

BRITAIN AND WEST ASIA
IN
POST—EAST OF SUEZ ERA

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PREFACE AND ACKNOWLEDGMENTS

The British decision of 16 January 1968 to withdraw from East of Suez marked the closure of the chapter of Britain's most glorious period of modern history. It was a painful admission of the reality that Britain was no longer a World Power and that its commitments East of Suez were grossly disproportionate to its resources and capabilities. West Asia was of great significance in its colonial and imperial calculations. Its eventual withdrawal from this region by the end of 1971 brought to an end that traditional framework of British policy.

In post-1971 period, despite the withdrawal, West Asia continued to remain a region of immense significance for Britain. However, a set of new factors and politico-economic compulsions replaced the old policy. Unfettered by any colonial commitment, Britain emerged as an independent variable in West Asia. Under the changed circumstances it acquired a new role as a middle power, as opposed to its previous role as the dominant power.

This study was inspired precisely by this interesting but, by and large, unstudied dimension of the capabilities of an ex-global power to safeguard its interests in a region where it had ruled in no distant past. Certainly, it did not have the influence, capability and interests of the past, but

still it had to attain its new economic and political goals. How did Britain succeed in maintaining and enhancing its interests under the changed circumstances ?

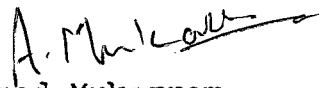
This fascinating topic has not been given the attention it deserves. One rarely comes across any book or a serious article, at least in India, dealing with this topic. This is a modest attempt to fill that gap. The dearth of even secondary sources has made this study rely more upon newspapers and journals.

The countries which are covered under the region of West Asia, are, Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, United Arab Emirates, Yemen (Aden) and Yemen (Sena). This work, however, is not intended to analyse the major West Asian issues per se. Instead, it concentrates more on the British responses to major economic and political issues of this region so as to examine the British policy in the post-East of Suez era.

Several people have contributed, in one way or another, to the completion of this study. My thanks are due to all of them. I am highly grateful to my teachers at the School of International Studies, JNU, who have facilitated my

understanding of the various facets of International Affairs, I would like to express my gratitude especially to the faculty members at the Centre for West Asian and African Studies. Most Inspiring and encouraging contribution, however, has been that of my supervisor for this study, Prof. K.R.Singh, who despite his busy schedule, guided this study, through every stage, painstakingly and meticulously. I am deeply indebted to him.

The staff members at the Centre's office have been very kind to me and helped me, besides other things, in routine administrative matters. I am thankful to them. Mr.Vijay Bhatia has been very kind and helpful in typing out the script. I am also grateful to the staff of the libraries of Jawaharlal Nehru University, Indian Council of World Affairs, British Council, Institute for Defence Studies and Analysis, and Teen Murti House, New Delhi, for the assistance they rendered during the course of this study.


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Chapter - I

INTRODUCTION.

Empires rise, expand, stabilize and then fall. The pattern has followed, over the milleniums, in the case of every empire with a remarkable regularity. One would be hard-pressed to name an empire or a power with interests and commitments around the globe which has not experienced a fall in its prestige and in its capability to carry out its global interests. In this very century this phenomenon was witnessed with the decline of the European powers, like France and Britain. With the diminution in their power and interests, even the ex-global powers settle down to a much lower status, almost that of a middle-power. Despite this decline in power and commitments, however, these middle powers continue to have interests in different regions of the world.

The important question which arises is that with much of their power, capability, commitments and interests reduced drastically, how do these middle powers pursue their policy so as to maintain their residual interests, attain their goals, retain their influence and, if possible, enhance it?

With the above mentioned hypothesis in mind, this study takes the case of Britain, as the ex-global power, and its policy in West Asia, as a means to test the hypothesis. Britain, begining with the seventeenth century, went on to build an empire which stretched right across the globe. The region of West Asia,

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lying on World's one of the most important strategic and commercial routes, was of critical importance to the British imperial and colonial strategies. Time, in the twentieth century, however, was not on the side of Britain and after a series of events which shook the very basis of that empire, Britain announced in January 1968 its decision to withdraw from East of Suez. That date marks a watershed in the contemporary British history and the period after, i.e. the post-East of Suez, will be the period under study. But in order to facilitate the understanding of this period, it would be better if we take a look at the circumstances under which Britain was to take that crucial decision in 1968, and at the residual interests which made Britain continue to be interested in West Asia after 1968.

Expansion and Consolidation of the British Empire :

Briefly speaking, guided by the considerations of trade, religion and European rivalry, Britain embarked upon the course of naval expansion in the seventeenth century.¹ The main objective of Britain in that century was to check the Spanish naval force and as such, the main thrust of British naval

1. For a detailed study of this period, see Paul Kennedy, The Rise and Fall of British Naval Mastery (London, 1976), pp.24-42.

strength was towards the Mediterranean and the Atlantic. However, the world East of Suez was not entirely neglected and the East India Company established itself at Surat as early as 1612. Britain further consolidated the military strength and during the course of the eighteenth century achieved a formidable position over other naval powers like Holland, Portugal and France.

