

Preliminary Note to the 'DULLES PROPOSALS'

What I here refer to as the "Dulles Proposals" were those put forward by Mr Dulles as the representative of the United States of America. They were, after debate, accepted with certain amendments by eighteen of the nations which attended the Conference. Those nations were: Australia, Denmark, Ethiopia, France, the Federal Republic of Germany, Iran, Italy, Japan, The Netherlands, New Zealand, Norway, Pakistan, Portugal, Spain, Sweden, Turkey, the United Kingdom, and the United States of America.

On 23 August 1956, those nations at the Conference requested representatives of the Governments of Australia, Ethiopia, Iran, Sweden, and the United States of America, with myself as Chairman, to approach the Government of Egypt to place before it the views of the eighteen Governments, to explain their purposes and objectives and to find out if Egypt would agree to negotiate a Convention on the basis of those views.

The Committee, after many meetings, met President Nasser in Cairo on several days beginning on Monday, 5 September 1956. The Members of the Committee were:

Australia: The Rt. Hon. R.G. Menzies, C.H., Q.C., M.P., Prime Minister
Ethiopia: His Excellency Ato Aklilou Hapte-wold, Minister for Foreign Affairs
Iran: His Excellency Dr A. G. Ardalan, Minister for Foreign Affairs
Sweden: His Excellency Mr Osten Unden, Minister for Foreign Affairs
United States of America:
The Hon. J. Foster Dulles, Secretary of State
Alternate: The Hon. Loy W. Henderson, Career Ambassador of the United States of America

Mr Dulles was, in the Cairo discussions, represented by Mr Henderson.

The proposals were:

The Governments approving this Statement, being participants in the London Conference on the Suez Canal:

Seeking a peaceful solution in conformity with the purposes and principles of the United Nations; and

Recognizing that an adequate solution must, on the one hand, respect the sovereign rights to just and fair compensation for the use of the Canal, and, on the other hand, safeguard the Suez Canal as an international waterway in accordance with the Suez Canal Convention of 29 October 1888;

Assuming for the purposes of this statement that just and fair compensation will be paid to the Universal Company of the Suez Maritime Canal, and that the necessary arrangements for such compensation, including a provision for arbitration in the event of disagreement, will be covered by the final settlement contemplated below.

Join in this expression of their views:

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1. They affirm that, as stated in the Preamble of the Convention of 1888, there should be established 'a definite system destined to guarantee at all times, and for all the Powers, the free use of the Suez Maritime Canal'.
2. Such a system which would be established with due regard to the sovereign rights of Egypt, should assure:
 - (a) Efficient and dependable operation, maintenance and development of the Canal as a free, open and secure international waterway in accordance with the principles of the Convention of 1888.
 - (b) Insulation of the operations of the Canal from the influence of the politics of any nation.
 - (c) A return to Egypt for the use of the Suez Canal which will be fair and equitable and increasing with enlargements of its capacity and greater use.
 - (d) Canal tolls as low as is consistent with the foregoing requirements and, except for (c) above, no profit.
3. To achieve these results on a permanent and reliable basis there should be established by a Convention to be negotiated with Egypt:
 - (a) Institutional arrangements for co-operation between Egypt and other interested nations in the operation, maintenance and development of the Canal and for harmonizing and safe-guarding their respective interest in the Canal. To this end, operating, maintaining and developing the Canal and enlarging it so as to increase the volume of traffic in the interest of the world trade and of Egypt, would be the responsibility of a Suez Canal Board. Egypt would grant this Board all rights and facilities appropriate to its functioning as here outlined. The status of the Board would be defined in the above-mentioned Convention. The members of the Board, in addition to Egypt, would be other States chosen in a manner to be agreed upon from among the States parties to the Convention with due regard to use, pattern of trade, and geographical distribution: the composition of the Board to be such as to assure that its responsibilities would be discharged solely with a view to achieving the best possible operating results without political motivation in favour of, or in prejudice against, any user of the Canal.
 - (b) An Arbitral Commission to settle any disputes as to the equitable return to Egypt of other matters arising in the operation of the Canal.
 - (c) Effective sanctions for any violation of the Convention by any party to it, or any other nation, including provisions for treating any use or threat of force to interfere with the use or operation of the Canal as a threat to the peace and a violation of the purposes and principles of the United Nations Charter.
 - (d) Provisions for appropriate association with the United Nations and for review as may be necessary.

