyptians. [78]

The U.K. reaction to this sudden opportunity for diplomatic relations to be resumed was mixed, and accordingly the Foreign Office response was confused. On the one hand, the Foreign Office instructed Crowe to inform Heikal that the U.K., like Egypt, had an internal difficulty in restoring relations — the continued imprisonment of Zarb in Egypt. Thus, the U.K. attempted to link the release or the promise of the release of their remaining political prisoner (Zarb) with the restoration of diplomatic relations without making this a precondition. At the same time, the U.K. felt some uneasiness about sending

the Egyptian government a note requesting the return of diplomatic relations; yet it wanted a quick agreement with the Egyptian government to enable it to open U.K. consulates, especially in Damascus. The confusion in the U.K. position was demonstrated by its slightly hard-line attitude, in comparison to its position during the negotiations throughout 1959, and finally by the British officials' resignation to the fact that, in the end, they might have to accept the Egyptian offer (of merely upgrading the U.K. Property Commission in Cairo to a consular and trade mission) if Egypt refused to improve on its offer. [79] The Foreign Office instructed Crowe to try and secure an improvement in the Egyptian offer, and to try to achieve at the same time the release of Zarb.

The talks between Heikal and Crowe aimed at reaching the resumption of bilateral relations continued on October 17, 1959. Heikal instantaneously shot down the U.K. attempt at linking the resumption of the relations to the release of Zarb when he replied that such a linkage would delay the restoration of full relations for some time. Crowe stressed to Heikal the advantages of the resumption of relations at the level of chargé d'affaires rather than consular relations. [80] As for the formal method of restoration of relations, it appeared that the best method was through the U.K. taking the initiative by making a statement in Parliament — similar to the one the U.K. had made in June about its desire to resume relations with Egypt — which the Egyptians would pick up.

The talks between Heikal and Crowe dispelled any hope Crowe might have had about the possibility of securing the release of Zarb in the process of the resumption of bilateral relations. Therefore, and shortly after that meeting, Crowe warned his government that linking the question of Zarb at that stage

threatened not only to break down the negotiations for resuming diplomatic relations, but would make them “stay broken down”, as the Egyptians felt strongly about the Zarb case and considered that they had given him a fair trial. [81]

The U.K.’s hopes of finally achieving diplomatic relations were confirmed when President Nasser informed the Canadian Ambassador on October 19 that he intended to re-establish diplomatic relations with the U.K. within a few weeks. This message was also reported to the Canadian Ambassador by other members of the Egyptian government, which together with what Heikal told Crowe established the fact that the U.A.R. had finally made up its mind. [82]

In spite of the signs for the quick resumptions of relations, these hopes received a slight setback. There was an increased campaign against the U.K. in the Egyptian media on the eve of the anniversary of the Suez crisis, concentrating on attacking the U.K. because of the events in 1956 and because of the U.K.’s relations with Israel and Iraq and the reports that it was about to provide these countries with more military equipment. [83] These attacks alarmed the British government as threatening a relapse of the U.K.-Egyptian relationship. [84] Another sign of this apparent relapse was what the Egyptian acting Foreign Minister, Zulfikar Sabri (Dr. Fawzi was away in New York) said to the Italian Ambassador about the U.K., claiming that it was trying to undermine the position of Egypt and that if Egypt accepted the opening of a British embassy, this embassy would be a centre of hostility to Egypt in Cairo. [85] Despite the fact these media attacks were expected by the U.K., since it was the anniversary of the Suez crisis, and even though Nasser himself had warned the Canadian Ambassador to expect them, [86] there was a more serious threat to the prospects of Anglo-Egyptian relations.

This was the increased deterioration in the politics of the Middle East, especially a failed assassination attempt at the life of Qasim. There was a fear that the success of such an assassination might tempt King Hussein of Jordan to intervene militarily against Iraq. This led the U.K. and others to fear that such a chain of events might lead to Israel intervening militarily against either Egypt or Jordan. [87]

The volatile politics of the Middle East at that point had indeed cast a shadow on the prospects of the Anglo-Egyptian relationship, but they had also had a different effect. Both states feared the dangers of the advance of Communism in the Middle East and especially in Iraq, and, as major players in the Middle Eastern political arena at the time, they each suffered from the lack of contacts between them. The need for a continuous dialogue between the two states prompted them to intensify the dialogue between Heikal and Crowe. Heikal's position as a close friend of Nasser with direct access to him meant that the U.K. messages which were passed through Crowe were indeed forwarded to Nasser without being changed or delayed. Therefore, this channel of communications between the two countries was used to inform the U.K. that: Egypt was not in any way involved in the attempted assassination of Qasim; that Egypt was worried about the possibility of Jordan attacking Iraq and that in such an event, Egypt might instruct its army in the Northern Province (Syria) to attack the Arab Legion (the Jordanian Army). [88] The U.K., on the other hand, used that channel to inform Egypt that: it was also concerned about the advance of Communism in Iraq; it did not favour Jordanian military intervention in Iraq and it did not anticipate that eventuality. Indeed, when the U.K. feared that the turbulent politics of the Middle East might affect relations

with Egypt, it used that channel of communication to deliver a message to Nasser from the British government. This message stated that both states had common interests in the Middle East and for this reason they had informed Nasser of their intentions to sell arms to Iraq in advance. Moreover, the U.K. emphasised that it was equally concerned about the situation in Iraq and that they had interests in not having a communist coup there. The U.K. also stated that it did not want to interfere in Arab problems. That message also stressed the need for diplomatic relations between the two states to help the exchange of views between them, especially since the U.K. were anxious to know the views of President Nasser about the Middle East situation speedily. The U.K. ended the message by explaining that they were using that channel of communication to deliver that message because they believed it was the quickest. [89]

At the same time Crowe asked the Foreign Office to persuade the B.B.C. and the British press to be careful in their handling of allegations that the U.K. was interfering in Syria, in the light of the complaints that Zulfikar Sabri had made to the Italian Ambassador. [90] Since the issues involved with the restoration of official relations were generically different from those involved with the financial settlement, the political problems of the Middle East kept spilling over the area of bilateral relations despite British assurances. The final effect of that was the delay in the restoration of diplomatic relations.

There were particular reasons which caused the Egyptians to pause in the contacts regarding the resumption of diplomatic relations. The first were the allegations that the United Kingdom was actually supporting the P.P.S. (*Partie Populaire Syrienne*, a Syrian political party that was operating from

outside Syria and opposing the Egyptian unity with Syria and which was actually causing several problems for Nasser and the Egyptian government in Syria). [91] The second issue was Israel. Israel, which enjoyed excellent relations with the U.K. (which was supplying it with military equipment) at the time, was adopting an aggressive policy in the region (especially so at that period), as illustrated by the flights by Israeli military aeroplanes over Egypt and particularly over Sinai. This considerably alarmed the Egyptian government and led to a substantial Egyptian military build up in Sinai as a result. Indeed these issues, especially the collaboration between the U.K. and P.P.S., as well as an interview with Ben Gurion in *The Times* at the time of these military tensions, led to a pause in the Crowe-Heikal meetings for the first two weeks of November, Heikal avoiding any contact with Crowe. [92]

This pause however, ended on November 14, 1959, when Heikal asked to see Crowe to discuss bilateral relations. He stated that the Egyptian government was concerned about the information about the P.P.S. connection with the British, as well as the recent Ben Gurion interview in *The Times*. Heikal explained that the information about the U.K. support for the P.P.S., the Ben Gurion interview and the visit of the U.K. Foreign Secretary to France had given rise to suspicions in the Egyptian government that the U.K. was conspiring against Egypt yet again, exactly as in 1956. He also explained in detail Egypt's grievances about the B.B.C. coverage, at a time when there were serious problems in Egyptian-Syrian relations. The B.B.C. report about quarrels between Syrian and Egyptian officers was the one which Heikal referred to in particular. [93] Heikal asked Crowe for a statement about the U.K.'s policy towards Israel, stating that this was the stumbling block in the way of the resumption of diplomatic relations which Nasser wanted. During

that meeting, Crowe explained the position of the B.B.C. and denied any collaboration between the U.K. and the P.P.S.

