CHAPTER XVIII

SOCIALIST INTERVENTION

It was not long after the beginning of June 1929 that the Labour Cabinet took up the reins of administration in England. At this time the Egyptian situation was, from the point of view of His Majesty's Government, in many respects satisfactory and reassuring. The Egyptian Government was convinced —and was publicly announcing the conviction—that the most important thing for Egypt's progress was good relations with Great Britain. The Prime Minister of Egypt, so recently as June 10, had said in a public speech that Egypt's one need was "stabiliser "notre vie politique, ou, en d'autres termes, com- "pléter notre indépendence". He had further asserted that the only possible means of achieving this end "était l'entente avec la Grande-Bretagne", and he averred that "le calme et la tranquillité qui carac- "térisent notre situation actuelle . . . et l'absence com- "plète de vues qu'on pourraient interpréter comme "hostiles à la Grande-Bretagne, tout cela nous porte "à croire que les points en conflit trouvent leur "solution".

This brief sketch of the situation was accurate enough in outline. Extremist activity was not menacing for the moment—the country was concerning itself very little with politics, and an administrative

success on the part of the present Government might well prove to be the turning-point towards a real "stabilisation". But there was no doubt at all that that turning-point had not yet been reached: and in order that the situation might be given every chance of developing towards it, it was above all important that things should be left as they were for the present. There were plenty of dangers threatening—dangers which might effectively disturb the situation, but we now had it in our power to curb these threatening tendencies, and prevent them from translating themselves into effective action, and it was to this task that, in Egypt's interests, all our energies should have been bent.

Unfortunately, however, this was not to be. The new British Government stirred the calm waters at once into violent commotion. King Fuad was now in Berlin, paying a State visit to President Hindenburg; from Germany he was to proceed to other State visits in Europe, arriving in England on an unofficial visit in the latter half of July. Mahmoud Pasha, his Prime Minister, was also to be in England when His Majesty arrived there. And I myself would be paying my usual summer visit to England in the same month.

In these circumstances it seemed improbable that any important action would be taken by the new Government in England until after the opportunity which was now presenting itself of making first-hand acquaintance with the views of so many of those principally concerned in directing the fortunes of Egypt. The Secretary of State, however, waited upon nothing before taking steps to ensure that I should no longer hold the office of High Commissioner. The circumstances of my departure from office caused some stir

in the political world at the time; and although I did not then and do not now dispute the full right of His Majesty's Government to choose the servant they think most suitable to their particular policy, I still feel it necessary to set down in detail a record of the event, so that the possibility of misunderstanding may be reduced to a minimum.

Let me recapitulate first of all the account of the incident given by Mr. Henderson, as Secretary of State for Foreign Affairs, in the House of Commons on July 26, 1929: "Within a few days of my going to "the Foreign Office, a communication was received "from Lord Lloyd.[1] I read that communication and "was very much struck by the language, and what I "believed to be the spirit which underlay it. I at once "asked for papers to be handed to me going back to "the greater part of the time during which Lord "Lloyd had been High Commissioner, and I must say "I could not but be impressed with the very wide "divergence of view that was manifested in those "papers—divergence of view between the position "taken up by my predecessor in office and Lord "Lloyd." Mr. Henderson then gave four instances of the alleged divergence, to which I shall make further reference later. He then went on: "I ought to say "that, during the early part of this year, things became "so bad that the conduct of business became difficult, "since on few, if any, points was Lord Lloyd able to "accept the views of my predecessor, and vice versa. "An examination of the papers clearly demonstrated "that the policy of my predecessor was a minimum of "interference in the internal affairs of Egypt . . . . and "a liberal interpretation of the Declaration of 1922.

[1] This communication was a despatch from myself to Sir A. Chamberlain, which will be found printed in full at the end of this chapter.