With the first phase of industrial revolution yielding results towards the end of eighteenth century, British trade, economy and sea power rose to great heights. So much so that between 1790 and 1815, Britain was able to wrest the control of most of the French and Dutch overseas possessions in the Indian Ocean area, like Pondicherry in 1793; Ceylon, Malacca and the Cape of Good Hope in 1795; Mauritius in 1810; Singapore in 1819; and Aden in 1839.²

By the late eighteenth century British India had considerable trade interests in the Gulf. However, there were other more important considerations working behind the British imperial and colonial policies which enhanced the importance of West Asia in general, and Persian Gulf in particular.

2. Ibid, pp. 129-55.

By the turn of the eighteenth century the control over India was, by any standard, the most important British achievement on the eastern side of Suez. This necessitated a more rapid communication between Britain and India. A route was developed from Aleppo across the desert to Basra and then by sea down the Gulf to Bombay.³ This route in turn required its protection and supervision, hence, the British presence or influence over the region. The early decades of the nineteenth century proved troublesome to the British East India Company. Small sheikhdoms in the Gulf disrupted the line of communication and trade, so much so that after several abortive expeditions from Bombay, the Company forced a treaty in 1820 on these sheikhdoms, thereafter called the Trucial States. Another maritime truce was signed in 1835 and renewed in 1843.⁴

Britain became much more concerned about the other parts of West Asia when Napoleon attacked Egypt in 1798, primarily to cut off the British lifeline to its empire East of Suez. A subtle distinction, however, should be made here. Unlike the disturbances in the Gulf created by the local rulers, the

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3. The Gulf; Implications of British Withdrawal, The Centre for Strategic and International Studies, Special Report Series, No.8, (Washington D.C., February 1969), p.51.
 4. J.E.Peterson, Defending Arabia (London, 1986), p.12.

attack on Egypt by Napoleon was a major concern mainly of London and not of British India. The disruptions in the Gulf were tackled by East India Company itself, but a serious threat to its imperial lifeline was seen by London in a broader strategic context and dealt with as such. Napoleon left Egypt once the French fleet was defeated by British naval armada. But to forestall any further French incursions, Britain extended its support to the Ottoman Sultan, signed a treaty with the Sultan of Oman in 1798 and imposed a new treaty on Persia in 1809.

This threat to the imperial lifeline, however, increased in the nineteenth century when the Egyptian ruler, Mohammed Ali, in league with France, tried to expand into the Levant in the eastern Mediterranean part of West Asia during 1820s and 1830s. London took several appropriate steps, including capturing Aden in 1839 and then Egypt itself in 1882, which was made all the more essential as Suez Canal became operational in 1869. Britain now had to take both, the Gulf as well as the Red Sea routes seriously.

The threats from France were replaced by those from the Czarist Russia and Germany in the second half of the nineteenth

century.⁵ The Russian drive towards the Indian Ocean through central Asia and Persia, as the alternative to indirect Black Sea route, forced Britain to take the Gulf much more seriously. The German overtures to the Ottoman Empire and Persia towards the turn of the nineteenth century added to British fears. Consequently, Britain placed certain Gulf sheikhdoms under its protection. Britain signed an agreement with Bahrain in 1880 which strengthened Britain's limited protection which was extended earlier in 1861. Subsequent treaties with Trucial States in 1887 and with Oman in 1891 deepened the British commitments to the Gulf. In 1899 an agreement was signed with Kuwait, and Qatar came under British protection in 1916.⁶

Another significant dimension was added to British interests in West Asia when oil was found in Persia in the first decade of the twentieth century. The Anglo-Iranian Oil Company (AIOC) was established in 1909 and by 1913 British government possessed significant interests in AIOC. Subsequent decades brought further oil discoveries in other states of the Gulf.

5. For Detailed analysis of this period, see R.K.Ramazani, The Foreign Policy of Iran; A Developing nation in World Affairs, 1500-1941 (Virginia, 1966); and George Antonius, The Arab Awakening; The Story of the Arab National Movement (London, 1955).

6. The Gulf no.3, pp.53-55.

It is important to note here that by the end of World War I, the region of West Asia per se weighed heavily in British calculations East of Suez. No longer was it regarded as merely a bridge or a lifeline to its Empire. The importance of West Asia had become multi-dimensional with oil, trade and military bases influencing considerably the British policy towards this region itself.

With the defeat at the hands of Japan in 1905 and signing of the Anglo-Russian Treaty of 1907, the Czarist threat was to a great extent neutralized. Moreover, subsequent domestic turmoils kept Russia busy at home till World War II. The German and the Ottoman Powers were smashed during the World War I, which also meant dismemberment of the Ottoman Empire. Strategically important areas of Palestine and what is now known as Iraq and Jordan were placed under the British Mandate. With no immediate threat from any European rival in sight, British hold over West Asia was firmer than ever. The Imperial lifeline from Gibraltar, through Suez and Aden, to Singapore was secured. With the coast as well as the hinterland from Egypt to Singapore under dominance, British political power reigned supreme, and was to remain so till the end of World War II.

Downward Trends

Probably the most striking feature of a parabolic curve is that decline begins immediately after the curve reaches its highest point. It holds true in the case of an empire also. The indicators of decline in British power were increasing precisely during the period when she was at the pinnacle of her influence and power, both economic and military. As a matter of fact, the events and changes in the first half of the twentieth century and British response to them are keys to the understanding of Britain, not only of post-world war II period, but also of post-East of Suez era.