The following week (November 21), Crowe explained the U.K. position vis-à-vis Israel to Heikal and expressed the British government's view: that Israel's actions and press announcements at the time did not necessarily mean that the Israeli government intended to escalate military conflict in the area, but were a result of the situation in the Middle East in general and the aftermath of the general elections in Israel. [94] Indeed the events of that period, in terms of the situation in the Middle East, had several effects on bilateral relations between the U.K. and Egypt. On the one hand, the increased atmosphere of conflict and tension in the area at the time, where the U.K. was supporting the sides which were (independently) opposed to Nasser's Egypt, namely Iraq and Israel, was bound to have a direct and negative effect on Anglo-Egyptian relations, especially as there was always the fear that these tensions might escalate into a military conflict. On the other hand, this very same variable, i.e. tensions in the Middle East which might escalate militarily, was such a frightening prospect that it forced the two states to realise the importance of keeping and maintaining official and open lines of communication between them, to avoid misunderstandings and misperceptions which might make the Middle East situation worse.

Indeed, it was exactly the foreign policy conflicts in the Middle East at the time which convinced Nasser and the Egyptian government of the need to restore relations between the two states to avoid the escalation of the conflict in the area, out of fear that such conflict might spill over into the realm of bilateral relations. [95] Indeed, as mentioned in the previous chapter, the U.K. was keen

to resume relations even during the climax of its regional conflict it had with Nasser, even if this resumption meant that the U.K. had to incur a financial loss in the financial settlement with Egypt. [96]

Following these contacts, it was by then clear that diplomatic relations would have to be restored. The problem was the way such a restoration was to be orchestrated. Heikal managed to engineer this through the use of *Al-Ahram*. He asked the diplomatic correspondent of *Al-Ahram* to interview the Canadian Ambassador on November 13, to ask the latter about the Canadian efforts at restoring diplomatic relations between Egypt and the U.K. The next day, he reported the reverse of what the Canadian Ambassador had said to him, thus *Al-Ahram* had a prominent article stating that Canada in effect was mediating the return of diplomatic relations between Egypt and the U.K. [97] Before the Canadian Ambassador or Colin Crowe could deny this, the Egyptian Foreign Minister Dr. Fawzi, when asked by reporters about the story, said that relations were in the wind. At the same time, an Egyptian Foreign Ministry spokesman in an answer to a question said that the story was basically correct. When pressed about the time of resumption he said it would be in the “very near future” and “before the end of the year”. [98]

These reports, as well as Crowe’s recommendations that the supporters in Egypt of restoring diplomatic relations with the U.K. be given “ammunition” to help them in their efforts, [99] led to a statement made by the Foreign Secretary to the House of Commons on November 18, in which he said: “We should like to have fuller diplomatic representations in Cairo.” [100] This announcement in the House of Commons was prominently reported in a front-

page article in *Al-Ahram* on November 19, with a picture of Selwyn Lloyd. The article implied that the resumption of the relations was expected soon. [101]. Finally, Heikal agreed with Crowe on the method of resuming of diplomatic relations — namely the simultaneous announcement of a joint communiqué between both states. On November 23, Heikal informed Crowe about President Nasser's decision to proceed with the resumption; the date chosen was December 1 at 1400 hours. Egypt initially proposed Mr. Mahmoud Riad as Chargé d'Affaires, to be later named Ambassador, while the U.K. proposed Mr. Colin Crowe. [102] The detail and content of the joint communiqué were agreed between Crowe and Heikal during the last week of November.

Finally, and after several months of inconclusive negotiations, relations were restored when the agreed brief joint statement was released on December 1, 1959, announcing the resumption of relations between the two governments, and naming Colin Crowe and Kamal Khalil as the Chargés d'Affaires in Cairo and London respectively. Although the Foreign Office had instructed its embassies in various posts to inform the governments to which they were accredited in advance about the decision (not more than about 24 hours in advance), the U.K. still realised that there could be a last-minute hitch. [103] Indeed, this hitch almost took place when the U.K. decided to sell Israel some submarines and there were some negative developments in the Sudan regarding the Mahdi's call for re-negotiation over the water agreement. [104]

## 2 — Ambassadors

The resumption of diplomatic relations between the U.A.R. and the U.K. was thought to be the final resolution of the conflict that had started in the mid-50s

and had even preceded the Suez crisis, a conflict that was perhaps inevitable considering the attitudes of both states and their leadership, as well as their conflicting foreign policy objectives. Predominant in both capitals was the general assumption that the exchange of ambassadors was to take place within a couple of months, as mentioned by Heikal to Colin Crowe in October 1959.

Indeed British expectations and intentions were exactly that, for the letter of credentials Crowe submitted to the Egyptian Foreign Ministry named him as Chargé d’Affaires “ad interim”, i.e. that it was a temporary post which meant that ambassadors were to be appointed. Indeed, the “ad interim” in Crowe’s letter of credentials threatened to delay the Egyptian acceptance of it. Initially, the Egyptian Ministry of Foreign Affairs refused to accept the letter because the term “ad interim” exceeded the terms of the joint communiqué. [105] Nevertheless, Crowe submitted his letter of credentials, thanks to the intervention of Heikal who persuaded the Foreign Ministry to accept it after he had talked to Nasser. [106]

Egypt’s acceptance of Colin Crowe’s letter of credentials despite the term “ad interim” is significant because it shows that Nasser was also expecting an early exchange of ambassadors at that stage. This was further confirmed when Crowe, in his first meeting with Murad Ghalib, the Deputy Egyptian Foreign Minister, on December 21, 1959, discussed the subject of the names of the future ambassadors of the two countries. Egypt at the time was considering Mahmud Riad as the first Egyptian Ambassador in London, [107] a fact that was mentioned by Heikal in his talks with Crowe in October of that year. [108]

Nevertheless, the Egyptian Foreign Ministry refused to grant the U.K. mission in Egypt the title of “embassy” because the U.K. had no ambassador, thus the mission was to be entitled a “diplomatic mission”, a fact that the U.K. had to accept since the point was valid. [109] However, despite the title of the mission, expectations were quite positive regarding the future of the relations between the two states. The favourable reception to the resumption of the relations in both the U.A.R. and the U.K. appeared from the positive reaction to that decision in the U.K. Parliament to its announcement by the Secretary of State on December 1 as well as the positive response in the newspapers of both countries. [110] Other positive changes included the formation of an all-party parliamentary group interested in Egypt and Syria and in increasing the relations of the U.K. with these two countries. [111]

The first problem that arose after the resumption of relations occurred even before Crowe submitted his credentials. The Port Said local council decided to erect a museum to celebrate the anniversary of the killing of British servicemen during the Suez War. This resulted in vehement attacks on Egypt in the British press. This incident, despite its potential damage to bilateral relations, passed without either side making an issue out of it. [112] Relations between both states were improving, despite whatever frictions appeared. There were U.K. complaints about Egypt’s slow execution of the financial agreement, mainly in the areas of desequstration. However, the tardiness of the Egyptian government in desequestrating British properties was judged by the U.K. Chargé d’Affaires in Cairo as resulting mainly from the failures of the Egyptian bureaucracy and not the will of the Egyptian government. Crowe argued that “our complaints are peripheral to the agreement not to its heart”. Furthermore, he advised against the U.K. complaining to Mr. Black of the World Bank;

advice that was adhered to. Therefore, it appeared that the bilateral agreements between both states were being adequately respected and that the U.K. no longer felt the need to resort to third party mediation. [113]

At the same time the U.K. Secretary of State issued instructions to the heads of the U.K. missions abroad to the effect that the representatives of the U.A.R. were "to be treated on a par with representatives of other countries with whom H.M.G. are on reasonable terms". And though the Secretary of State's instructions warned that such a treatment should not be over-friendly to the extent of offending Middle Eastern and African countries with which the U.K. had special relations, he went on to warn U.K. representatives to be on their guard when carrying out the latter instructions as the U.A.R. representatives were likely to be over-sensitive. [114]

The goodwill at the time was not limited to the U.K., but was also felt in Egypt, as expressed by Egyptian officials publicly and privately. In Crowe's first meeting with Dr. Murad Ghalib, the Egyptian Under-Secretary of the Ministry of Foreign Affairs, on December 19, 1959, the latter expressed Egyptian hopes for an increase in the intensity of bilateral ties between the two states, especially in the areas of economic, cultural and educational relations. [115] However, more important at that stage was the public position of Nasser and the Egyptian government. Nasser's and his government's approval of the new start of the relations with the U.K. was outlined by Nasser himself on December 23, 1959. In his speech on the occasion of the anniversary of the evacuation of the British troops from Port Said, Nasser said that Egypt was ready "to forget the past and start a new era". [116] There was also an improvement in trade

relations between the two states. Egypt purchased in 1960 three Comet planes and was about to increase its imports from the U.K. At the same time, the U.K. wanted to increase its trade with Egypt and for that purpose invited the U.A.R. Minister for Industry, Aziz Sidqi, to visit the U.K. and allocated £20 million to Egypt in export credits so as to be able to participate in the Egyptian Five Year Plan. [117]

However, despite apparent good intentions from both states, relations faced yet another period of relapse which affected the speedy upgrading of the relationship to the ambassadorial level, which Heikal and Crowe had agreed would take place within a few months of the resumption of relations. Instead, the exchange of ambassadors took over a year to materialise.