"What was Lord Lloyd's attitude to this? In numer-
"ous instances he is clearly out of sympathy with both
"these objects I have stated. . . . I was faced with
"this dilemma. Could we contemplate a perpetuation
"of this stream of dissatisfaction, a stream of which it
"could be said normally it was restless, very frequently
"it was turbulent, never smooth, and never clear.
"Could we contemplate going forward with the policy
"that we hoped eventually to submit to the House
"with any degree of confidence if this marked deter-
"mination to misinterpret or ungenerously to apply,
"that characterised the views of the High Commis-
"sioner during the last few years, had to be con-
"tinued? . . . I came to the conclusion that the best
"thing I could do was to intimate to Lord Lloyd that
"we were dissatisfied with the position that had ob-
"tained during three or four years. I made an 'inti-
" 'mation' to Lord Lloyd to the following effect. 'In
" 'the short time at my disposal since taking office, I
" 'have endeavoured to review in their broad outlines
" 'the sequence of political events in Egypt since 1924.
" 'To be quite candid I feel bound to tell you that I
" 'have been impressed by the divergence of outlook
" 'which has from time to time been apparent between
" 'my predecessor and your Lordship. That this differ-
" 'ence of outlook was perfectly sincere I do not for a
" 'moment doubt, but I confess that it appears to me
" 'so wide as to be unbridgeable. The success of my
" 'policy, which will certainly not be less liberal than
" 'that of my predecessor, will depend on the extent to
" 'which it may be interpreted with understanding and
" 'sympathy by His Majesty's representative. In the
" 'light of recent correspondence, I should be lacking
" 'in frankness did I not warn you that the possibility
" 'of your views being harmonised with those of either

"'my predecessor or myself appears to me remote,
"'and in these circumstances I should like to discuss
"'the situation with you on your return.' Lord Lloyd
"arrived in this country this day week (July 18th). I
"was prepared to give him an interview the following
"morning. He expressed a desire to see me on Tues-
"day morning. . . . I do not think it would have been
"possible for an interview to have ended more friendly
"than the interview between him and myself did on
"Tuesday last."

These then were the very serious charges made against me, that I was the source of a constant "stream of dissatisfaction normally restless, very "frequently turbulent, never smooth, never clear": that I had made the conduct of business difficult and exhibited a marked determination to misinterpret my instructions, or ungenerously to apply them. They have remained unanswered to this day, four years after they were made; and they are charges more damaging than have ever been publicly brought without examination against a servant of the Crown in any responsible position. I find no fault with the accusation that I was out of sympathy with a "liberal" interpretation of the 1922 Declaration. I believed that the ultimate and most important goal of British policy in Egypt was to arrive at a full and complete agreement with Egypt which would preserve her independence and safeguard our vital interests, and I also believed that in the existing state of political forces in Egypt such agreement could only be achieved by a rigid adherence on our part to the reservations made in 1922, reservations which remained the declared policy of Government and which embodied those vital responsibilities of which we could not divest ourselves. Nor again

did the accusation that I was "out of sympathy with "a policy of a minimum degree of intervention in "purely internal affairs in Egypt" concern me very nearly. The truth of that charge depended upon what was considered to be the minimum of intervention necessary to discharge our declared responsibilities. I did not ever wish to intervene, and had never suggested intervention, except to discharge those responsibilities, and I do not dispute the right of any Labour Government to conclude that I should be out of sympathy with their estimate of the minimum that was necessary for that purpose. Those two charges would have been quite sufficient justification for their desire to get rid of me. Had they said that they wished to negotiate a treaty upon terms more generous than were offered to Sarwat Pasha by their predecessors, and that they thought I was not the man to undertake such negotiations, I should have had no reason at all to quarrel with that view. But having such good justification in my political views for his action, why did Mr. Henderson go out of his way to make further accusations against my personal conduct—conduct not towards himself but towards Sir Austen Chamberlain—and why did he make these needless charges at a time when Sir Austen Chamberlain, the only person who had any right to make them, or who could possibly deny them, had suddenly left England and was to remain absent for a little while? These charges, moreover, were brought against me at second-hand, and when the only person except Mr. Baldwin who could answer them was absent. It is a fact well worthy of remark that the last three of my predecessors in Egypt had vacated their offices as a result of serious differences of opinion with Whitehall. Sir Reginald

Wingate had been superseded in his post, and so had Sir Henry Macmahon, while in Lord Allenby's case the differences which had led to his departure had been far more grave than any differences that I had had. I do not recall, however, that in any of these cases their personal conduct had been subsequently made the subject of a public arraignment. At this lapse of time, when the affair is a matter of history, and nothing has been said in regard to it for four years, I may perhaps be allowed to examine in detail the substance of the charges then brought. Later historians may find some interest in such an examination, recorded before the memory of the events concerned has become too stale, but not before it has recovered from the first shock of bewilderment and has had time to re-establish its balance.