Britain, undoubtedly, was the world power in the nineteenth century and the main source of this strength was the Empire. It was central to British economic and military activities. Two-third of British trade, even in early twentieth century, was with non-European countries and none of the top six places on the list of imports and exports went to any European country. Of British overseas investments, less than one-twelfth were in European countries.⁷ Moreover, the crucial aspect of British power at that time was its extreme dependence on overseas supplies. Large quantities of food and raw-material came from her Empire and as much as fifty-thousand tons of

7. E.H.Carr, Britain: A Study of Foreign Policy From the Versailles Treaty to the outbreak of War (London, 1939), p.33.

foodstuff was entering British ports every day.⁸ No wonder the Stanhope Memorandum of 1891 listed the country's defence priorities as "first, the preservation of order in the homeland; secondly, the protection of India and the colonies; thirdly, the protection of the sea routes between the various parts of the Empire; last, assistance to any allies Britain might have in a European War."⁹

It is important to note that commitment to Europe was placed at the bottom of the priorities of British foreign policy at that time. But to ensure that Britain was not distracted from her commitments to its Empire, it was necessary that stability was maintained in the European continent. Till the advent of the twentieth century, Britain could do it herself, but soon it was becoming painfully evident that rivals to her top position, economic as well as military, were catching up with her. These were Germany, Japan, the USA and the USSR. The central

8. Ibid, p.35.

9. quoted by Paul Kennedy, "The Continental Commitment and the Special Relationship in 20th Century British Foreign Policy", RUSI, Journal of Royal United Services Institute for Defence Studies (London), Vol. 128, no.3, September 1983, p.9.

balance in Europe could no longer be maintained by Britain alone. That reflected the gradual decline in British power which became obvious in post World War II period.

The industrial revolution had given Britain a clear lead over other Powers, in terms of industry and commerce. In the 1870s, Britain exported more than the next two great exporting countries, the US and Germany, taken together. By 1913, in absolute figures a record year for British exports, the British lead had almost disappeared and the three countries were running neck and neck.¹⁰ In subsequent years the British percentage began to decline (see table 1).¹¹

TABLE - 1

Share in World Export (in %)

Country	1913	1929	1938
U.K.	13.9	11.1	10.13
U.S.A.	13.3	16.2	13.45
Germany	13.1	10.1	9.96

10. Carr, n.7, p.23.

11. Ibid, p.24.

Even in terms of naval power Britain was facing a challenge from Germany, Japan and USA. As early as 1901, the First Lord of the Admiralty, Lord Selborne, observed, "it has not dawned on our countrymen yet... that, if the Americans choose to pay for what they can easily afford, they can build up a navy fully as large and then larger than ours, and I am not sure they will not do it."¹² The USA and Japan did build up powerful fleets before and during First World War. The equality of naval power was conceded to USA in the Washington Conference of 1921-22 and London Naval Agreement of 1930.¹³ Though the growing military dependence on USA was alarming enough, more worrying was Britain's economic dependence. To neutralize the vast increase in purchases of American food stuffs, raw-materials and munitions, the British exports were not enough. Britain had to raise loans in New York and Chicago for those expenses.¹⁴

The great depression only worsened the situation, for Britain found it that much more difficult to withstand the

12. quoted by John Maurer, "The Decline of British Sea Power", Orbis, Vol.27, No.2, Summer 1983, pp.479-93.

13. Carr, n.7, p.44.

14. Kennedy, n.9, p. 11.

pressure of international competition in naval armaments. Two other important developments put extra pressure on Britain. These developments were bringing crucial changes in the weapon systems in which Britain was not a leader. These were, the oil fuel and the development of aviation. Britain's supremacy in industry, navy and merchant shipping was very much facilitated by abundant coal reserves at home. With the increasing use of oil fuel, Britain had to rely on the imported supplies while the US had great reserves at home.¹⁵ The race in aviation too was an open one in which, unlike the Navy, Britain did not have any claims to overwhelming superiority.

All these factors created such conditions which made it sure that expansion of Japanese and German war machineries could not be met by Britain single-handedly, hence the economic and military reliance on USA. With the rapid and massive growth of US naval power during World War II, Britain lost even its claims to naval parity and was relegated to the position of a second-class naval power.

15. Carr, n. 7, p. 27.

What was implicit in the inter-War period became explicit in the post World War II period. Not only did Britain emerge from the war as an economically exhausted power but also the major post War changes in international system went against it. The rise of Super Powers meant a shift in the balance of power away from Central Europe. The political and economic effects of de-colonization and reliance on USA for economic recovery and defence meant that Britain was nowhere near its status of the nineteenth century. Though this was evident at the end of World War II itself, still Britain took time to admit it to itself.