The first reason for this delay was a deterioration in the state of the Arab-Israeli conflict at the end of January 1960, caused by a border incident, the Al-Tawafiq incident, on the Syrian-Israeli border. Because both the U.K. and the United States positions were negative, as far as Egypt was concerned, this led to a deterioration in the relations between Egypt and both the U.S. and the U.K. This incident, as well as the Israeli factor, were the main issues responsible for the delay in the appointment of ambassadors between the two states in the first half of 1960. [118]

Indeed, the British position and policy towards Israel was the main factor that not only delayed the appointment of ambassadors but also soured the atmosphere of the newly reconstructed relations between the two states. The Israeli issue was of paramount importance and gravity to the national security of Egypt, as perceived by Nasser and the entire Egyptian government

machinery. The military assistance given by the U.K. to Israel, at a time when Israel was adopting an aggressive policy — violating Egyptian airspace by military flights over Sinai, threatening the northern province of the U.A.R. by getting into border clashes on the Syrian-Israeli border — was an issue that transcended a mere clash in foreign policy. It was an issue which threatened Egypt's national security and could not be ignored or underestimated. The U.K.'s military assistance to an aggressive Israel fuelled Egypt's anxiety as to a military threat which occupied "the traditional heart of national security concerns" and was "accorded the highest priority in national security concerns". [119]

Indeed, the impact of that issue on Anglo-Egyptian relations was confirmed through the channel that helped reconstruct that relationship initially, i.e. the Crowe-Heikal channel of communications. Heikal used that channel yet again when the relations between the two states reached a low ebb in March 1960. He asked to see Crowe and informed him of Nasser's disappointment in the U.K. because of the growing relations between the U.K. and Israel at the time, and also because some U.K. officials had made some statements about Egypt that were badly received. These statements were by both Lloyd and Macmillan who had responded, in reply to questions in Parliament regarding the publication of Anthony Eden's memoirs, stating that they were proud to have supported Eden's policy in the Suez affair in 1956. These remarks had an even worse effect as they coincided with Ben Gurion's visit to the U.K. [120]

The second issue that led to the delay in the appointment of ambassadors between the two states regarded the opening of consulates. Following the resumption of relations on December 1, 1959, both states wanted to move to

the second outstanding issue which was the resumption of consular relation and their diplomatic representation in each other's lands and spheres of influence. Egypt wanted to open consulates in the U.K. itself as well as in some of the British protectorates. The Egyptian list included London and Liverpool as well as nine posts in British protectorates: Nairobi, Kampala, Entebbe, Dar-es-Salaam, Sierra Leone, Aden, Hong Kong, Singapore and Kuwait (as far as the latter was concerned, the Egyptian Ministry of Foreign Affairs stated that they would also approach the ruler of Kuwait directly). The U.K. asked to open consulates in Damascus, Alexandria, Port Said, Suez and Aleppo. [121]

The Egyptian government refused to concede any consular posts for the U.K. until the U.K. itself accepted the Egyptian demands for consular posts. The British government, on the other hand, was deeply suspicious of the Egyptian demands to open consular posts in the territories that it controlled because it feared that these posts were going to support independence movements in these colonies or protectorates and that their main activity would be to try to drive the U.K. out of these colonies. Certainly, there were legitimate reasons for the U.K. to object to the Egyptian demands, as the Egyptian government itself was then supporting most of the independence movements in Africa and the Arab world, and decolonisation became a major theme of the Egyptian foreign policy of the time. Indeed, this policy of Egypt compelled the British representatives (mainly governors) in these posts to object strongly to the opening of Egyptian consular posts in their territories. [122]

The question of the consular posts of each state in the territories of (or territories controlled by) the other became a major issue which blocked the path of the appointment of ambassadors throughout the remainder of 1960.

Because of the importance the U.K. placed on its relations with Egypt and upgrading the relations to the ambassadorial level, the discord which occurred in the field of Anglo-Egyptian relations spilled over into the relations between the Foreign and Colonial offices in the British government itself. The Foreign Office was exasperated by the adamant refusal of the Colonial Office to grant any concession and agree to Egypt's opening almost any consulate in the colonies. Indeed that matter had to be decided not just in the Cabinet, but by separate meetings chaired by the Prime Minister which included the Secretary of State for Foreign Affairs and the Secretary of State for the Colonies. [123]

This impasse was solved by the occurrence, almost by chance, of the highest-level meeting between the leaders of the governments of the U.K. and Egypt. This was the summit meeting between Nasser and Macmillan in September-October 1960, in New York, while both leaders were attending the U.N. General Assembly meetings. The details of the meeting were arranged on September 26, 1960 when the foreign ministers of both countries met and decided that a summit meeting should take place. [124] The leaders of both states wanted that meeting, as the idea was suggested by Macmillan and agreed to by Nasser. However, protocol proved an obstacle, because Nasser refused to go to meet Macmillan and insisted that Macmillan should come to him, since it was Macmillan who had suggested the meeting in the first place. Macmillan, on the other hand, felt that Nasser should come to him, since it was Egypt that had severed diplomatic relations with the U.K. To bypass this issue, it was agreed between Heikal and the Macmillan delegation that two meetings should be arranged, the first at the Egyptian mission to the United Nations and the second at the hotel where Macmillan was residing in New York. Therefore, a chance meeting was engineered while the two leaders were attending the

General Assembly meetings in New York. After Macmillan introduced himself, Nasser invited him for a meeting and two meetings then occurred between them. [125] The first meeting took place at the U.A.R. Permanent Mission to the United Nations in New York, on September 28, while the second meeting took place in the U.K. Prime Minister's suite at the Waldorf Astoria on October 3, 1960.

These meetings contributed tremendously to the positive development of bilateral relations. Nasser agreed with the Prime Minister's suggestion as to the usefulness of appointing ambassadors between the two states. Indeed, during the first meeting, Nasser said that he accepted the appointment of Sir Harold Beeley as the U.K. Ambassador to Cairo, when the exchange of ambassadors took place. These meetings allowed both leaders to agree on their desire both to establish diplomatic relations and to improve the relations between both countries especially in the economic area. Although the meeting illustrated the differences in the approach and outlook between both states in the areas of foreign relations, especially regarding the Soviet Union and King Hussein, it still confirmed the unity of purpose of both states in opposing Communism.

[126]

Furthermore, this meeting resulted in an agreement for another meeting between the foreign ministers of both states on October 7, 1960 in New York, to discuss bilateral relations. During that meeting, Dr. Fawzi agreed on the exchange of ambassadors. However, he also asked for a response regarding Egypt's request for consular posts. Both foreign ministers agreed that the date for the exchange of the names of the ambassadors should be November 15, 1960. [127]

However, the issue of the consular posts was still unresolved, because the U.K. refused to grant any of the Egyptian demands with the exception of three consular posts — in Singapore, Hong Kong, and either Liverpool or Manchester. Therefore the timetable for the exchange of names of the ambassadors of both states in the other's capital kept being delayed. After the date was delayed to November 30, then to December, the U.K. decided not to fix a date, but to inform the Egyptian government that it was prepared to exchange the names of ambassadors whenever the Egyptian government was prepared to do so. Meanwhile, the British position regarding granting Egypt consular posts was improved by some sweeteners. First it offered Egypt a consular post in Sierra Leone, and gave acceptance, in principle, for one in Kuwait. At the same time the U.K. gave an oral promise to review its decision on the Egyptian requests for consulates in Entebbe, Dar-es-Salaam and Zanzibar in one year's time. Suddenly, the Egyptian Foreign Ministry agreed to exchange the names of the ambassadors, and offered the U.K. consular positions in Damascus and Alexandria. [128]

A common feature of the Egyptian decisions to grant the U.K. a mission in Cairo, to restore diplomatic relations and finally to exchange the names of the ambassadors, was the suddenness of these decisions. During the long process of negotiations to achieve the above-mentioned results, the U.K. was always surprised when it found the impasse blocking an agreement suddenly broken when Egypt, out of the blue, accepted the U.K. offer without any prelude. The reason was related to the decision-making process in Egypt. Such matters were ultimately decided by Nasser himself. Therefore, during the U.K.'s negotiations with the Egyptian Foreign Ministry, it would be facing policy decided by

Nasser some time back. However, whenever Nasser decided to upgrade relations with the U.K., he did not consult the officials conducting the negotiations with the U.K. but merely informed them of his decision, expecting an immediate result.