Mr. Henderson, in fact, laid great emphasis on the friendly nature of my interview with him; and I can fully endorse the description. As I understood the situation when I talked to him on the Tuesday before the debate took place, his justification for seeking my resignation was his conclusion that I would be out of sympathy with the treaty policy he intended to follow. I think he would have been following a more expedient if not a more fruitful course if he had decided to find out for himself how far I should be prepared to carry out that policy. But in view of his telegram to me and of what he said personally, I realised that I had not the confidence of His Majesty's Government, and in such circumstances I clearly had no course but to resign. I did not understand from him that he would justify his part in the matter by anything more than a declaration that he concluded that I would be out of sympathy with the policy which he intended to pursue. I could not,

therefore, feel that I had any personal grievance at such a state of affairs or such a result.

What, then, was the reason why further charges were made against me, which in the circumstances of the case were not necessary? Mr. Henderson did, I think, seek indirectly to give a reason in his statement from which I have already quoted. After dwelling at some length upon the friendly nature and conclusion of his interview with me, he went on to say: "I think all went well until he had an interview with "the Right Honourable Gentleman the ex-Chancellor "of the Exchequer, and I do not know what the House "thinks of the change of attitude that has taken place. "There was a friendly exchange of notes [between Mr. "Henderson and myself]. Lord Lloyd on his own "admission saw the ex-Chancellor of the Exchequer, "and, I suppose, we had the result of it two days ago "at Question time, when I was asked, not in a very "friendly way, whether I had extorted the resignation "from Lord Lloyd."

The inference—the only inference—that could be drawn from these remarks was that having had a friendly interview with Mr. Henderson, and left him under the impression that I had no sense of personal grievance, I had then gone straight to Mr. Winston Churchill, given him a different view of the situation, and stirred him to fight on my behalf a battle which I had not the courage to fight for myself. I must leave it to my readers to decide whether it is a just view of Mr. Winston Churchill that he requires to be stimulated to battle or whether I myself am the kind of person who likes others to fight his battles for him. After all, the question that Mr. Churchill asked was not in itself very hostile: it was a supplementary question, based upon Mr. Henderson's

own answer to a previous question from another Member.

MR. HENDERSON: I had sent an intimation to Lord Lloyd before the latter left Egypt which was based upon my reading of the attitude he had adopted towards the policy of the late Government.

MR. CHURCHILL: Are we to understand from that answer that this resignation has been extorted—(Interruption.) I am asking for information—by the Government from Lord Lloyd, and that, if his resignation had not been forthcoming, dismissal would have followed?

HON. MEMBERS: Answer!

MR. HENDERSON: The telegram that I sent to Lord Lloyd was of such a character that I think most people would have accepted it as an invitation to terminate their position.

I wondered at the time and I still wonder very much what there could have been in that question—which he himself answered in the affirmative—to cause Mr. Henderson to conclude that I had acted dishonourably towards him, and to make serious charges against my conduct of my duties as High Commissioner. Did he really think that I had behaved so ill as to merit a treatment seldom accorded to public servants? It is difficult to believe so in view of his remark that he had nothing personally against me, and that we were on the friendliest terms. And yet, immediately before making that remark, he had accused me of conduct unbecoming in a public servant, and immediately afterwards he went on—without a pause—to accuse me indirectly of conduct hardly honourable in a private individual. The statement was bewildering: whatever the motive for it, I was left to face two very

serious charges, unable for obvious reasons to dispute them myself, and with my late chief, who alone could speak with authority on the matter, out of earshot.