At the end of World War II Britain had two main objectives in mind; economic recovery, and defence against a probable Soviet expansion. There was only one power at that time which could have guaranteed both; the USA. That meant in plain terms that the process which had started in the early part of the twentieth century, would only get widened and intensified. This shift from global to Atlantic was bravely admitted by Attlee in 1946. He disagreed with Field Marshal Jan Smuts' argument, "our routes through the Mediterranean towards the Indian Ocean are vital to commonwealth communications and to the status of Great Britain as a great

Power... "16, and responded by saying that the military chiefs were basing themselves on a strategy formulated in the past, in the days when the sea power was the mainstay of British Empire. He said, "...We must not, for sentimental reasons based on the past, give hostages to fortune. It may be we shall have to consider the British Isles as an easterly extension of a strategic area, the centre of which is the American continent, rather than as a power looking eastwards through the Mediterranean to India and the East."17

Though the American connection was evident and admitted by the British ruling elite, there still remained a difference of opinion on Britain's status in the World and its role in international affairs.¹⁸ Tories, of course, did not share Attlee's pessimism and refused to accept that Britain was no longer capable of playing a world role. In 1948, Winston Churchill spoke of British foreign policy in terms of three interlinked circles; The Commonwealth, the US and a United

16. Elisabeth Barker, The British Between the Super Powers: 1945-1950 (London, 1983 p. 49

17. Ibid.

18. For details on this point see, Joseph Frankel, British Foreign Policy: 1945-1973 (Oxford University Press, 1975).

Europe.¹⁹ It is interesting to note that Europe was placed at the bottom of the priorities. The highest priority was given to the colonies and the Commonwealth relationship, which was to be sustained through the special relationship with USA.²⁰

Beginning with the late forties, Britain took certain steps which further alienated Britain from her European allies and increased its dependence on the USA. As early as 1930, Winston Churchill had commented, "We are with Europe, but not of it, we are linked, but not comprised, we are interested and associated, but not absorbed."²¹ The same policy continued after World War II when Britain refused in 1950 to the French proposal for a 'European Defence Community', fearing an absorption into Europe as against its World Power Status.²² Same considerations were behind the British policy

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19. L.V.Boyd, Britain's Search For a Role (England, 1975) pp.1-2. Note that Tories were not in power at that time.
20. For an analysis of various dimensions of Anglo-American relationship see, John Baylis, Anglo-American Defence Relations, 1939-1980: The Special Relationship (London, 1984).
21. Geoffrey Goodwin, "British Foreign Policy since 1945: The Long Odyssey to Europe", in Michael Leifer, ed., Constraints and Adjustments in British Foreign Policy (London, 1972) p. 39.
22. Baylis, n. 20, p. 46.

when Britain refused to sign the Treaty of Rome, constituting the European Economic Community, in 1957.

Three factors helped Britain sustain this image of World Power, The colonies and the Commonwealth ties; independent nuclear deterrent²³; and special relationship with USA.

Except for the initial refusal by the USA in 1940s to cooperate with Britain on Atomic Energy, most of the British defence arrangements were done in collaboration with USA. Whether it was the development of guided missile system²⁴, nuclear submarine force²⁵ or the deployment of B-29 Bomber force in 1948 and that of THOR IRBMs on British soil in 1957.²⁶ When Britain could not afford heavy costs involved in Blue Streak missile research, it decided to buy a US system;

23. For a detailed discussion on this point, and special relationship, See, John Simpson, The Independent Nuclear State: The United States, Britain and the Military Atom. (Macmillan, 1983); Andrew J. Pierre, Nuclear Politics: The British Experience with an Independent Strategic Force, 1939-70 (Oxford University Press 1972).

24. Baylis, n.20, p. 40-41

25. Ibid, p. 54.

26. Ibid, pp.342-59.

initially Sky Bolt in 1960 but finally the Polaris in 1962,²⁷ rather than go along with France to develop a European delivery system.²⁸ This dependence on American weapon system further deepened during 1970s. Another major decision was taken in 1982 when Britain decided to buy the Trident submarine system from USA, to replace the then obsolescent Polaris. Britain, however, could not have ignored Europe any longer, because of two very significant developments which started immediately after World War II; the process of de-colonization and continuously bad economic performance at home.

Backdrop to the Withdrawal:

The twentieth century brought alongwith it great changes in the configuration of inter-state relations. The hitherto held colonies experienced an intense feeling of nationalism, anti-imperialism and an urge for independence from colonial yoke. These feelings snowballed into independence struggles and revolutionary movements after World War II. Britain, having the largest empire at that time, was the most threatened and vulnerable colonial power. The first setback

27. Ibid, p. 74.

28. Coral Bell, "The Special Relationship" in Michael Leifer, n. 21, p. 107.

happened to be the biggest one; independence to India in 1947. Not only did Britain lose major source of manpower for her army, and vast economic resources, but also it feared similar nationalist uprisings in neighbouring states in West Asia and South East Asia.

There is no gainsaying the fact that Britain had to get hold of strategic ports and other areas in the West Asian region in the nineteenth Century, primarily from the point of view of defence of India. As such, it would have been perfectly rational for Britain to have withdrawn immediately after India became independent. But Britain did not do so. There were three important reasons behind that. They were the trade with the region, oil and the British overseas military bases and facilities in the context of East-West Cold-War rivalry.