THE 'DULLES PROPOSALS'

Speech at the first London Suez Conference of twenty-two nations, Lancaster House, London, on 18 August 1956. The 'Dulles Proposals' were the basis of those finally adopted by eighteen nations, and presented to Colonel Nasser at Cairo

I would hope in what I say this afternoon to follow the excellent example that has been set by those who have already spoken, of considering this vastly important problem with moderation and restraint, and with the desire to arrive at a settlement which will be satisfactory to all concerned.

I was, Sir, if I may say so, greatly impressed by the appeal made by the representative of Turkey for an absence of emotion or prejudice. On that point I may perhaps be allowed to say that in many publications that I have looked at in the last few days I have noticed a disposition to talk about nations 'east of Suez' and nations 'west of Suez' as if they had conflicting interests.

That, Sir, I venture to describe as deplorable. The truth is that we all have a common interest in having a free, open, competently managed, and ever-improving Suez Canal. I speak for Australia which is one of the nations east of Suez. In common with our colleague countries who are here, we have a very large trade through the Canal, and as all the countries east of Suez grow in their national development, and in their economic strength and trade, they will have an increasing share of the traffic through the Suez Canal. Indeed, looking into the future, it may very well be that the countries east of Suez will have a dominating share of the traffic through the Suez Canal. Therefore, to create artificial grounds of debate between countries east and countries west seems to me to be a very grave disservice to the settlement of this controversy.

There is another preliminary remark I would like to make. The representative of the Soviet Union has agreed, as I understood him, that there should be a guaranteed freedom in the Canal. That seemed to me to give us pretty good initial common ground from which we could proceed to consider the vital question of *how* this freedom is to be guaranteed. That, if I may say so, is not merely a matter of legal concept but a matter of practical working. How do we in fact see to it that the freedom of the Canal is guaranteed? On that point, I say that no international guarantee, if one thinks of a guarantee in terms of words written on a piece of paper, can be useful unless it can be made effective, and the effectiveness of a guarantee is an essentially practical problem. The best practical means by which such a guarantee can be made effective, that is to say made both practical and peaceful, is that the Canal should have competent and impartial administration, without which it may, despite any guarantee, be used for discriminating purposes and may in any event fall into such disrepair as will seriously reduce its capacity.

I just want to pause to emphasize that point. This Canal is literally a going concern. It must constantly be kept in good shape. It must constantly be kept in good repair. It will, judging by the present saturation of traffic, need to be extended. It may have to be duplicated. Those are aspects of this matter which we cannot ignore if we are to consider the effectiveness of a mere statement that the Canal is at all times to be kept open as an efficient international waterway.

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There is another practical consideration behind any guarantee, and that is that the administration of the Canal should have the confidence of other nations, because the confidence of all the nations involved in this problem seems to me to be the one thing that can lead to adequate future financial provision for Canal works, Canal maintenance, and Canal development. I believe that that aspect is one that we will ignore at our peril, because it goes to the root of this problem.

One other remark; it seems to me to beg the question to say that Egypt must not be hindered in the exercise of her 'sovereign rights'. What are sovereign rights? We all have them. We are all profoundly attached to them. I would not have thought we needed to argue too much about the existence of our own sovereign rights. But do our sovereign rights entitle us to repudiate any international agreement, because if they do, we are wasting our time trying to find an agreement. The fact is, and this is occasionally overlooked, that nations enter into international treaties because they have sovereign rights. That is the whole foundation of the negotiation. They are not abandoning, but actually giving effect to their sovereign rights by deciding what they shall or shall not agree to do. Everybody conceded the vital international significance of this Canal. The head of the Egyptian Government does not himself, at any rate at this time, deny it. What we have to determine in this Conference is therefore not an academic question about sovereignty, but whether, by accepting without more ado the position created by Egypt's action, we, as users of the Canal, are to enjoy the privilege of users merely on sufferance; and whether we should be willing to put the whole economic future of our own nations into the hands of one nation or of one man.

I add to this consideration something which is not to be overlooked by any one of us as a responsible leader in his own country. The people who in the long run are affected by the advantages of an open Canal or the disadvantages of an uncertain one are the ordinary people of our countries, the people who in the long run pay for the goods that arrive and get whatever benefit there is from the goods that go. We are here dealing with the interests of the ordinary people of our own countries. I have no disposition whatever, on behalf of my own country, to submit my own people to all the chances and uncertainties that would arise from having their immense trading interests through this Canal made subject to the whim of the moment, to the judgment of one country, or to the judgment of one man.