For the curious thing about the personal charges which Mr. Henderson brought against my conduct as High Commissioner was that they were all charges regarding my relations not with the Cabinet or His Majesty's Government as a whole, but with his predecessor, my late chief, Sir Austen Chamberlain. He never stated that I had expressed a divergent view from the Cabinet, or that I had not loyally carried out the policy or the line of action which I had been instructed to carry out in cases where I had been overruled. He gave four main instances, and the first he chose was the problem as to whether Zaghlul in the summer of 1926 should be allowed to resume office. "My predecessor", he said, "was strongly in "favour of non-intervention. After a lengthy tele-"graphic dispute, Lord Lloyd's view was accepted by "the Cabinet." Here there is no charge at all except that I refused to accept without discussion a policy with which I did not agree. The next instance given was the question of British officials in the Egyptian service, in which "Lord Lloyd wished to insist "rigidly on the retention of a large proportion of "British officials" . . . "a very lengthy exchange of "despatches resulted in Lord Lloyd being overruled". No charge was made that, when overruled, I had not loyally accepted the decision—it was simply alleged that, upon an important question, I had expressed my view even though it differed from that of the Secretary of State. The next instance given by Mr. Henderson was that of the "Army Crisis", in which again I was ultimately overruled. Every person who has held high office under the Crown knows well that it happens to

him in three or four years of office to find that his views upon three or four occasions will have conflicted with those of the Department concerned at home. Has any High Commissioner, or Viceroy, or Governor, found himself always in accord on every important question with the views of Whitehall, and never under the necessity of expressing a divergent view? In this history alone has it not been clear that on several important occasions the various incumbents of the Residency at Cairo expressed views entirely divergent from those held by the Secretary of State, when lengthy correspondence resulted in one or the other view being finally accepted. Anybody with any experience of the conduct of such offices knows that such divergencies of view are common form, and that to refer to them as if they were uncommon incidents gives an entirely incorrect impression.

The next and last instance given by Mr. Henderson was the case referred to at some length in the last chapter. Mr. Henderson's account of it was as follows: "In the early spring of this year the Egyp-"tian Government sought the concurrence of my pre-"decessor in the imposition of certain new taxes on "British subjects in Egypt. Under the Capitulations "these taxes could not be imposed without our con-"sent. The taxes proposed were moderate and reason-"able in themselves, and the Egyptians claim that they "were fully justified on equitable grounds in impos-"ing them was unanswerable. Lord Lloyd however "strongly opposed any concession whatever in respect "of most of them. After a telegraphic argument he was "overruled." The reader will have been able to judge for himself how inaccurate is this picture of my attitude in this matter. I had been asked to express my

view in regard to four taxes, and in regard to one only of them had I entirely opposed any concession whatever: in regard to two I had not opposed the suggested concession at all, and in regard to the fourth I had suggested delay until the situation was clearer. It was simply untrue therefore to say that "in respect "of most of them I had strongly opposed any con- "cession whatever", and it was most unfortunate that Sir Austen Chamberlain was not in his place to give a true account of what had happened, and that circumstances seem to have deprived him of any later opportunity of stating the true facts.

Mr. Henderson was not content, however, with thus prejudicing my case at a time when Sir Austen was absent. He went further and alleged that in between these major disputes numerous minor differences revealed themselves, and he made the very serious and startling accusation that in the early part of 1929 things became so bad that the conduct of business became difficult owing to my divergence of view. The actual facts were that, apart from the tax question, the discussion of which occupied only a few days, during 1929 my despatches to the Secretary of State were almost entirely concerned with three main questions. The first was the arrangement of a practical settlement of the Nile water disposal, as to which no difference arose. Indeed at the conclusion of this correspondence, I received the following from the Secretary of State: "Your telegram of the 29th "April. You are authorised to proceed forthwith to "final exchange of notes. I should like to take this "opportunity of congratulating you, the members of "your staff, and the Sudan agent on the successful "outcome of these prolonged negotiations". The second question was the Egyptian Government's

