

**Middle East - Suez story No  
37-40: Middle East - Suez  
story No 37-40 - 13**

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Dag Hammarskjöld's saml.

Middle East / Suez story -38

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Feb. - June 57

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4 memoranda (by D.H.)

6 February 1957

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2. As Secretary-General I have continuously tried to promote negotiations concerning the general Canal settlement. I need not here repeat why so far I have not been able to get formal negotiations going. Short of that I have considered it to be my duty to do what I could in order to avoid a conflict concerning the form of payment when the traffic is re-opened. The role of the Secretary-General in that context is, on the whole, one of good offices, as no formal arrangements are made for my contacts with either the users or Egypt. The basis for my approach to this latter problem has been that "a collision" should be avoided by the introduction of a formula which, while respecting the basic Egyptian assumption of Egypt's ownership of the Canal, is strictly neutral in relation to the forthcoming negotiations so as not to prejudge the stand of any party on pending issues. This kind of formula is obviously the only one the Secretary-General, in his position, can put forward. A formula which tips the balance in favour of any party can, of course, be put forward by the party but not through

the Secretary-General, with his endorsement.

3. It does not seem to me that the formula mentioned in point 1) meets the requirements mentioned in point 2), as it would prejudge a final solution of a most important point, establishing, as it does, a financial administration by the International Bank. I do, therefore, not consider it possible to put that proposal forward in the form envisaged by the British Government. A type of formula I can envisage is one which establishes a suspense account - held, if so desired, in the International Bank - to which the payments are made with reservations, e.g. of the American type, aiming at avoiding that a country, by paying, gets committed to the acceptance of any specific arrangement for the administration of the Canal or any specific distribution of incomes from the Canal. I can also envisage that this kind of suspense account, if the payer so wishes, might be blocked pending settlement, but that seems to represent the utmost point reconcilable with the concept of technical neutrality. The difference between this possible approach and the one mentioned in 1) is that the suspense account arrangement does not derogate from the assumption of Egyptian ownership by the establishment of a financial administration, enjoying an independence exceeding what is necessary in order to safeguard freedom of action in negotiations about the final administrative arrangements.

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crossing of wires should be avoided. A related question is by what means it is envisaged that Egypt can be induced to accept the formula.

5. It should be observed that the British proposal, if brought up at this stage, may well block progress on the urgent question of a formula to tide us over the 1st of March without a collision. If, by then, we were to run into a conflict for the reason that the British proposal has been launched and an effort made to press it on Egypt, for example via Washington, I think there is reason to fear serious repercussions deeply harmful to other efforts of major scope in the Middle East.

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MEMORANDUM

Ambassador Loutfi saw me in the afternoon of 13 May.

He transmitted a message to me to the following effect:

Dr. Fawzi wished to inform me that the points I had raised in my recent letter were under consideration. He would revert to the matter soon. However, he thought that I would fully realise that there was an important question of timing involved.

In thanking for the message I asked the Ambassador to transmit to Dr. Fawzi that just as - knowing him - I noted his promise to reply "soon", I for my part had to stress that I had used the word "urgency" as a serious indication of the dangers of delay.

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AIDE MEMOIRE

Ambassador Wadsworth came to see me today. One of the matters he brought up was the question of repayment of advances to the Canal clearance.

Washington felt that the only sound solution would be to impose a surcharge. They talked about some 10 <sup>0</sup>/<sub>0</sub> until the amount spent was repaid. They felt that a proposal to that effect should be submitted to the General Assembly and would themselves support it. They could even envisage a solution without a formal approval by the General Assembly. As to the manner of collecting the surcharge, they would suggest payment to a special United Nations account in the International Bank.

I said that I would prefer action by the Assembly simply approving a repayment plan. Such a decision would probably be easier to get than a decision spelling out the way of repayment. I would also prefer BIS as paying agent.

We noted that there was a considerable meeting of minds on this issue between Washington and the UN. Ambassador Wadsworth asked when I might bring it up. I replied that I would not like to tie up the loose ends with Egypt until we had got other matters out of the way. As to the necessary contacts with other governments I would both for that reason and in view of the summer holidays try and get matters settled in good time before the General Assembly, say some time in August.

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I saw Dr. Loutfi on 1 April in order to transmit through him observations on the draft text concerning Suez in addition to those transmitted on 29 March. I chose the opportunity to elaborate especially on the question of the legal form and the question of participation of the Users. Although informed about the American draft, I did not refer to it, but phrased my own suggestions so as to lend maximum support to a development in the direction <sup>it</sup> they had indicated.

I pointed out the dubious effect of a unilateral declaration registered with the United Nations. Dr. Loutfi said that he had studied the matter and arrived at the conclusion that such a document not only could not be changed without reference to the United Nations, but in effect might be considered as irrevocable. I said that this interpretation seemed to me highly doubtful and that one should try and get, somehow, <sup>another</sup> ~~the UN as a~~ party to the arrangement. The best would undoubtedly be if some form would be found for access by other nations to the Declaration. If that for <sup>some</sup> ~~that~~ reason did not work out, an alternative would be that the General Assembly in appropriate form took note of the Declaration, thus making itself the opposite number. I would strongly advise that these possibilities were taken up for serious consideration so as to avoid a complaint that the Declaration did not provide any safety for the Users against changes of the situation.