The names of the ambassadors of both states were exchanged on January 15, 1961, and the agreement for their appointment was announced on January 22. The upgrading of relations was in itself an achievement as it meant the effective end of a chapter in the history of bilateral relations between the U.K. and Egypt, a chapter that started even before November 1, 1956. The choice of ambassadors was indicative of the importance that each state placed on their bilateral relations. Sir Harold Beeley was a senior official at the Foreign Office, he was the U.K. Ambassador to Jeddah, the Assistant Under Secretary of State at the Foreign Office as well as the acting head of the U.K. Mission to the United Nations in New York. The Egyptian Ambassador to the Court of Saint James, Mr. Mohamed Awad al-Kony, was occupying Egypt's leading ambassadorial post, Moscow, at the time of his appointment, and he was known as one of Egypt's leading diplomats. In their choice of ambassadors, both countries merely confirmed the importance that they both placed on their bilateral relationship.

### **III THE ATTITUDE OF BOTH STATES TO THE RELATIONS**

#### **A The U.K.**

The way in which relations were finally restored between the two states gives rise to a serious and even more important question. In the light of the serious

differences between the two states, as far as their foreign policies were concerned and the regional conflict that ensued between them, whether in the Middle East or in Africa, did the reconstruction of relations mean a genuine reconciliation with Nasser, or was it merely a reconstruction of the relationship between the two states? For if the former was true, i.e. that it was a total reconciliation, then how was it that the regional conflict intensified during the period in which this relationship was actively being reconstructed?

The answer to that question is that it was indeed a reconstruction of the relationship. Such a reconstruction helped reconcile the differences between the U.K. and Egypt. Indeed, the first mandate of the new British Ambassador in Cairo, Sir Harold Beeley, when he arrived at his post in 1961 was to establish a “good and business-like relationship between Her Majesty’s government and U.A.R. government”. [129] Nevertheless, the same document which instructed Sir Harold Beeley to try and improve the relations between both states was also loaded with outlining the differences between the U.K. and Egypt on most major international problems, especially de-colonisation and the East-West conflict. [130] It is also noteworthy that even while the U.K. was generating its maximum efforts to reach a financial agreement and establish diplomatic relations with Egypt — in 1958 and 1959 — it had not in any way changed its views on Nasser or his policies. When a Conservative Member of Parliament (Nigel Fisher) wrote to the Minister of State for Foreign Affairs in December 1958 expressing his, and other Conservative backbench Members of Parliament’s, fear that the U.K. was going to pursue an appeasement policy towards Nasser [131] the government response was most emphatic. Commander Allan Noble, the Minister of State, wrote to the M.P. explaining that the U.K.’s goal was merely to reach a financial settlement vis-à-vis the

U.K. claims in Egypt and assuring him that "it is quite untrue that the Foreign Office has gone pro-Nasser or that we have any thoughts of appeasement". The Minister of State emphasised that the U.K. was merely pursuing the financial agreement and for that purpose it wanted a normal relationship with the U.A.R. However it also stressed that the U.K. was not "under any illusion that the resumption of relations and the settlement of financial problems would themselves lead to any dramatic improvement in our relations. Indeed we should go very cautiously and with our eyes fully open to the dangers which Nasserism presents." [132]

However, that response was in no way an attempt to appease public and parliamentary opinion in the U.K. as the events of 1959 unfolded. In February 1959 — just before the signature of the financial agreement with Egypt, and while the U.K. Secretary of State was seeking to establish diplomatic relations with Egypt — he was at the same time trying to dissuade the United States Secretary of State, John Foster Dulles, from changing U.S. policy towards Egypt or giving it any large amount of aid. He also tried to convince Dulles that the United States should not participate in the second stage of the High Dam project or give Egypt any loan for the Suez Canal development project. Furthermore, he even asked the American Foreign Secretary not to encourage the International Bank for Reconstruction and Development to give the proposed \$100 million loan to the Suez Canal development project. [133]

The U.K. did not limit its efforts to trying to deny Egypt Western aid or American support at the meeting that took place between Lloyd and Dulles in February 1959. In April 1959 the U.K. renewed its contact with the American

administration to try to convince the latter of the negative aspects of Nasser, and especially the ill effects of his influence in the Middle East. The U.K. stressed that though Nasser appeared to be against Communism, the result of his policies was exactly the opposite; and even more he could change at any moment to support Communism. The U.K. message to the U.S. State Department was also aimed at trying to persuade the United States that Nasser could not be depended on and should not be a recipient of United States aid. [134] Once the U.K. realised that the I.B.R.D. loan to the Suez Canal was going through, it immediately instructed its ambassador to Washington to make representations to the World Bank to the effect that Egypt was not fulfilling the terms of the financial agreement — which Mr. Black of the World Bank had helped mediate — in an attempt to dissuade the latter from proceeding with the loan. [135] Indeed, the U.K. admitted to Mr. Black, when he was received in London by the Secretary of State on May 7, 1959, that they were holding the American administration back from giving aid to Egypt. [136]

The U.K. Secretary of State continued his attempts to dissuade the World Bank from agreeing to the \$100 million loan to Egypt's Suez Canal development project when he implied to Mr. Black, when he met him again in July 1959, that the U.K. might not support that project when it was submitted to the Board, knowing that if Mr. Black felt the project might not be accepted by the Board he would not submit it, as the Board had not refused a loan for the previous 11 years. [137] The same attitude was also taken by the Secretary of State when he met Mr. Dag Hammarskjöld in Geneva, less than a week later, where he expressed the view that the U.K. would probably object to the Suez loan because of Egypt's refusal to allow Israeli shipping through the Canal. [138] The British officials' negative perception of Egypt and Nasser is also confirmed

from the internal memoranda between these officials. Thus, even when the Foreign Secretary was writing to the Prime Minister recommending a detente with Egypt and suggesting that the U.K. should engage the mediation of the Canadian government, through the Canadian Ambassador in Cairo, to try to convince the Egyptian leadership to resuming relations with the U.K., the Foreign Secretary felt obliged to start his memorandum by writing, of Nasser, that “I still fundamentally distrust him” and ending his recommendations by asserting that “we do not love him much”. [139]

However the issue which confirmed, even to the Egyptians themselves at the time, British suspicions and fear of Egypt was the issue of the exchange of consulates. The British response to the Egyptian requests to open consular posts in the territories under its sphere of influence is most revealing. The U.K. adamantly refused Egyptian requests for consular posts, especially in East Africa, Aden and Cyprus. The attitude of the Colonial Office in particular is most revealing as it considered granting Egypt’s consular posts in its territories as opening the door to trouble and Communism fermented by Egypt. Indeed, the Colonial Office was so adamant that it resisted the pleading of the Foreign Office and, to a great extent, the intervention of the Prime Minister. [140]

The issue of Communism, as that period shows, was responsible for a great part of the misunderstandings between the two states and their antipathy towards each other. The U.K., on the one hand, believed that Egypt was supporting encouraging communist insurgencies in Africa and the Middle East. Egypt, on the other hand, believed that the U.K. was supporting Qasim in Iraq, which Nasser considered to be a communist regime. Some U.K. officials, especially in the Colonial Office, considered Nasser’s regime to be pro-Communist. They

based that belief on several features of Nasser's rule, such as his close relationship with the Soviet Union, his support of revolutionary and independence movements in the Third World, together with his declared anti-imperialist stance and slogans and his declared ideology of national-socialism. The fact that this period was one which witnessed the escalation of the cold war influenced their interpretation of Nasser's relationship with the Soviet Union. Nasser feared a different kind of Communism, mainly the activities of communist parties and movements in Egypt and the Arab world, which he considered a threat to him and to the policy that he began to represent, Arab nationalism. He saw the U.K.'s support of Qasim as an attempt to try to build up what he considered as a communist regime to replace Nasser and his ideology of Arab nationalism. And though the views of both states regarding relations between Communism and the other state had severe limitations, nevertheless, the importance of these views was their influence on the perceptions of both states and thus their direct and ultimate effect on their policies towards each other.

## **B      Egypt**

It was not only the U.K. which did not want a total and genuine reconciliation. Egypt itself was quite hesitant in accepting to reconstruct the bilateral relations, as its reluctance to resume diplomatic relations in the first place as well as to upgrade the official relations to ambassadorial status demonstrated. In addition to the reasons outlined earlier for Egypt's refusal to resume bilateral relations with the U.K., there were other reasons also which contributed to Egypt's delay in approving an exchange of ambassadors.