With all those considerations in mind, I say with great respect to this Conference that our task as responsible spokesmen is to seek a solution, not a rhetorical one – the day for rhetoric on this matter has gone by – but to seek a solution which first of all recognizes Egypt's legitimate territorial rights; and secondly, preserves the status of the Canal as an assured international waterway conducted in international interests and not for purely national political or economic gain. That, I submit to this Conference, represents the true and precise nature of our task.

On this matter I listened, as I think we all did, with great interest and great respect to the speech of Mr Dulles, which seemed to me to be clear and wise and penetrating. We have to consider his proposals in the light of the tests that I have just ventured to put before this Conference.

Sir, although in my more respectable days I was a lawyer, I do not today propose to argue the legal question, fascinating though it is, of whether Egypt had the right to terminate the concession granted to the Suez Canal Company and to take over its property and operations.

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For myself, I believe that the long-standing contract with the company, and its intimate association with the 1888 Convention, possessed an international quality which excluded it from nationalization. But that does not matter for the purposes of the present debate. The deed has been done, or at least partly done, because the shareholders have not yet been paid out. The proposals, therefore, by Mr Dulles proceeded on the assumption that in the making of a settlement the act of nationalization was not to be revoked. That I think is important. We start here. We do not engage in legal discussions which might turn out, and no doubt would turn out, to be without finality, and therefore completely fruitless. I believe that our task is concerned with the future, and that we ought to work out the safe settlement of the future problem as sensible men, in the light of the practical circumstances, and having regard to past facts and past actions. And that is all the graver a task if the Conference fails, quite plainly the harmony of the world will be left in jeopardy, and if the Conference succeeds then, as I will hope to show in a few minutes, every nation in the world, including Egypt, will secure peaceful advantages. Therefore I have approached this matter myself from this point of view. In order to get out of this Conference a coherent body of world opinion behind proposals, those proposals should be intrinsically fair and reasonable. I am therefore going to concentrate my attention on the advantages to be derived on both sides – if I may separate this into sides – the advantages to be derived by us, representing the users of the Canal, and by Egypt itself, by making an arrangement along the lines indicated by the United States Secretary of State.

Now what are the advantages of his proposals from our point of view? I say our point of view because I venture to say that we all have, if we come to analyse them, common interests on this matter.

In the first place, the advantage will arise that management and control, which in my opinion cannot be separated from financial responsibility, will be in the hands of an international board on which Egypt will, of course, be properly represented.

I do not believe for a moment that you can put management and control of a great operation of this kind, an expanding operation, into one set of hands and put financial responsibilities and authority into another set of hands. That would be a guaranteed system of producing disputes in future. Therefore, both ought to be in one set of hands; and that a set of hands the fingers of which represent a variety of nations not dominated by any one nation. To do that we will require to have efficient and impartial management and future development and expansion. The proposals before us, I believe, by pointing to that, point to a great and proper advantage to be obtained by the people who use the Canal.

And in the second place, of course, if, as a result of some further discussion, these proposals are accepted either in their present form or with some adjustment in point of detail, and embodied in a treaty, then I believe such a treaty, when associated with the United Nations, would itself tend to operate against any future breach of the arrangement, because that breach would, I think in the view of anybody here present, be a clear breach of International Law.

Those are great and legitimate benefits to be obtained. I said 'advantages', but I should have said 'benefits', because the word 'advantage' rather suggests somebody is getting the better of something. They are proper benefits, without which to talk of the international future of the Canal and its guaranteed freedom would be a mere form of words.

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Now, Sir, up to that point there will be a great deal of agreement, I think. But I detect occasionally an undercurrent of feeling that in some way these proposals are unfair to Egypt – that, in our homely own phrase, they amount to pushing something down Egypt's throat. Well, we have all had a few feelings in the last week or two; I do not want to express my own because they are now immaterial; but I am going to ask this Conference to say that these proposals by Mr Dulles are in fact eminently fair to Egypt, and that Egypt will get from them advantages which deserve to be understood and, in particular, deserve to be understood by Egypt.