Trade has always been an important factor in the viability of British economy and at the end of World War II, almost half of total British trade was with the East of Suez area.²⁹ Oil was another important consideration. In 1924,

29. Peterson, n. 4, p. 105.

oil constituted 3.24% of UK's total inland energy consumption. This percentage rose to 8.78% in 1948.³⁰ However, it was quite evident that the post War economic recovery was going to rely very much on this source of energy and West Asia was going to play a very important role as a source of unrestricted supply of oil at a very low cost. Consequently, the share of oil in Britain's inland energy consumption rose to 18.84% in 1958 and then jumped to 49.78% in 1968.³¹

Another significant reason why Britain continued to have a hold over these countries was, that despite the rise of USA as Super Power and the occasional acrimony generated on various issues between the USA and the UK, there was apparently no hint to suggest that the USA was in a hurry to replace Britain in West Asia. As a matter of fact, it will be no exaggeration to say that there existed a tacit understanding between the two to take care of different areas of the world, under a broader Western strategy, in the context of the Cold-War. Britain's traditional contacts with its former colonies and protectorates were to be utilised, in addition to an

30. Gilbert Jenkins, Oil Economists Handbook-1985 (London, 1986) p. 117.

31. Ibid.

extensive array of British military bases and facilities East of Suez. This probably was what Britain could have offered in return for the special relationship with the USA. As a corollary to this, when by 1971 Britain lost all its major bases in West Asian land mass, it offered the facilities in its Indian Ocean territory in Diego Garcia and had to be content with a junior partner's status.

J.C. Hurewitz succinctly drove the point home when he commented, "... by the time Britain returned sovereignty to the sub continent in 1947, the British interests in the Gulf had changed from primary concern with the defence of India to primary concern with the defence of the vast oil reserves Britain was able to do so because of its special relationship to the US, under which the two allies integrated their policies West and East of Suez."³²

According to him, Britain protected Western interests by retaining "the multipurpose base at Aden and the forward

32. The Gulf, n.3, pp. 18-19

position in the Persian Gulf."³³ Britain also retained military bases and establishments in the post-World War II period in Aden, Bahrain, Egypt, Iraq, Jordan, Oman, Palestine and Sharjah.



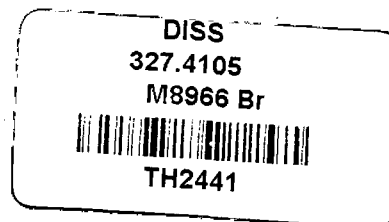
Prelude to Withdrawal :

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The British part of the Western strategy East of Suez, however, suffered series of setbacks throughout 1950s and 1960s, so much so that by mid-1960s it was evident that Britain could no longer shoulder this responsibility. In West Asia, the first major blow was dealt in May 1948 when the last British troops withdrew from Palestine. That act was seen as its inability to face the challenge and take a decisive action. The Arab-Israeli confrontation was compounded by a wave of radical Arabism which soon engulfed a large part of the region.³⁴ Egypt had been at the vanguard of such nationalist movements. In the initial phases after World War II, when Britain invited Egypt to become a founding member of an Allied Middle East Command, modelled on NATO, Egyptian

33. Ibid, p. 19.

34. Malcolm Kerr, The Arab Cold War, Gamal Abal-Nassir and Rivals, 1958-1970 (Oxford University Press, 1971).



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nationalists outrightly rejected the idea.³⁵ Britain had a taste of Iranian nationalism the same year, when Prime Minister Mosaddeq nationalized the Anglo-Iranian Oil Company. When the tangle was solved in 1954, British oil companies could return with only 40% shares. American oil companies were rewarded with 40% share.

These two incidents did not augur well for the British future in West Asia. Particularly the nationalist forces in Egypt were too much of an embarrassment for Britain. Egypt had become all the more important after withdrawal from Palestine. King Farooq was overthrown in 1952 and Britain, in order to placate the nationalist sentiments in Egypt, and also to please the US Government, agreed in October 1954 to withdraw British troops from the Egyptian territory by 1956.³⁶

Events of 1956 dealt another major blow to the British prestige in the area. The nationalization of the Suez Canal Company, the London Conference and finally the abortive tripartite attack by Britain, France and Israel created the so called power vacuum which was sought to be filled by the USA through the Eisenhower Doctrine. As the 29 October 1956

35. J.C.Hurewitz, Middle East Politics: The Military Dimensions (Colorado, 1982), p. 86.

36. Ann Williams, Britain and France in the Middle East and North Africa, 1914-1967. (London 1968), p. 117.

invasion drew condemnation from all over the world, Britain withdrew under the the most humiliating conditions. Impotense of British power became obvious and British prestige suffered beyond repair. The pro-British Conservative Arab regimes came under intense pressure from Arab radicals led by Nasser. Earlier, in March 1956, under Nasserite pressure, the king in Jordan had removed General Glubb (Pasha) who had commanded the 23,000 - strong Arab Legion, which was largely officered by the British.³⁷

Another serious shock was the Iraqi coup d'etat of 14 July 1958 in which King Faisal, alongwith his uncle Abdulahi and Prime Minister Nuri-al-Said, was killed. Britain lost an ally, important military bases and an assured source of oil in the region. Britain could never recover from this shock. An important link in the Baghdad Pact, which Britain helped found in 1955, was gone for ever. British military strength in the region was further debilitated. It was under these Arab nationalist pressures that Britain granted Kuwait independence in June 1961.

This was the time when the weaknesses of British economy had become much more evident. Britain clearly lagged behind

37. Ibid, pp. 314-16.

of
 other major industrial states/Western Europe. An OECD study found that for the period 1958-67, the British GDP rose by 3.3% only, while those of USA, France and West Germany rose by 4.7%, 5.8% and 4.8% respectively. For the same period, British per capital GNP increased at an annual rate of 2.5%, as compared to the European Community average increase of 4%.