According to Colin Crowe, who spent the period from 1958 until 1961 trying to reconstruct the relationship, as a member of the U.K. delegation to the financial negotiations in Rome, Geneva and Cairo, later, as head of the British Property Commission, and then as Chargé d’Affaires in Cairo from 1959 to 1961, there were other reasons as well. The first was the Egyptian belief that there was a direct conflict of interest between the two countries in respect to Egypt’s policy of Arab nationalism and the U.K.’s traditional interests in that area. This basic belief made the Egyptian leaders more suspicious of the U.K. and prone to believe fallacious arguments about it, the most flagrant of which was that the U.K. was supporting the communists in Iraq. The second reason, according to Crowe, was the existence of Israel and the continuing state of belligerence between it and the Arab states. The Egyptian leaders blamed the West for the existence of Israel, and especially the U.K. for the Balfour Declaration. The Suez War confirmed that belief for the new Egyptian regime; the U.K. policy of assisting Israel politically and through the sale of arms kept that belief alive.

Another major reason for the reluctance of Egypt to accept a British ambassador in Cairo was due mainly to the history and pattern of the Anglo-Egyptian relations prior to the 1952 coup. Crowe referred to the triangle of power that had existed prior to the demise of the monarchy, where the role of the U.K. Ambassador or High Commissioner had been paramount in deciding the outcome of political decisions in Egypt. The 1942 incident, when the U.K. Ambassador Sir Miles Lampson had forced the king to appoint the Nahas government with the use of British troops, was an incident of major relevance for President Nasser and his comrades in the new Egyptian regime that came to power in 1952. Nasser frequently referred to it in his speeches, saying that

Egypt was now an independent country in which the British Ambassador could not dictate to Egyptian ministers. The fact that Egypt, for a while at least, did not even allow the presence of a British ambassador in Cairo was the best support for Nasser's arguments about his country's independence. Indeed, that point prompted Crowe to remark that it would have been better for the future of Anglo-Egyptian relations if Egypt had been made a U.K. colony, where the lines of authority were clear. As a result of the history of the relationship the Egyptians were more than reasonably suspicious of the role of the U.K. representative in Egypt. Finally, there were the feelings of anti-Westernism in Egypt which naturally affected the prospects of the U.K. and U.A.R. relationship. [141]

#### **IV A GOOD START FOR THE RELATIONS**

The appointment of ambassadors between the two states, after a great deal of difficulty and aggravation over issues relating to Israel or regarding the exchange of consular posts, marked the start of a new stage in the relations between the U.K. and Egypt. The upgrading of relations between the two states to ambassadorial level was a result of the positive improvement of the atmosphere of the relations between the two states. The years of animosity resulting from the clashes in the foreign policies of the two states had led to the rise of problems in the sphere of bilateral relations between them. These problems forced both countries to realise the importance of restoring and maintaining the official links between them. Furthermore, the importance of both countries in the region that witnessed their rivalries and competition, the Middle East, convinced them both of the need for links between them to maintain consultation and to avoid misunderstandings which in turn could

have increased the tensions in that volatile area. At the same time, the restoring of diplomatic relations between the states and the appointment of ambassadors contributed to the improvement in bilateral relations, as it meant increasing the intensity and level of consultation between officials of both states.

Accordingly, this new stage marked an improvement in relations in the bilateral field as well as a decrease in the regional conflict between the two states. The decrease in the regional conflict was mainly the result of the changes that occurred in the situation in the Middle East, but the existence of bilateral relations and bilateral contacts between the U.K. and Egypt allowed for the existence of a larger degree of harmony between them.

#### A **Decrease in Regional Conflict: Kuwait**

Despite the fact that the main reason for the regional conflict between the U.K. and Egypt was their different perceptions of (and thus policy towards) Qasim's Iraq, it was exactly the politics of that country (Iraq) which allowed for the decrease in the regional conflict between them. This occurred thanks to Qasim's policy towards Kuwait. On April 30, 1961, President Qasim, in a speech to the Reserve Military Academy in Iraq, attacked the U.K.'s policy towards Kuwait and laid claim to the territories of that country, anticipating that the U.K. might grant independence to it. Qasim's rhetoric increased in vehemence when he officially laid claim to the state of Kuwait. The U.K. believed that Qasim might indeed use force to occupy Kuwait or try to engineer a coup of some sort to use as a pretext for occupying it.

As a result of this incident, the U.K. guaranteed the defence of Kuwait under

an exchange of notes between the two countries on June 19, 1961. This was followed by a message from the U.K. government to the Emir of Kuwait confirming the U.K.'s obligation to defend his territory. Moreover, the U.K. dispatched British troops to Kuwait to ensure its defence. [142] The presence of these troops, even though it was in defence of Kuwait, posed serious problems for the U.K. Apart from the risk of the escalation of the crisis to the stage of military action, their presence in Kuwait was jeopardising the admittance of the State of Kuwait to the United Nations. The Soviet Union indicated that it would veto Kuwait's application if it was submitted while there were British troops on its soil. [143] At the same time, the presence of U.K. troops in Kuwait gave Qasim a propaganda advantage, which the British Political Resident in Kuwait feared might give him the support he lacked from the rest of the Arab states — for Qasim was isolated in the Arab world at that time. The U.K. representative in Kuwait believed that the U.K. would only achieve victory over Iraq in that dispute if the Iraqi threat was averted by Arab diplomatic action. [144]

The U.K. wanted to withdraw its troops from Kuwait, while maintaining the security of that State to the satisfaction of the Emir of Kuwait, since the U.K. was legally bound to ensure that by Article D of the Exchange of Notes of June 19, 1961. The U.K.'s dilemma was compounded by its lack of any kind of support from the United States, which declared that the defence of Kuwait was a matter between the U.K. and Kuwait. [145] This led the U.K. to seek a solution that it would have adamantly refused and fought against just a couple of years back.

That solution was to resort to the Arab League, which was based in Cairo; its

Secretary General, Abd al-Khalilq Hassuna, was also Egyptian and Egypt enjoyed considerable influence in the League. The Arab League accepted Kuwait's membership and undertook to support the Emir of Kuwait in the defence of his state against the threat of Iraqi aggression. The solution that the Arab League proposed was the creation of an Arab League Force to go to Kuwait and take over its defence from the British troops there, who would then withdraw.

The details of that particular issue are not of direct concern to this research. However, what is directly relevant is the fact that the U.K. not only did not object to that solution, but did its utmost to support it. Only a year earlier, the U.K. had refused a mere consular post for Egypt in Kuwait. During the current crisis, however, the U.K. actively persuaded the reluctant Emir of Kuwait to accept the presence of these troops and lobbied for the point that such a force be of sufficient strength to deter an Iraqi aggression, and therefore argued for the participation of Egyptian troops in it (initially Egypt's proposal to the Arab League about the sending of Arab League troops to Kuwait had stipulated that countries bordering Israel would be excluded from contributing to the force).

Moreover, the U.K. even agreed to the Egyptian stipulation that when the Arab League Force arrived in Kuwait the U.K. troops would have to leave. [146] Thus, the situation had arisen where the U.K. was actively trying to bring military troops — which included Egyptian troops — to Kuwait to substitute for British troops there. This was exceptional, considering the importance of Kuwait in terms of oil supplies to the U.K., since it meant that after years of the U.K. basing its policy in the Middle East on the alliance with Iraq against

Nasser's Egypt, it was now willing to let Egyptian troops replace its own troops to counter Iraqi threat.

## B      Improvement in Bilateral Ties

The first sign of the improvement that occurred in bilateral ties between Egypt and the U.K. after the restoration of official relations and the subsequent, though much delayed, agreement about the appointment of ambassadors, was the removal of the outstanding problems between the two states. Indeed, the existence of these problems was the catalyst that had forced the two countries to meet to discuss them and then to negotiate an agreement to resolve these issues, and had forced them to see the importance of having official representation in each other capitals to ensure the execution of that agreement. Nevertheless, it was essential to resolve these problems, otherwise their continued presence would have contributed to souring the newly restored relationship.

The first of these problems to be resolved were the release of the Egyptian blocked balances in the U.K., the Number One account, and the gradual release of the balances in the Number Two account which was to be governed by the agreement of the two countries in the exchange of notes on November 10, 1952 and August 30, 1955 [147] and the removal of the restrictions that Egypt imposed on U.K. nationals in Egypt under Presidential Proclamation No. 5 of November 1, 1956. The gradual desequstration of British properties in Egypt was also started in 1959, and was only subject to the administrative capabilities of the Egyptian Sequestrator General's organisation. These matters, as well as the matter of compensation for British employees dismissed from the service of

the Egyptian government, were all successfully negotiated by the financial agreement signed in February 1959.

