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[Redacted] Secy
Economic Intelligence Committee
Chief, S/TR

17 September 1951

The Suez Canal Company and Operations

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The following comments, it is believed, will answer the three questions raised by [Redacted] in his memorandum to you dated 14 September 1951. Information in greater detail is available if desired.

1. During the year 1950 a total of 11,751 vessels passed through the Suez Canal. British vessels, as usual, predominated, constituting 54.9% of the total. For purposes of comparison; Norwegian vessels amounted 13.6%; U.S., 8.7%, and Panamanian, 8.1% of the total shipping transiting the canal. These 11,751 vessels represented 81,796,000 Net Register Tons (NRT) of which British vessels totalled 26,557,386 NRT or 32.5%, Norwegian vessels 14.1%, U.S. 10.2% and Panamanian 9.7% of the total annual movement.

Since the end of World War II the number of vessels using the Suez has increased by 132% while the tonnage has increased by 150%. Meanwhile British participation in Suez traffic has consistently decreased percentage-wise. In 1946 British vessels constituted 62.6% of the total tonnage but in 1947, this figure was reduced to 47.2% and in 1949 was only 38% of the total NRT.

2. On March 7, 1949, after several months of negotiation, a new agreement was signed by the Egyptian Government and the Suez Canal Company. Under the new terms the Egyptian Government receives 7% of the Company's gross profits with a guaranteed annual minimum of £E 350,000*. Furthermore, by the terms of the agreement all Company property reverts to the Egyptian Government in 1968 at the end of the 99-year concession. Under the 1949 Convention, the Company also relinquished rights to a £E 100,000 balance due on a previous loan to the Port SAID municipality. In May, 1950 the Suez Canal Company released a report which indicated that over and above salaries paid and property improvements effected during 1949 it contributed approximately £E 3 million in cash to the Egyptian Government as follows:

£E 821,459	7% of the gross profits for the preceding year
1,994,541	for taxes
130,000	for various grants

To satisfy an Egyptian demand that her coastwise trade should be free of obligation to pay Canal tolls and in order not to violate the 1888 Convention governing utilization of the Canal which prescribes equality of

* The Egyptian pound = \$2.87

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treatment for all users including Egypt, the new Convention stipulates that all vessels under 300 tons may use the Canal free of transit duties. This is especially beneficial to Egypt although applicable to all countries.

(While not pertinent to the Company's contribution to the Egyptian exchequer, it might be noted that under the revised Convention the Company accepted the terms of the Egyptian Company Law of 1947* and the Egyptian Government in turn granted the Company 20 years instead of the stipulated three to conform to the provisions of said law.)

5. Prior to 1949 the Board of the Suez Canal Company included ten British directors (3 of whom were nominated by the British Government), two Egyptians, one Dutch and one American director. The balance represented French interests. As a result of the 1949 agreement Egyptian representation on the 32-man Board of directors was increased from two to seven. The additional five directorships were provided for as follows: two to be appointed at once in replacement of two outgoing French directors; one to fill the first British vacancy, another in 1959 and the fifth in 1964. Fees paid to the directors are confidential and vary from year to year, they are based according to the statutes of the Company on a 2% share of the net profits.

* This law drastically limits the number of non-Egyptians who may be employed by foreign companies.

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