proposals in regard to a reorganisation of the Jurisdiction of the Courts; the last despatch which Sir Austen Chamberlain sent me on this subject stated that he had read my despatch upon the Egyptian Government's latest proposal and shared my view that it was not a proposal to be encouraged. The third question related to the attitude to be taken up by His Majesty's Government vis-à-vis the new Customs Tariff proposed by Egypt. The conclusion of this correspondence, which was as harmonious in tone as the others, was a despatch from Sir Austen Chamberlain dated May 29: "Your telegram of 28th "May. The draft note enclosed in your despatch of "20th April is approved. You should inform the repre-"sentatives of other foreign Powers of the attitude of "His Majesty's Government in this matter." But unfortunately Sir Austen Chamberlain, the only person who could have stated these facts, was absent at the time and has apparently had no later opportunity of stating them.

The case regarding divergence of views did not, in fact, at any point substantiate the charge. It had therefore to be buttressed by an entirely inaccurate account of the comparatively unimportant case of the taxes, in which I had suggested a very modest qualification upon the full concession for which the Egyptian Government were asking. And the whole misleading statement had to be dragged in, in order to support the unnecessary allegation that my conduct of my office was marked by a determination "to misinterpret or ungenerously to apply" my instructions; a charge which was then further justified by the suggestion that I had played Mr. Henderson false by misrepresenting matters to Mr. Winston Churchill.

The reason for this sudden and unsubstantiated

attack lay, it has been suggested, in the fact that the Labour Government were in too great a hurry to make their mark in Egyptian affairs. They had begun negotiations for a treaty with the representatives of Egypt then in London. Although I was His Majesty's representative in Egypt they had concealed from me both the fact and the intention, because they knew—or if they did not know, the Foreign Office must very soon have informed them—that I should at once have warned them that they could not possibly get a treaty, at any rate a treaty of the kind which would preserve the interests we had laid down as essential. They had thus put themselves in a false position, and the only way they could extricate themselves was by forcing my resignation on some other issue. But the period since they took office had been too short for such an issue to arise and they were therefore obliged to seek their pretext in my relations with the previous Government. So originated Mr. Henderson's telegram of July 3, and my subsequent interview with him, after my return, on July 23. All so far went well, and my resignation was secured, but as it could not possibly be described as entirely voluntary on my part, some explanation of it had to be made public. Letters were therefore agreed upon between Mr. Henderson and myself and published. My letter ran as follows: "Since my return from "Egypt I have been thinking over, in the light of my "recent conversation with you, the situation caused by "the advent of a new government in England, and the "policy which I understand is to be pursued in regard "to Egyptian affairs. I had had every hope and desire "to continue to serve under the new administration, "but I have reluctantly come to the conclusion that "my views are not likely to be in sufficient harmony

"with yours as to enable me conscientiously to discharge my duty to His Majesty's Government. I "should be grateful, therefore, if you would submit "my resignation to His Majesty."

This letter was fully accepted by Mr. Henderson and in the most friendly spirit, but it proved subsequently to be inadequate for his purpose, for it did not obscure the fact—indeed it definitely suggested —that some change of policy was intended by the Labour Government. This change they contemplated, but did not at all desire to make public. So that when the notes were published and immediate demands were made, both in the Lords and the Commons, for an explanation, they sought escape in the unprecedented step of publicly arraigning—in his absence—my relations with the Secretary of State in the preceding Government.

In the Lords, Lord Salisbury raised at once the inevitable question: what was the intended change of policy which was clearly indicated by the public explanation of my resignation? Lord Parmoor on behalf of the Government at once began to endeavour to side-track this unpleasant issue, by referring to my relations with the ex-Secretary of State. At the outset of his reply he asked Lord Salisbury whether he had in mind the despatch sent from the Foreign Office by Sir Austen Chamberlain to Lord Lloyd on May 28. Lord Parmoor's attempt was abortive and he had immediately to relinquish it and to suffer and evade as best he might some harassing questions as to policy. In the Commons next day Mr. Henderson was forewarned and forearmed. He began at once with a reference to the same despatch, and made it the text for a sweeping denunciation of my personal conduct and behaviour as High Commissioner. The despatch

in question has already been quoted in these pages:[1] It was at the request of Sir Austen Chamberlain that I had expressed my views; he had replied by rejecting them, and I hope that the history of the incident which I have given in the previous chapter will have convinced the reader that Mr. Henderson's account of it and of its importance was not in accord with the facts. Unfortunately, as I have previously stated, Sir Austen Chamberlain, who knew the facts, was absent at the time and apparently has had no subsequent opportunity of stating them.