However, there were other outstanding issues that remained to be settled between the two states. The most important of these concerned the two British subjects imprisoned in Egypt on charges of espionage. The prisoners, Mr. Swindon and Mr. Zarb, had been arrested in Egypt in August 1956, in the period between the nationalisation of the Suez Canal and the Suez War. After their trial (concluded on June 22, 1957), the U.K. government had protested in July 1957 — through the Swiss government — about the sentences, which also included the acquittal of some five other British subjects who had also been arrested in connection with the espionage case. [148] The protest had been refused by the Egyptian government and the matter promised to be settled only within the framework of settlement between the two countries. Indeed, the only glimmer of hope in that regard had appeared when Colonel Hatim visited the U.K. in September of that year, when, as explained earlier, he indicated Egypt's willingness to free the two prisoners in the package deal he was then offering. The same undertaking had been given by the Egyptian Ambassador to Rome on December 6, 1957, towards the end of the financial talks that were conducted there. [149] Certainly, the issue of Zarb and Swindon commanded sufficient attention in the U.K. to the extent that it was repeatedly discussed in Cabinet meetings, especially in 1958, and it was an issue in which the Prime Minister himself took an interest.

The U.K. Cabinet had decided, since January 1958, to make the U.K. acceptance of the financial agreement with Egypt conditional on the release of the two British prisoners. On September 9, 1958, the British government

decided that in consideration of Egyptian public opinion their release would not be part of the financial agreement. That policy of the U.K., namely linking the issues of the two prisoners with that of the financial agreement, rather than making the agreement conditional on their release, aimed at securing the release of the two prisoners just after the initialling of the agreement and before the actual signature and before the release of the Egyptian balances in the U.K. Prime Minister Macmillan confirmed that policy on September 9, 1958, after the Foreign Office proposed it once again on September 2, 1958. [150]

However the U.K. did not stick to this stipulation — that the release of the two prisoners should precede the signature of the financial agreement — just as it did not stick to its other stipulation that the U.K. should have a diplomatic mission in Cairo. This was decided because the British government was keen on reaching an agreement with Egypt, and also because it believed that Egypt would release the prisoners shortly after the signature of the financial agreement [151] When this hope did not materialise, the U.K. continued to try to convince the Egyptian government to release the two prisoners, both through direct private messages from the Secretary of State Selwyn Lloyd to his Egyptian counterpart Dr. Fawzi and the use of the good offices of Black and Hammarskjöld. [152]

All the British efforts to secure the release of Zarb and Swindon were as fruitless as their efforts to establish a British diplomatic mission. However, thanks to the intervention of Heikal, [153] Egypt suddenly decided to release Swindon in September 1959. The U.K. had agreed, earlier that year, to limit the press coverage of Swindon's release, to save the Egyptian government any embarrassment if the British Press covered it extensively, and there was but a

passing mention of the news in *The Times* in just nine lines under the headline "Mr. Swindon To Be Freed Today". [154] Although the U.K. continued and increased its efforts to release the other prisoner, Zarb, efforts which included attempting to link the resumption of diplomatic relations with his release, as well as the mediation of Mr. Nehru, the Indian Prime Minister, and other world leaders whose good offices had been previously used, [155] all these attempts proved of no avail.

Finally, Heikal informed Crowe on February 3, 1961, just a few days before the latter's departure from Cairo, that the Egyptian government had decided to give him a "cheque" as a goodbye present. That "cheque" turned out to be the release of Zarb. [156] However, the Egyptian government felt that it needed to justify the release of Zarb, and therefore it used the pretext of a public argument that had taken place in Montreal between Professor Toynbee and the Israeli Ambassador to Canada. *Al-Ahram* newspaper allocated front page coverage to this heated exchange, as well as to Professor Toynbee's public commentaries, which attacked Israel. [157] When Heikal informed Crowe of Zarb's release he expressed the wish that now the last problem between the two states was resolved and that the two states could start their relations with a clean slate. [158]

The matter of Zarb was not the only one that ceased to be an obstacle in the path of the full normalisation of the relations between the two states. Other issues which delayed the exchange of the names of ambassadors between the two countries also ceased to be problems. The Egyptian government stopped complaining to the U.K. regarding the issuance of visas to Egyptian officials wishing to go to the African counties that were still protected by the U.K.

During the course of 1961, the Egyptian government established a consulate in Kuwait and was promised a consulate in Dar-es-Salaam. [159]

As for the remainder of the Egyptian consular demands, there was little cause for concern about a possible negative effect of that issue on the future of the bilateral ties between the two countries because of the expected independence of the African states in question. Moreover, after the U.K. refused to grant Egypt consular posts, Nasser embarked on a new policy to spread Egyptian influence in Africa through economic and commercial links. This policy was executed through establishing branches for an Egyptian company, Al-Nasr, which was to concentrate on trade with African states. Indeed, the establishing of branches of Al-Nasr was not based on the economic utility of these branches but rather on the importance of creating Egyptian centres of influence in these countries and waving the Egyptian flag as a substitute for diplomatic missions. [160]

Certainly the bilateral relations between the two states appeared to be moving in a positive way. There occurred several meetings between the new British Ambassador in Cairo and the Egyptian President, as well as the Foreign Minister. The U.K. Secretary of State invited his Egyptian counterpart to luncheon in his honour when the latter passed through London from New York. [161] At the same time, London was once again heavily frequented by Egyptian officials, such as Musa Arafa and Aziz Sidqi, to the extent that the new Egyptian Ambassador in London felt that he was overwhelmed by the frequency of the visitors. [162]

The nascent relationship between the U.K. and Egypt was able to be resilient in the face of the occasional chilly winds that blew over it in 1961. Thus after demonstrators in Cairo attacked the American and British embassies in 1961, causing some minor damage to the U.K. mission, the Foreign Office instructed its embassy in Cairo not to claim for compensation from the Egyptian government for the damage, as there was no evidence that there had been any failure or negligence from the Egyptian government in protecting the U.K. mission. [163]

Relations were further improved when officials of both states were finally able to explain their own respective governments' decisions and policies regarding such thorny issues as de-colonisation, as well as Arab politics [164] The relationship reached a state where it was possible to describe it as cordial. It even allowed the U.K. Secretary of State to make an attempt at mediation between Egypt and France when Egypt arrested some members of the French Property Commission in Cairo in 1961, on the charge of espionage (France up to that point had not been able to re-establish diplomatic relations with Egypt). After years of fearing to be linked or identified once again with France, after the events of the Tripartite Aggression, the U.K. Secretary of State felt able to inform the Egyptian Ambassador in London that it was desirable that Egypt should release the arrested French representatives. [165] Even the re-sequestration measures by the Egyptian government, which were mainly directed against Egyptians but also affected some 47 U.K. owners, was a matter that was discussed calmly at that meeting without the risk that it could be escalated into an issue which could threaten the existence of the bilateral ties between the two countries. [166]

## V CONCLUSION

The conclusion of the financial agreement between Egypt and the U.K. meant the resolution of the technical problems which had been created between both countries by the Suez crisis. This meant the way was paved for the restoration of diplomatic relations. This was eventually achieved because the problems created by the Suez affair forced both governments to address and resolve them. Moreover, these problems not only had to be settled by a financial agreement, but they needed official contacts between representatives of both states to resolve the cases of thousands of British subjects regarding the compensation for their property or its desequstration.

As a result, diplomatic relations were resumed between the two states, albeit at a slow pace. Restoration of diplomatic relations took a longer period than the resolution of the financial agreement due to the generic difference between the two issues. Restoring diplomatic relations proved to be more difficult than settling technical financial disputes. The issues of the perceptions of the decision-makers of both countries — especially Egypt — towards relations with the other and the psychological effects of the historical legacies of the past Anglo-Egyptian relationship and the Suez war also affected the decision to restore diplomatic ties. Moreover, as the restoration of diplomatic relations occurred against a background of heightened regional confrontation between the two states, it was influenced by this confrontation. This was the case, because diplomatic relations involved power considerations for Nasser inside the U.A.R. and in the region as a whole. Nasser feared the consequences of allowing an official U.K. presence in Cairo and Damascus which might have been used to undermine his power inside the U.A.R.