First of all, these proposals recognize the termination of the existing Canal Company franchise. To reach a peaceful settlement the point is conceded. In the second place, there may be some feeling in Egypt that it is wrong for private citizens to be drawing profit from an international waterway of this kind. All right; under this plan there will not be any private profits; under this plan there will be international control, international financing, the only substantial sum of money going to any nation will be the amount of money that is paid to Egypt herself, as the territorial owner of the Canal and its works. Thus private profit disappears from this matter.

In the third place – I am not putting these in any particular order of merit – Egypt's sovereignty and physical ownership are recognized by this proposal. Fourthly, there will be paid to Egypt an equitable return, perhaps by way of rental, or by some share of fees or dues, which obviously must be a very substantial sum of money. I myself am rather attracted by the idea that the right method in terms of form would be for Egypt as the owner, as the landlord, to grant to the new authority a perpetual lease under which it would pay a rental adjusted from time to time as the business of the Canal grows; but that is a major matter of detail that can be considered hereafter. Whatever the form, it certainly would mean that Egypt would secure from this property a substantial, steady, and assured return.

The fifth point I make is this: I have heard some arguments among the lawyers, and have contributed to them, but I have not heard any lawyer so far say that Egypt could take over the Company without paying fair compensation to the shareholders. Under this proposal the new authority conducting the Canal and conducting its financial operations would make arrangements for buying out the shareholders. If that does not present some advantage, some benefit, to Egypt, I will be much surprised. And sixthly, the financial future of this Canal as a revenue earner, or as an expanded revenue earner, would be assured by the setting up of an international authority, and Egypt would, in consequence, be relieved of future financial liabilities of an unknown, but obviously very extensive kind.

Perhaps that last matter requires a little elaboration. In the first flush of enthusiasm, in the first flush of saying: 'Well, we have taken this Canal and it is ours', and a few other rhetorical remarks about it and about sovereignty, there may be a tendency to forget that this Canal is a business operation. It involves engineering skill, business organization, and traffic control of the highest possible order; and, if it is to be carried out effectively, it will obviously require, in the future, large capital amounts in order that it may growingly serve its purpose. Is Egypt alone, in the events that have happened, likely to be able to manage that financial problem? Does anybody seriously suppose it? Capital, after all, is a very shy thing – it runs away very rapidly if it feels a loss of confidence. The events of the last month in respect of Suez have made it almost a certainty that the future capital expansion of the Canal, to say nothing of the maintenance of its ordinary revenue by the physical maintenance of the Canal itself, will

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depend on how far there is genuine confidence in its future. I do not believe there is a man sitting at this table, or a woman – bowing in the direction of my friend Mrs Pandit – who does not believe that the future of this Canal is pretty dismal unless there is a complete feeling of confidence in its independent future, in the impartiality of its administration, and in the fact that of a large number of nations each has an interest in maintaining it, keeping it out of politics, keeping it out of wars, keeping it out of disputes, letting it serve the interests of the commerce of mankind.

Sir, I have no doubt that only international management will produce that result. And if that result is not produced, then all the guarantees that can be written down by all our legal advisers will not be worth the paper they are written on. There will be no sure future for the Canal unless there is utter confidence; because that is the condition on which capital will be available, on which new works will be carried out, and on which the future efficiency of the Canal will be founded.

When I began to analyse these things for myself I almost came to the conclusion that Egypt was getting rather too much out of this deal. It seemed to me that the benefits to Egypt were so great. But I have resolved my doubts. I believe that the proposals ought to stand before world opinion as reasonable proposals, as proposals which protect the vital interests of all of us who are here, and at the same time are not tyrannical or unjust in relation to Egypt.

Sir, I do not doubt that the more these proposals are examined, the more world opinion will say that there is such a balancing of benefits in them that they represent fair and indeed generous treatment for Egypt and necessary justice for the other nations of the world. On the whole, weighing the proposals on balance, they represent a statesmanlike conclusion on the part of their propounder or propounders.

After all, Sir, we did not produce this crisis. We did not make this Conference necessary. We have come here because of what one country has done. We might have been pardoned if our speeches had contained a good deal of resentment. On the contrary, without exception, I believe they have been moderate and restrained, that we have all addressed ourselves to the true task, and that if we accept the proposals that have been put forward we will have made a first-class contribution to the settlement of this problem and, by the settlement of this problem, to the whole future peace and intercourse of the world.