

tiff his decision to nationalise the Suez Canal Company has been questioned. Britain and France, the powers directly affected, have imposed economic and financial sanctions against Egypt. Colonel Nasser has repeatedly emphasised that his decision to nationalise the Suez Canal Company does not violate either international law or morality. As the Suez Canal Company is an Egyptian Company registered in Egypt, Cairo is within its rights to nationalise the property situated within her territory and jurisdiction. International law imposes only one obligation which Cairo has scrupulously observed. Foreign owners of the Suez Canal Company have the right to compensation. Cairo has announced its decision to pay Foreign owners of the Suez Canal Company compensation on the basis of the last quoted price of the Company's stock on the Paris bourse before the announcement relating to nationalisation.

Neither the Hague Court nor the security Council has any right, if it is now widely appreciated, to discuss Egypt's decision to nationalise the Suez Canal Company. Nor does the decision call for or justify any warlike action by the affected powers. From the London deliberations of the representatives of Britain, France and America, it would seem that the Western Powers are not as much worried about the legality of Cairo's move as the future freedom of navigation and transport through the Suez Canal, one of the major strategic international waterways. This is the ostensible argument, and justification, behind the clamant demand for international administration for the Suez Canal. Unknown to many, the Suez Canal was internationalised by the Convention of 1888. Colonel Nasser has no inten-

tion to violate this Convention. He has repeatedly assured the world of the freedom of navigation in the Canal. In law, the Suez Canal and the Suez Canal Company have not the same status. Once this legal position is properly appreciated, the demand for international administration of the Canal loses all its force.

To stress the circumstances which have provoked Egypt to nationalise the Suez Canal Company, or to emphasise Egypt's sovereign rights to take the decision, is not to minimise the possible international consequences of Cairo's move. As Britain sells more to, than she buys from, Egypt, economic sanctions imposed by Britain can only harm her trade interests. Colonel Nasser has taken elaborate pains to assure the powers concerned that Egypt will maintain freedom of navigation in the Suez Canal. Both Europe and Asia are interested in free and unrestricted traffic through this international waterway. As long as Egypt maintains freedom of navigation in the Canal, the Western Powers can have no provocation to start military action. But does Britain really need any provocation? Military preparations, call up of reservists, cancellation of leave of reservationist personnel, calling up of bomber squadrons, naval movement and all the rest have followed within a couple of days of Britain's decision to freeze Egypt's sterling balances. The latter is not economic sanction, though many have called it so. It is the refusal of the bank to pay a trusting depositor.

Egypt's exercise of her sovereignty in nationalising the Suez Canal Company will be regarded as a violation only by those who take a view of contracts which is completely out of date. For such revision of contracts and the right of sovereign

State to excise it Britain herself has got enough precedent and so has the United States of America. One has only to go back to the nationalisation decrees that Britain passed and the records of the American courts, refusing the foreclosure of mortgages during the years of the great depression. It may not be to a country's interests to apply the same criterion to its own nationals and foreigners in the matter of commercial obligations. But this is a right which sovereign power reserves to itself. It cannot be questioned.

If Egypt offended against principles of commercial propriety by nationalising Suez Canal Company, the lease for which was obtained in the good old days from a Pasha who was the plaything of the British and the French, surely it would be pressing the sanctity of contracts beyond the verge of decency to justify even such economic reprisal that Britain thought fit to take against Egypt which was merely asserting the elementary rights of a sovereign power. Judged by the criterion of commercial principles, freezing of sterling assets is an infinitely more reprehensible action and how unwise, Britain will discover presently.

Much has been made of Anglo-American differences over the Suez Canal dispute. For once it is Pulles who has been accused of pulling back Britain. Mr Herbert Morrison, the former Foreign Secretary, made no secret of it. "Our American friends", he complained, "would not listen to the British who have, after all, been knocking about that part of the world for a long time". Too long, in fact. Moussadiq tried and failed with the Anglo-Iranian Oil Company. Nasser will succeed, because he has behind him not only the people of Egypt but Asia and more than half the world.

Supply and Distribution of Electricity

THE reduction in rates for consumers in Bombay suburbs announced by Mr Milne and his explanation of the paradoxical situation which compel the company, despite larger profits, to draw from its Dividend Equalisation Fund, in order to maintain its dividend at the same old rate, will naturally attract the most attention. These are of immediate interest to consumers of electricity and shareholders of the company. Several other observations in Mr Milne's address to the shareholders of the Bombay, Suburban Electricity Supply Ltd, however, are

of such wide and topical interest in this period of rapid development of electricity that they deserve the attention of many others besides the consumers of electricity in the Bombay suburbs.