After the rupture of Anglo-Egyptian relations in 1956, the problems caused by this abrupt rupture persuaded the two governments of the need for official contacts to settle these problems. This occurred against the background of the increased regional confrontation between them. As far as both Egypt and the United Kingdom were concerned, each was too powerful in relation to the other, too capable therefore of doing damage to their respective interests to be ignored. This realisation by both states forced the issue of the need for diplomatic relations.

Diplomatic relations were, therefore, restored largely because the government of each country acknowledged that they could harm each other and, in such a situation, the lack of formal diplomatic links was too dangerous.

## CHAPTER 5 : END NOTES

- 1 Letter from R. S. Crawford (the Chargé d'Affaires at the British Embassy in Baghdad) to the Foreign Office, January 28, 1959. F.O. 371/141921. (This letter contained what had been reported by Ambassador Fornari, the Italian Ambassador in Cairo, through the Italian Minister at their embassy in Baghdad).
- 2 Interview with Mohamed Hassanein Heikal, London: September 1990
- 3 Telegram No. 209 From Washington to Foreign Office, January 23, 1959 F.O. 371/141920
- 4 Telegram No. 47 From U.K. Delegation to Financial Talks Cairo to Foreign Office, January 25, 1959. F.O. 371/141920
- 5 Anglo-Egyptian Relations, Confidential. A brief prepared for Mr. Erroll prior to his departure to Egypt in February 1959. F.O. 371/141921.
- 6 *Ibid.*
- 7 Telegram No. 99 From Foreign Office to United Kingdom Representative in Cairo, March 11, 1959. Immediate and Confidential F.O. 371/141921.
- 8 Telegram No. 135 From United Kingdom Representative in Cairo to Foreign Office, March 15, 1959. F.O. 371/141921.
- 9 Telegram No. 137 From United Kingdom Representative in Cairo to the Foreign Office, March 17, 1959. F.O. 371/141921.
- 10 Telegram No. 151 From United Kingdom Representative in Cairo to the Foreign Office, March 23, 1959. F.O. 371/141921.
- 11 Telegram No. 124 From Foreign Office to the U.K. Representative in Cairo, March 26, 1959. F.O. 371/141922.

- 12      *Ibid.*
- 13      "Export of Goods to the United Arab Republic", Memorandum by A. K. Rothnie, March 24 , 1959. F.O. 371/141984.
- 14      *Ibid.* and letter from D. F. Ballentyne at the Foreign Office to D. Hammond at the Ministry of Defence, April 2, 1959. F.O. 371/141984.
- 15      Telegram No. 124 From Foreign Office to the U.K. Representative in Cairo, March 26, 1959. F.O. 371/141922.
- 16      "The Supply of Radar and Radio Monitoring Equipment to Egypt", Memorandum by Reginald Michael Haddow, the Head of the Levant Department, February 26 1959. This memo was approved on February 2, 1959. F.O. 371/141984.
- 17      *Annual Register* 1959, 66/63 p. 317.
- 18      Minute by R. Arculus on the visit by Sir Frank Lee to Cairo, April 10, 1959 F.O. 371/141931.
- 19      Telegram No. 175 From United Kingdom Representative in Cairo to Foreign Office, April 8, 1959. F.O. 371/141931.
- 20      Telegram No. 147 From Foreign Office to United Kingdom Representative in Cairo, April 21, 1959 . F.O. 371/141922.
- 21      Telegram No. 171 From United Kingdom Representative in Cairo to the Foreign Office, April 5, 1959. F.O. 371/ 141922.
- 22      Telegram No. 176 From United Kingdom Representative in Cairo to the Foreign Office, April 8, 1959. F.O. 371/ 141922.
- 23      Telegram No. 187 From United Kingdom Representative in Cairo to the Foreign Office, April 21, 1959. F.O. 371/141922 *and Confidential Letter* from A. K. Rothnie (Levant Department — Foreign Office) to

- C. T. Crowe, May 4, 1959. F.O. 371/141923 *and* Telegram No. 147, From Foreign Office to United Kingdom Representative in Cairo, April 21, 1959. F.O. 371 / 141922.
- 24      Telegram No. 185 From U.K. Representative in Cairo to the Foreign Office, April 17, 1959. F.O. 371/141922; *see also* A Note On Conversation with Mr. Murad Ghalib on Friday, 24 April, 1959, by A.H.T. Chisholm, June 4, 1959. F.O. 371/141925.
- 25      Telegram No. 248 From Foreign Office to U.K. Mission to the United Nations (New York), April 9, 1959. F.O. 371/141922.
- 26      Telegram No. 147 From Foreign Office to United Kingdom Representative in Cairo, April 21, 1959. F.O. 371/141922.
- 27      Telegram No. 1991 From Foreign Office to Washington, April 17, 1959.  
PREM 11/3267.
- 28      Telegram No. 147 From Foreign Office to United Kingdom Representative in Cairo, April 21, 1959. F.O. 371/141922 *and* Telegram No. 1991.
- 29      Telegram No. 154 From New York to the Foreign Office, April, 21, 1959.  
F.O. 371\141920.
- 30      Telegram No. 198 From U.K. Representative in Cairo to the Foreign Office, April 26, 1959. F.O. 371/141923.
- 31      Report No. 12 from C. T. Crowe to the Secretary of State, February 9, 1959. F.O. 371/158807.
- 32      Brief prepared by the Levant Department, February 23, 1959. F.O. 371/141921.
- 33      Relations With Egypt, memorandum by the Head of the Levant Department J. G. S. Beith, May 1, 1959.
- 34      *Ibid.*

- 35      Telegram No. 198 From Cairo to the Foreign Office, and Telegram No. 175, From United Kingdom Representative in Cairo to Foreign Office, April 8, 1959. F.O. 371/141931.
- 36      Interview with Heikal, London: September 1990.
- 37      Telegram No. 171 From U.K. Representative in Cairo to Foreign Office, April 5, 1959. F.O. 371/141922.
- 38      Telegram No. 237 From Foreign Office to Baghdad, May 22 1959. F.O. 371/141924.
- 39      Zulfikar Sabri, the Vice Minister of the Egyptian Foreign Ministry, mentioned this to the Italian Ambassador in April 1959; Telegram from U.K. representative in Cairo to Foreign Office, April 1959. F.O. 371/141922.
- 40      Telegram No. 237 From Foreign Office to Baghdad.
- 41      Mr. Woodrow Wyatt's conversation with President Nasser, December 17, 1958. F.O. 371/133970
- 42      Letter From the Chargé d'Affaires at the British Embassy in Baghdad to the Head of the Levant Department, January 28 1959. F.O. 371/141921.
- 43      John D. Steinbruner, *The Cybernetic Theory of Decision: New Dimensions of Political Analysis* (Princeton University Press, 1974) pp. 47-48 & 67. John Burton, *Conflict Resolution and Prevention* (London: Macmillan, 1990) pp. 176-177.
- 44      Robert Jervis, *Perceptions and Misperception in International Politics* (New Jersey: Princeton University Press, 1976) p. 143.
- 45      Letter From the Chargé d'Affaires at the British Embassy in Baghdad to the Head of the Levant Department, January 28 1959. F.O. 371/141921.

- 46 Two of the leaders of the Iraqi regime that overthrew the monarchy.
- 47 Confidential Letter by Colin Crowe to A.K. Rothnie, May 5, 1959. F.O. 371\141902.
- 48 "Bisaraха" (Honestly) By Mohamed Hassanein Heikal, *Al-Ahram*, April, 7 1959.
- 49 Telegram No. 133 From U.K. Representative in Cairo to the Foreign Office, March 14, 1959. F.O. 371/141921.
- 50 Telegram No. 171, From U.K. Representative in Cairo to the Foreign Office, April 5, 1959. F.O. 371/141922.
- 51 Telegram No. 185 From U.K. Representative in Cairo to the Foreign Office, April 17, 1959. F.O. 371/141922.
- 52 A Note On Conversation with Mr. Murad Ghalib on Friday, 24 April, 1959, by A.H.T. Chisholm, June 4, 1959. F.O. 371/141925.
- 53 Confidential letter from Colin Crowe to A.K. Rothnie, May 2, 1959. F.O. 371/141923.
- 54 Telegram No. 154 From U.K. Mission in New York to the Foreign Office, April, 1959. F.O. 371/141922.
- 55 Report by the U.K. Ambassador to Beirut, P.M. Crosthwaite, to Mr. Selwyn Lloyd on Nasser's Problems in Syria, February 7, 1959. F.O. 371/141896.
- 56 Minute by the Head of the Levant Department, A.K. Rothnie on The Situation in Syria, March 19, 1959. F.O. 371/141900.
- 57 Review of development in the U.A.R. in 1959, Report No. 6 by Colin Crowe to the Secretary of State Selwyn Lloyd, January 31, 1960. F.O. 371/150896.