TABLE - 2³⁸

Increase in GDP, 1966-74 (annual rate as %) ³⁹

Country	1966-71	1972	1973	1974
Denmark	4.6	5.1	3.8	2.0
West Germany	4.4	3.0	5.3	1.9
France	5.8	5.5	6.0	5.2
Ireland	4.4	3.2	6.0	3.5
Italy	5.2	3.2	5.9	5.0
Netherlands	5.6	4.3	4.7	3.3
Belgium	4.7	5.2	5.7	4.0
Luxembourg	3.3	4.6	7.4	4.5
U.K.	2.2	2.3	5.6	- 0.9
Community	4.4	3.7	5.6	2.7

38. Boyd, n. 19, pp. 17-18.

39. Ibid p. 19.

Moreover, Britain failed to take full advantage of the technological revolution, which affected her industry and exports, so crucial to pay for her perennial imports.⁴⁰ These desperate economic conditions made Britain come to terms with reality. Britain applied for the EEC membership in 1961.

The process of de-colonization, bad economic conditions, ever-widening gap between the economic, military and technological capabilities of Super Powers (and some of the European countries) on the one hand and of Britain on the other, and the gradual erosion of Commonwealth links and cooling off of special relationship with the USA, forced Britain to think of discrepancy between its capabilities and commitments around the world.

According to a 1969 study of European elites by Massachusetts Institute of Technology, as late as 1959, 72% of British elite were choosing Britain as the third most

40. For an analysis of the economic point see, Besides Boyd, E.S. Northedge, "Britain's Place in the Changing World," *Leifer*, n.21. pp. 192-208; Frankel, n. 18, pp. 47-69 and Peter Calvocoressi, The British Experience 1945-75. (London, 1978), pp. 65-115.

powerful nation in the world. But the perception rapidly dwindled to 51% by 1961 and to 39% by 1965.⁴¹ The debates in the Parliament and outside further strengthened the belief that in the absence of an adequate resource base there was no wisdom in continuing the burden of commitments.

Britain was already winding up its presence in East Africa in the first half of 1960s and about the same time the Indian Ocean bases in Maldives, Chagos Island and Sychelles, were being gradually merged with the Anglo-American Strategy.⁴²

When the Wilson Government took over in October 1964, the defence expenditure was running at £ 1.963 bn, which was about one-fourth of the whole Government Budget.⁴³ It was realised that the East of Suez military role absorbed about a quarter of that defence budget.⁴⁴ The first such indication

41. Frankel, n. 18, p. 156.

42. K.R.Singh, Iran : Quest for Security (New Delhi, 1980), p. 129.

43. James H.Wyllie, The Influence of British Arms: An Analysis of British Military Interventions since 1956. (London, 1984). p. 51.

44. Ibid.

of government cutting down on overseas defence came in 1966. The Statement on the Defence Estimates - 1966,⁴⁵ said that the objectives of the review were to relax the strain imposed on the British economy by the defence programme. It further stated, "Military strength is of little value if it is achieved at the expense of economic health."⁴⁶ The Command Paper 3357 of July 1967 had envisaged the withdrawal from East of Suez by mid seventies.⁴⁷ However, the 1967 sterling crisis,⁴⁸ which sharpened the financial deterioration, and a significant development in Aden forced the government to expedite the withdrawal schedule.

After the setbacks in Palestine, Egypt and Iraq, Britain had concentrated on Aden as the major base in this region, and a Unified Command was established in October 1959. Aden, however, experienced severe political turmoils since early 1960 and British presence became the main target of nationalist

45. Command Paper no. 2901.

46. Ibid, p. 1.

47. Survey of British and Commonwealth Affairs (London, February 1968), V.2, No. 3, P. 117.

48. Christopher Coker, A Nation in Retreat: Britain's Defence Commitments (London, 1986), p. 2.

upsurge.⁴⁹ The situation in 1967 became very grim and Britain had to take the hurried decision to withdraw its forces by November 1967. Once that major base was gone, the rationale for British presence East of Suez was greatly reduced. As a result, Britain, despite the initial protests from some of the sheikhdoms, had to withdraw from the region.

On 16 January 1968, Prime Minister Harold Wilson told the Parliament that the withdrawal from East of Suez would be completed by the end of 1971.⁵⁰ As applied to West Asia, the decision to withdraw was effective in the case of protective Agreements between Britain and the lower Gulf states and to the British military presence in Sharjah and Bahrain. By the beginning of 1968, the British presence in Sharjah and Bahrain totalled between six thousand and seven thousand out of which about five thousand belonged to the armed forces.⁵¹

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49. D.L.Price, "Oman: Insurgency and Development," in Conflict Studies (London), No.53 January 1975, pp.3-4; and Peterson, n. 4, p. 103.
50. Command Paper 3515, Public Expenditure in 1968-69 and 1969-70.
51. Hussein Sirriyeh, US Policy in the Gulf, 1968-77: Aftermath of British Withdrawal (London, 1984), pp.5-6.