As regards the Users I felt that the text of paragraph 5 was insufficient. I had already recommended that Egypt would encourage the organization of the Users as part of the whole administrative plan. I would (now like) to elaborate the idea. It seemed to me that two possibilities should be considered. On the one side Egypt might invite advisers from major shipping companies to serve, as independent individuals, in consultations with the authority. They could, but need not, be organized as a special committee. The other possibility was that Egypt invited Users Nations to constitute a committee to serve roughly along the lines envisaged in October. This latter <sup>line</sup> ~~one~~ could be implemented by a request from Egypt to the UN to designate such a committee.

The two alternatives mentioned might well be combined as the arrangements envisaged would serve somewhat different purposes.

Dr. Loutfi promised to transmit these reactions to Dr. Fawzi.

In a later communication <sup>through</sup> to Dr. Bunche where I pleaded strongly for the widest possible acceptance by Egypt of the various American proposals, I also raised the question of a possible strengthening of the legal value of the Declaration by a letter from the Secretary-General concerning registration in which he spells out that the registration made the Declaration, with the obligations therein, an international instrument.

I never informed Egypt about the information I had concerning the American stand, but it emerged from talks between Dr. Fawzi and Dr. Bunche that Egypt took for granted that I was fully acquainted with the line pursued by the US.

On 12 April Dr. Loutfi came to see me late in the afternoon in order to inform me that he had received two cables, one with a new draft text of the Declaration, and one with comments. The first cable was, however, so garbled that he had to ask Cairo to send it again. He would give it to me the next day. In the comments Dr. Fawzi observed that he felt that he had now fully covered the six points, although he had not gone the full length of the US proposals. He could accept "in principle" submission of the text to the General Assembly in order to give the Assembly an opportunity to take note of the Declaration. He feared, however, a lengthy and complicated debate. He could also accept my sending a reply stating that "the Declaration with the obligations therein, was an international instrument". He further said that he considered it ~~not~~ possible to associate with the operation bigger shipping companies or their representatives.

On 13 April in the afternoon I received the full text of the Declaration to which I <sup>then</sup> made only some brief comments, mainly indicating that few changes had been made. I would like to get back to the question with a fuller reply as soon as I had had an opportunity to think matters over. He certainly also fully understood that I felt that I should consult "one or two" missions.

I asked Dr. Loutfi if he thought that Washington was informed about the substance of the comments given to me by Dr. Fawzi. He said that he was certain that they were not so informed. This was later confirmed by Ambassador Engen who had a strong impression that this piece of the picture was missing in Washington. I therefore called Under-Secretary Herter, giving him the substance of the comments and indicating also what line of approach I intended to make on the question of form and the question of Users' representation. He said that he did not see that such a reaction from my side would involve any crossing of wires with Washington. In spite of that, I promised him to inform him about what I was sending to Cairo before transmitting it.

The paper I had prepared was later, through Mr. Barco, sent down to Washington. It was discussed at a meeting at 2 p.m. on 14 April with Mr. Wadsworth, Mr. Barco and Mr. Pédersen.

At the meeting on 14 April the US informed me about the development of the Security Council plans and expressed the hope that I would not react so as to give Cairo the impression that I regarded the text as definite. Ambassador Wadsworth read Washington's comments to the second draft. These comments were extremely negative. He agreed that on three major points the criticism was unwarranted. These points were a rejection of the jurisdiction of the international court, a possibility to *stymie* arbitration by a failure to appoint <sup>a</sup> party arbitration <sup>or</sup>, and a denial of party-position to the Suez Company in an arbitration on compensation.

Later Sunday afternoon I sent to Loutfi (and the US Delegation) my reply to Dr. Fawzi which aimed primarily at keeping the door open while the US was pursuing its discussion with Cairo concerning a possible Security Council ~~procedure~~ <sup>report</sup>. The text was also intended to safeguard me against any statement on the Egyptian side that I had approved the text (in view of the possibility that the text ~~made~~ <sup>would</sup> be issued before a Security Council meeting).

It was apparent from the talk with the US Group, and later with Ambassador Wadsworth alone, that the Mission was sharply against a Security Council discussion, that Washington had given in to British pressure while Paris now said that they were against a Security Council meeting, and that the time-table was set in order to put the British on record as accepting payment to Egypt but "under protest". Ambassador Wadsworth was fully aware of the considerable risks involved in the Security Council debate, especially if the

main importance was considered as being attached to the time-table. Pending clarification of the Egyptian reaction to the idea of a joint Egyptian-US demarche to the Council, he was very uncertain ~~about~~ whether a discussion would take place as planned. Sir Pierson Dixon had at least said that he was not informed about the fact that the US had approached Egypt on the matter (although this should have been communicated to Caccia in the course of the last few days).