- 58 Confidential letter from Colin Crowe to A.K. Rothnie, May 2, 1959.  
F.O. 371/141923.
- 59 Telegram No. 175 From United Kingdom Representative in Cairo to Foreign Office, April 8 1959. F.O. 371/141931.
- 60 Record of Conversation with Mr. Hammarskjöld at the Palais des Nations, Geneva, July 6, 1959. F.O. 371/141925.
- 61 Confidential letter from Colin Crowe to A.K. Rothnie, Levant Department, June 2, 1959. F.O. 371/141924,
- 62 Brief by A.K. Rothnie on Anglo/U.A.R. and Anglo/Saudi Diplomatic Relations, August 6, 1959. F.O. 371/141927.
- 63 Heikal, *Sanawat al-Ghalayan*, pp. 304-309, pp. 294-309 and Interview with Heikal, London: September: 1990.
- 64 Confidential letter from Colin Crowe to A.K. Rothnie May 2, 1959.  
F.O. 371/141923.
- 65 Outward Saving Telegram No. 237 From Foreign Office to Baghdad "Relations with The United Arab Republic", May 22, 1959. F.O. 371/141924.
- 66 *Ibid.*
- 67 "Record of Conversation Between The Secretary of State and Mr. Black At No. 1 Carlton Gardens on May 7, 1959." F.O. 371/141923.
- 68 Outward Saving Telegram No. 237, From Foreign Office to Baghdad "Relations with The United Arab Republic", May 22, 1959. F.O. 371/141924 .
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## CONCLUSION

The restoration of Anglo-Egyptian relations in the aftermath of the Suez Crisis was a slow and difficult process that lasted from 1957 until 1959. Indeed, it took two more years before official or diplomatic relations between the two states were upgraded to the ambassadorial level.

The history of Anglo-Egyptian relations prior to the break that occurred in 1956 illustrates the way in which the structural imbalance which existed in that relationship — a relationship based on patronage — found expression in clashes in the foreign policies of both states and eventually developed into a fully-fledged regional conflict in the Middle East. Indeed, the Anglo-Egyptian relationship soured from 1954, until it was ultimately severed in 1956, mainly because of the above-mentioned regional confrontation and despite the fact that all the problems that had previously existed between the two states in the bilateral field were effectively resolved by the 1953 Anglo-Egyptian settlement over the Sudan and the 1954 Anglo-Egyptian Agreement.

The examination of the restoration of relations between the two states illustrates that the problems which developed between the United Kingdom and Egypt, as a result of the break of 1956, were the main factor which forced the two states to meet to discuss ways and means of resolving these problems and restoring their official links. This process occurred at a time when the regional conflict between the United Kingdom and Egypt reached its climax.

Bilateral relations took precedence for the governments of both states over

issues related to the regional conflict because of the problems which emerged as a result of the abrupt rupture of the relations. After the break of 1956, these problems managed to generate such a momentum, and thereby exerted such internal pressure on the government of both the United Kingdom and Egypt, that the two governments sought to resolve them. Moreover, these internal pressures were mainly responsible for the fact that both governments had to accept compromises on these issues.

However, this research clearly shows that the restoration of official relations proved to be more difficult than the resolution of the technical problems in the field of bilateral relations. This was mainly due to the generic differences between the issues related to a financial agreement (which resolved most outstanding problems in the bilateral field between the two states) and those issues related to the restoration of official relations. Restoration of official or diplomatic relations involved other issues, such as the perceptions by the decision-makers of each state of the policies of the other and the remnants of the colonial legacies which continued to haunt the prospects of improving the Anglo-Egyptian relations, even after diplomatic ties were restored in 1959.

The issue of the legacies of the past relationship not only served to harm the prospects of the restoration of bilateral relations. The intensity of the relations between the United Kingdom and Egypt during the period of domination created a state of interdependence between the two states. On many levels, this degree of interdependence persisted, even after the period of domination was over. The abrupt severance of relations meant that certain sectors of the populations of both states were negatively affected. These sectors included those who had benefited from trade with the other state, as well as parts of the

populace (British) who had to leave their country of residence (Egypt) because of the 1956 crisis. These two groups effectively created interest groups which lobbied their government in favour of the restoration of Anglo-Egyptian relations.

The case study examined in this thesis not only sheds light on the dynamics of the Anglo-Egyptian relationship during the period between 1957 and 1961, but provides some useful guides in the study of international relations. It has served to validate in some measure some of the basic assumptions of the realist and decision-making approaches, such as the importance of national interests, of the domestic environment and of the perceptions of the decision-makers as prime factors behind states' actions. More specifically, this research raises some of the general issues that are relevant to an analysis of the dynamics of the relationship between a major power and its former client state.

This thesis illustrates the importance of taking into account the legacies of the relationship that existed between a major power and its former client state during the period of patronage, as these legacies will affect the perceptions of the decision-makers of both states regarding each other. These legacies may also lead to the emergence of certain groups within each state which may lobby their government for or against particular courses of action.

Among the legacies of the past relationship between a major power and its former client state, may well be a structural imbalance in their relations which may outlast the settlement of bilateral issues. This structural imbalance may be due to a frustrated paternalism on the part of the major power, which expects its former client state to continue to abide by the rules it had hitherto

established, despite the end of the patronage relationship. This may be complicated by a desire on the part of the government of the former client state to prove or illustrate, to both its domestic and external environments, its independence by adopting a course of action which runs specifically against the interests of the major power. Therefore, such a structural imbalance may find expression in conflicts between the general foreign policies of the two states which may lead to a crisis in their relations.

In addition, the relationship between a major power and its client state, during the period of patronage, is bound to create links between not just the governments of the two states in question but also between sectors of the economies and societies of each of the two states. The sudden rupture of relations is therefore likely to cause a number of problems in the bilateral field between the two states. The analysis of these problems and their internal ramifications on the major power and its former client state under research, may provide a guide to the forces at work which lead to an eventual restoration of relations, even if the reason for the initial break — conflict between their general foreign policies — is still in existence.

The case study also underlines the importance of the perceptions of the decision-makers and the impact that such perceptions may have on the foreign policies of their states. The fears, anxieties and past experiences of the decision-makers are bound to affect their countries' foreign policy decisions in the sense that they may decide on courses of actions which would be inexplicable if the past experience and perceptions of the decision-maker were not taken into account.

The study of international relations since the end of the Second World War has been dominated by the study of the superpowers. However, the international system has been characterised, since the dawn of history, by the rise and fall of powerful states and great powers. These great powers usually have patron-client relationships with a number of lesser powers.

These, in turn, are affected in varying ways by the decline of the great powers (or even the collapse of these great powers themselves). The decline in the strength of great or leading powers will eventually lead to two main results. Firstly, the collapse in the strength of the great powers will mean that they lose their hegemonic role in the international system and become simply major powers rather than great, leading or superpowers. The change in the status of several of the leading powers that once dominated the international system, such as Great Britain after the decline of the British Empire, or Russia after the collapse and disintegration of the Soviet Union, illustrates this point. Secondly, this may lead to the eventual end of patron-client relationships which had existed when the major power was a great or leading power. The period of realignment or change in the status of the major power (from being a leading power), and the ending of the patron-client relationship, may lead to the souring of relations, and even to the severance of relations between the two.

Consequently, a better understanding of the international system might be gained if students of international relations were to devote equal attention to the study of the processes whereby states adjust to relative changes in status. In particular, the question of restoration of relations between major powers and their former clients after the rupture of relations raises issues central to our understanding of these processes.

The process of the restoration of relations between the United Kingdom and Egypt examined in this research illuminates these processes. It shows that the decline in the power of the major power (the British Empire) had also affected the pattern of the relationship between itself and one of its client states (Egypt). This was manifested in a structural imbalance in the relationship which, after the resolution of the outstanding problems in bilateral relations, found expression in clashes between the foreign policies of the two states. In addition to the positive effects of the problems in the bilateral field between the states in question — problems which resulted from the sudden severance of the relationship — on the process of the restoration of relations, the case study illustrates that the process of normalisation of the relations between the two states is a factor, as well as a function of, the readjustment of the major power to its new status in world affairs as a major rather a great power. This process of readjustment also applies to the former client state, which eventually come to realise the importance of conducting its international relations on the basis of common and national interests, with the ensuing realisation that sometimes politics may necessitate relations with other states where the only common feeling between them is fear, mistrust or even animosity.

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