The decision, however, did not apply to the Treaty of Friendship, commerce and navigation of 20 December 1951 with Oman under which Britain extended military assistance.⁵²

Moreover, the Labour Government made it clear that it would very much prefer an alternate political structure, bringing the Trucial Sheikhdome, Bahrain and Qatar under a union. This structure was to be evolved before the withdrawal was completed. A contact was to be maintained with this union through some sort of agreement or treaty, so as to facilitate continued British military support to it.

Residual Interests:

British military withdrawal from West Asia by the end of 1971, however, did not mean turning their back to this region. Britain could have done so only at its own peril. First of all, the withdrawal was not complete in the sense that Britain continued to retain its base in Masirah (Oman) and a small military presence on the mainland because of its active involvement in the anti-insurgency movement in Dhofar in Western half of Oman. Secondly, by the time Britain withdrew from Bahrain, Qatar and the Trucial States (now UAE) it had signed certain treaties with these countries which gave Britain a

52. Ibid, p. 6.

right to use military facilities in future, if needed, apart from the fact that Britain continued to "advise" and train the armed forces of these sheikhdoms. (Discussed in detail in Chapter Two). Thirdly, in 1971, Britain was already relying on West Asian oil which constituted 81% of its total oil imports. In 1971, Britain was running a deficit of \$ 877mn in its trade with West Asia. The exports to the region constituted 6.4% of Britain's total world exports while imports from this region stood at 9.7 % of its total imports. (See details in Chapter Three). Likewise, West Asia was the major market for British arms. (See Chapter Four). The events of 1973 made it sure that the region became much more important than ever.

The October War (1973) again brought the Arab-Israeli confrontation and the plight of Palestinians to the fore. What was more important from Britain's point of view, however, was the security of continued oil supply, as endangered by the Arab Oil embargo and cutback in oil production. Later, the quadrupling of oil prices created an acute problem for Britain's balance of trade with this region and the overall balance of payment. It necessitated a recycling of petro-dollars through participation in the massive developmental projects and arms sales to these states. During that period probably no other region counted in Britain's economic and foreign policies, as

much as West Asia.

Britain had withdrawn from this region but the residual interests of aforementioned magnitude remained. The all-important question that arises now is, what strategy did Britain adopt to attain these interests? With a rather limited military capability, did Britain try to base all its efforts on its diplomacy? Even within this diplomatic framework, was it a single-handed show, or did Britain rely upon its special relationship with USA, or EEC or did it cultivate local regimes, or was it a combination of all these factors? All these questions have to be answered so as to see the limitations and capabilities of a middle-power in attaining its goals. The following chapters are an attempt in this direction.

Chapter - II

THE POLITICAL DIMENSIONS

This chapter will deal with major political issues of West Asia and examine the British responses to them. It has been divided into two parts. The first part will deal with the Gulf issues while the second part will discuss the broader Arab-Israel issues. The division of the Chapter was necessitated by the fact that the two categories of the issues belong to two different sub-systems of the region; the Persian Gulf and the Eastern Mediterranean and can be best discussed separately.

The Gulf, since late sixties, emerged as an autonomous sub-regional entity within West Asia. This entity was characterized by geo-strategic, political and economic factors which were distinct from those that influenced the Arab-Israeli Conflict. The removal of British protective shield gave a new identity to the sheikhdoms of the Gulf and they became full-fledged sovereign states. Shah's ambitions, the Nixon Doctrine, American 'two-pillar' policy and Shah's role as policeman of the Gulf, the 1973 oil crisis, quadrupling of oil price and massive developmental projects in the Gulf completely transformed the parameters within which earlier local, regional

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or Big Power politics operated. Moreover, the events in late seventies like the Soviet military occupation of Afghanistan, overthrow of the Shah, American hostage crisis and Iraq-Iran war meant that USA, and to an extent the West, was treating the region at par with Europe. The creation of Rapid Deployment Force and the subsequent Central Command were its manifestations. The British policy towards these developments needs to be analysed to study the role of the ex-dominant power in that sub-system.

The other sub-system; Eastern Mediterranean, is influenced by equally important issues like the Palestine question per se, disputes between the Arab states and the state of Israel, the Lebanese crisis and the great power rivalries in the Mediterranean. The second part of the Chapter will deal with relevant issues of this West Asian sub-system and examine the British response to them. The issues of the two sub-systems, however, can not be isolated completely from each other, since the reverberations of a policy in one part can easily get transmitted to another, due to the shared historical past and continued intermingling of socio-economic factors.

PART ONE : BRITAIN AND THE PERSIAN GULF

The period of four years between 1968, when Britain announced to withdraw, and 1971, the year when Britain eventually withdrew, is of great significance for the understanding of territorial, political and geo-strategic framework of the Gulf as it emerged at the end of 1971. Besides the Arab states of the region, there were three major actors which influenced and shaped the policies of this region. These were Iran, Britain and USA.