I am sure that Mr. Henderson did not deliberately perpetrate the injustice inherent in the fact that these charges were made at a time when the only person who could speak with authority upon them was absent. Circumstances were too much for him. In order that his Government might be extricated from a difficulty, I had to be subjected to charges which could not be examined or rebutted.

The Members of the Conservative Cabinet who took part in the debates in the House of Commons and in the House of Lords were of course unable to deal with the charges so comprehensively launched against my conduct towards their colleague; they could only emphatically deny that there had ever been in the mind of the late Cabinet the slightest question of my loyalty or attention to duty. Lord Brentford, speaking in the name of the Cabinet in which he had served throughout, said in the House of Lords that it was the duty of the High Commissioner in all matters involving policy to make advices to the Home Government—advices, if necessary, in the shape of criticisms of any proposals that might be put before him. He went on: "I now desire to

[1] See pp. 293-6.

"state categorically on behalf of those of my colleagues "who are here—and I am quite sure that I can say so "on behalf of the late Government as a whole—that "Lord Lloyd never disregarded any instructions sent "to him by the Government, and that he had the "fullest confidence of the Government up to the very "end of our remaining in office". Mr. Winston Churchill in the House of Commons said: "Certainly "nothing in the relationship of His Majesty's late "Government with Lord Lloyd gave us the slightest "ground to complain of the loyalty and fidelity with "which he carried out his duties".

What was left therefore of the charges made? I had fully expressed my views of proposals made in regard to Egypt; and the late Government held that I had not only a right but a plain duty to do this. I had the full confidence of the late Cabinet, into whose minds no question had ever entered of my loyalty and fidelity.

What remained but the charge that I had been turbulent, ungenerous, and deliberately misinterpretive in regard to the views and instructions of my late chief. Sir Austen Chamberlain had never even suggested to his colleagues in the Cabinet that this was the case. How then had Mr. Henderson as Foreign Secretary, or Mr. Ramsay MacDonald as Prime Minister, become informed of it—at a time too when Sir Austen Chamberlain was absent? Did Mr. Henderson wish it to be understood that Sir Austen Chamberlain had disclosed to him, immediately upon his taking office, a grave state of affairs, which for months, if not for years, Sir Austen Chamberlain had been keeping strictly secret from his colleagues in his own party? And if that supposition is at once dismissed as unthinkable, from what source did Mr.

Henderson get the information upon which he based such serious charges? He stated that he drew his conclusion from a perusal of correspondence. But, even if from such an impersonal source he could draw any justifiable conclusions as to the official relations of the correspondents concerned, how did he bring himself to think that, in the absence of the only person who could authoritatively affirm or deny their truth, they warranted a public indictment?

I myself have studied very carefully and at length the whole of my correspondence with the Secretary of State. I cannot reproduce it for my readers; if I could I would very gladly submit it to their judgment. I am very ready to admit that I fought for what I believed to be the right policy with all the persistence I could summon, but nowhere in the correspondence can I find any evidence that I differed for the sake of differing, or for any reason except that I thought the matter under discussion to be of real importance, and the view I was advancing to be well grounded.

Unfortunately these conclusions, however carefully arrived at, must remain my own conclusions, and therefore open to the charge of a personal, if unconscious, bias. The best that can be done is to remind my readers that Mr. Henderson really based his charge upon one correspondence far more than any others, and out of that correspondence he singled out two despatches as his especial text. The first was my despatch giving my views in regard to the "tax "proposals" which Mr. Henderson had so inaccurately described, and had made appear so formidable a divergence. The second was that which acknowledged receipt of the much-referred-to despatch of May 28; this communication of mine was according

to him the genesis of the whole incident, for he had been so much "struck by the language and what he believed to be the spirit that underlay it" that he asked for all my correspondence to be handed to him.

