

The territory on which the State of Israel had been established offered no short-cut to economic progress. Its agricultural and industrial development had to be fostered by unremitting effort, both private and governmental, and depended to a considerable extent on contributions from abroad. Among the obstacles to development which the Israelis encountered was an effective economic boycott imposed by the Arab States, in particular the Egyptian action in denying the use of the Suez Canal to Israeli ships and to ships of other nations carrying oil and certain other cargoes to or from Israel.

Protests to Cairo by individual governments brought no change, and in 1951 the Security Council of the United Nations adopted a resolution calling on Egypt to end its embargo on shipping bound for Israel. There for a time the matter rested. The issue was raised in the Security Council again in February and October of 1954, but no resolution was forthcoming on either occasion because of the Soviet Union's use and threat of the veto.

Since the status of the Canal is relevant to the phase of the Middle East crisis which began on October 29, 1956 it may be useful now to recall the series of events affecting the Canal which immediately preceded the invasion of Egypt. By a presidential decree of July 26, the Egyptian Government declared that:

Article I

The Universal Company of the Suez Maritime Canal (Egyptian joint-stock company) is hereby nationalized. All its assets, rights and obligations are transferred to the Nation and all the organizations and committees that now operate its management are hereby dissolved.

Stockholders and holders of founders shares shall be compensated for the ordinary or founders shares they own in accordance with the value of the shares shown in the closing quotations of the Paris Stock Exchange on the day preceding the effective date of the present law.

The payment of said indemnity shall be effected after the Nation has taken delivery of all the assets and properties of the nationalized company.

Article II

An independent organization endowed with juristic personality and annexed to the Ministry of Commerce, shall take over the management of the Suez Canal Transit Service. The composition of the organization and the remuneration of its members shall be fixed in an order of the President of the Republic. Insofar as managing the Transit Service is concerned the organization shall have all the necessary powers required for the purpose without being restricted by Government regulations and procedures.

Without prejudice to the auditing of its final accounts by the State Audit Department, the organization shall have an independent budget prepared in accordance with the rules in force for commercial concerns. Its financial year shall begin on July 1 and end on June 30 each year. The budget and final accounts shall be approved by an order of the President of the Republic. The first financial year shall begin on the effective date of the present law and end with June 30, 1957.

The organization may delegate one or several of its members to implement its decisions or to discharge any duty assigned to these members.

It may also set up from among its own members or from among other people, a technical committee to assist it in its own research work and studies.

The chairman of the organization shall represent it before the courts, government agencies, and other places, and in its dealings with third parties.

Article III

The assets and rights of the nationalized company in the Republic of Egypt and abroad, are hereby frozen. Without specific permission obtained in advance from the organization provided for in Article II above, banks, organizations and private persons are hereby prohibited from disposing of those assets or making any payment requested them or due by them.