Bombay has suffered much in the past from power shortage. This situation should never have arisen when the whole of India was getting so keenly power conscious and power production was being planned in a big way. It was not that Bombay's claims were ignored in the planning of power. The unfortunate situation

arose because the Bombay Government and the power producers never saw eye to eye. The World Bank report keeps one guessing why it was so. The facts of the situation admitted of no two interpretations. It may be difficult to estimate the demand for power and forecast its growth with accuracy when developments in the area for which power supply is to be planned are still in the womb of the future. This was certainly not the case in Bombay. Mr Milne's warning, therefore, that there should be no "repetition of the over-cautious attitude shown by the

Power Shortage Board during the past year or two as the result of which Industries in the Bombay region were deprived of millions of units due to freezing of potential power which has remained unutilized", should be heeded. If the lesson has been learnt from past experience, programmes of expansion in Bombay should not be Impeded in any way, pending the completion of the Koyna project; in fact, they should go on quite independently of Koyna. When Koyna starts supplying power, experience elsewhere leaves no manner of doubt that it will be lapped up. This has happened in Hirakud, this has happened in Nangal and there is absolutely no reason to suppose that it will not happen in Bombay.. "Hands off electricity expansion" is of vital interest to Bombay and not only to the electricity supply companies.

Among the problems of electricity supply, statutory regulation of rates has caused the fiercest controversy. A solution has been agreed in principle, but it still awaits legislation. Certain other problems faced by the industry, however, can also be hatilng though they may not get the same publicity. A very important one was presented by Mr Milne supply of equipment. It has been the established policy of the Government to encourage fabrication within the country of electrical equipments, in pursuit of which restrictions have been placed on the import of transformers, metres and other accessories needed for power distribution. The public had so long been left in the comfortable delusion that considerable progress had been made in these directions, that lighter equipments are already being manufactured in the country on an adequate scale and that the only thing needed now is to set up manufacture of heavy equipments. It comes as a rude shock to many that in reality the situation is not as satisfactory as all that. The trouble is that the moment Government yields to the demand of distributors and relaxes import restrictions manufacturers of electrical equipment will raise a hue and cry. Meanwhile, manufacturing develops in a halting fashion and expansion of power supply is retarded. This is not a very satisfactory situation. Solution has to be sought either by speeding up domestic production and ensuring proper standards so that electricity companies have nothing to complain of or if the production situation cannot be improved sufficiently to ensure supplies, an alter-

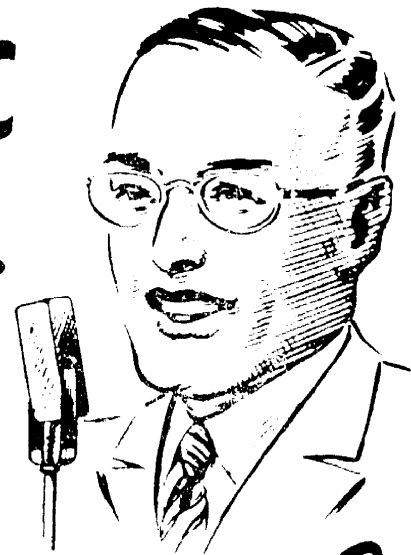
native source is opened by permitting freer imports. Everyone will agree with Mr Milne that there is no justification in adopting a dog-in-the-manger policy.

What is the Electricity Board doing? Sometime, some day, we will evolve less irritating, less interventionist and less annoying methods of control and regulation and let us hope that the present is only a passing phase. The activities of the Board, Mr Milne complains has been harassing. The Board has increasingly tended towards interference in the day to day operations of the Licensees, not only of the relatively small and recent ones but even of those larger ones which have rendered such yeoman service to the

communities in the State over a period of many decades". Lest these general charges are sought to be rebutted by the dictum that public bodies are not supposed to "discriminate", there is the specific charge of interference with rate making, the provisions regarding which have been clearly laid down in the Act. "It was never the intention of the Act", Mr Milne said, "thai Electricity Boards should hamstring Licensees to the extent that they should be deprived of their legitimate initiative in formulating their financial policies".

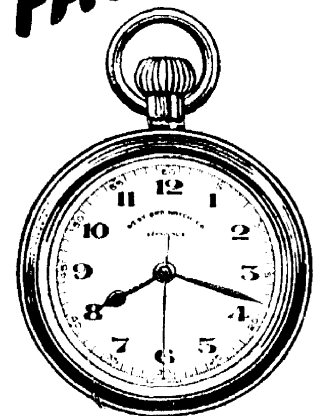
This is a serious indictment indeed, and it comes from one who had a hand in the drafting of the original Electricity (Supply) Bill which set up the Electricity Boards.

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