Although I cannot set out for the reader's perusal all that correspondence which Mr. Henderson so swiftly perused, reviewed, and reduced to conclusions, I can perhaps without being unduly wearisome quote those two so important despatches in full, and let the reader form his own conclusions.

Lord Lloyd to Sir Austen Chamberlain.

I am sorry for any inconvenience which my delay in replying may have caused, but I feel that it would be shorter in the end to carry our commercial opinion with us as far as possible. I have therefore discussed the matter with Sir Bertrand Hornsby[1] and the presidents of the Alexandria and Cairo Chambers of Commerce.

The following are my observations:—

(*a*) *Ghaffir Tax.*

I agree. The Egyptian Government were informed in 1924 that this measure would be agreeable to us provided they could make satisfactory proposals for assessment.

(*b*) *Municipal Taxation.*

That the present and largely voluntary imposts to which the municipal authorities are compelled to resort for the raising of revenues they require are objectionable from every point of view, and both Egyptians and Europeans are agreed on this. Means of putting municipal taxation on a sounder basis are now being studied by the Egyptian Government, but my experience of municipal administration in India and elsewhere leaves me pessimistic as to the results.

Nevertheless, I recommend that you should reply to the effect that His Majesty's Government are fully alive to the

[1] Chairman of the National Bank of Egypt.

present unsatisfactory state of the municipal taxation and are in full sympathy with any attempt by the Egyptian Government to clear up the mess. I should be inclined not to go further than this even to giving a general expression of sympathy in the absence of any concrete proposals.

(*c*) *Petrol Tax.*

We are clearly in sympathy with the Egyptians in their desire to make users of the roads contribute to their upkeep. I feel, however, that a tax based on horse-power would be more favourable to British motor-car industry than a petrol tax. I hope, therefore, that if the Board of Trade confirm this impression you may find an opportunity of influencing Hafiz Afifi in favour of the former.

(*d*) *Stamp Duty.*

The ghaffir and the petrol tax are really only devised with a view to the recovering of payment for services rendered. The municipal tax is an attempt to improve the methods of raising funds already in existence. The stamp duty is in quite a different category, its object being to add to the existing sources of revenue. It has been shown in the enclosure to my despatch that the revenues are more than likely to be sufficient to balance expenditure for many years to come. There appears, therefore, no need to discuss this tax, and I would suggest that no expression of sympathy should be given.

The second despatch of which the language and the spirit so struck Mr. Henderson ran as follows:—

Lord Lloyd to Sir Austen Chamberlain.[1]

SIR,

I have naturally read with great interest and attention the despatch in which you summarise the principles by which our policy in Egypt is to be regulated.

If I may venture to offer a criticism of the main conclusion at which you arrive, viz., that intervention in the internal affairs of Egypt is to be confined to those cases where vital imperial

[1] See p. 293 *ante*.

interests are directly involved, it will, I think, be this: The Declaration of 1922 was, and still is, a unilateral act. It has never been accepted by Egypt, and even the friendliest Egyptian Government would not voluntarily consider accepting it to-day. If the abortive Sarwat treaty negotiations showed anything it was the difficulty at this date, when we have already given Egypt so much, of finding sufficient further concessions to make it worth her while to accept our minimum desiderata and thus to liquidate 1922. It has always seemed to me, and I must confess that in this respect your despatch has not altered my opinion, a most dangerous course to make further substantial concessions to Egypt, however reasonable in themselves, except as part of a general settlement involving Egypt's acceptance of our minimum requirements. By doing so, we cannot fail further to weaken what the Sarwat negotiations have already shown to be an essentially weak position for the conclusion of a settlement, and if we discard further negotiation assets it can only be in what I am personally convinced is ill-advised reliance on an Egyptian sense of gratitude, which has, to say the least, been consistently inconspicuous since 1922.

I have, etc.,

LLOYD, High Commissioner.