Paradoxically enough, Britain's decision to withdraw from the Persian Gulf was finalised when its economic stakes in terms of oil, financial investments and trade were on the rise in this part of West Asia. According to a source, in 1967, British oil imports from the Gulf accounted for as much as fifty percent of its total oil consumption.¹ The same source states that Britain at that time owned over thirty percent of the investment in the Gulf oil which yielded

1. The Gulf: Implications of British Withdrawal.
The Centre for Strategic and International Studies,
Special Report Series No. 8 (Washington, D.C.,
February 1969), p. 64.

approximately \$ 500 mn. a year to Britain.² Another source puts the overall British investments in the Gulf in 1960s between £ 1 to £ 2 bn.³ The extent to which Britain maintained its influence over the security apparatus of the Gulf states can be judged by the fact that till the late sixties, the military equipment with all the Gulf Sheikhdoms was of British origin.⁴ Britain hoped to retain a big chunk of this market when the independent Sheikhdoms would have to expand their armed forces in the absence of the British shield. Moreover, the Gulf states in 1968 accounted for fifty-seven per cent of total British exports to West Asia while the imports from the Gulf were eighty-six per cent of total imports from the entire region.⁵

These figures should make it clear that the withdrawal did not mean that Britain was no longer interested in this region. It was precisely due to this consideration that

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2. Ibid.
 3. J.E.Peterson, Defending Arabia (London, 1986), p.105.
 4. The Changing Balance of Power in the Persian Gulf. The Report of an International Seminar at the Centre for Mediterranean Studies. Prepared by Elizabeth Monroe. (New York, 1972), pp.61-62.
 5. Based upon the figures given in Middle East Economic Digest (MEED) (London) 11 February 1972, Vol.16 no.6, p. 167 & p. 168.

Britain tried to evolve an alternate political framework with which it would continue to deal after 1971 and safeguard its interests. The concerned sheikhdoms were Bahrain, Qatar and seven sheikhdom of the Trucial Coast; Abu Dhabi, Dubai Sharjah, Ras Al-Khaimah, Umm Al-Qaiwaim, Ajman and Fujairah, which till then constituted the Trucial States. Britain wanted these sheikhdoms to form a union so that an integrated structure was created which could survive as a viable political entity. Spelling out this policy, Lord Chalfont, British Minister of State for Foreign Affairs, said on 22 May 1968, "It was a declared aim of British policy ... to encourage the development of an alternative system for the area and to work for the emergence of a consensus among both large and small countries around the Gulf, so that any differences between them could be amicably settled."⁶

The differences to which Lord Chalfont referred to were in fact both an incentive as well as an impediment in efforts of these states to come closer. The reason was that not only did the nine sheikhdoms have territorial disputes among themselves and were wary of each other, but also that they felt threatened

6. Survey of British and Commonwealth Affairs (London), vol.2, no.12, June 1968, pp. 545-6.

from their big neighbours in the Gulf.⁷ Apart from the long-standing Iranian claims over Bahrain and three islands at the mouth of the Gulf, there were Saudi claims to the hinterland of Abu Dhabi and to the Buraimi Oasis. Likewise, ruling families of Bahrain and Qatar were not on friendly terms and had territorial disputes and Ras-al-Khaimah had claims in Ras Musandem peninsula.⁸ This was the main reason why Trucial States were initially against the British decision to withdraw.

The reactions of the rest of the two major actors earlier mentioned; the USA and the Shah, to the British decision were diametrically opposite. The British decision fitted very well with Shah's ambitious plans to emerge as the dominant regional power and to counter the threats from the radical regimes in Iraq and South Yemen.⁹

The USA, however, could not have expected a worse British decision than this one. The decision came at a time when the

7. For details, see, Monroe, n. 4, pp.18-19 and Hussein Sirriyeh, US Policy in the Gulf, 1968-77: Aftermath of British Withdrawal (London, 1984), p. 8.

8. Monroe, n. 4, pp. 18-19.

9. For a detailed analysis see, K.R.Singh, Iran: Quest for Security, (New Delhi, 1980), pp. 128-47.

US was deeply entangled in Vietnam and expected continued British presence East of Suez, so as to check any spreading Soviet or Chinese influence in West Asia and South-East Asia.¹⁰ On the day the British announcement was made, Robert Mcloskey, an official of the US Department of State, said that the USA had no plans to fill any vacuum that might be created due to the British withdrawal. This was in marked contrast to the US policy in January 1957 when the Eisenhower Doctrine was proclaimed to fill the so-called vacuum created by the political defeat of France and Britain following the Suez War of 1956. However, it seems that the US was already thinking on the lines of evolving some framework of regional security understanding, as was stated in an interview on 19 January 1968 by the Under Secretary of State for Political Affairs, Eugene Rostow.¹¹ This policy was further elaborated in the Nixon Doctrine on 25 July 1969, which basically envisaged a US involvement in an area of importance only through a regional power. Only Iran could have qualified for such a role in the Gulf.

It is interesting to note how the policies of UK and USA dovetailed with the Shah's plans of turning Iran into a formidable power of the region. One can discern a sort

10. See details in Sirriyeh, n. 8, pp. 41-56.

11. Ibid, p. 45

of consensus emerging among the three. Britain was withdrawing from the region but since the USA did not wish to fill the vacuum through direct involvement it was being done through a regional power under the Nixon Doctrine. In other words, the stage was being set for Iran to play a role in the affairs of the Gulf for itself and on behalf of the West. Britain would withdraw by the end of 1971 to make way for Iran to take over.

However, one important hurdle remained. Britain undoubtedly was working within the western strategy. But then it had its own interests in the Gulf, as discussed before. For these interests to be defended it was important that some sort of a union of sheikhdoms, which had been under its protection for a long time, was created, differences resolved and a tension-free atmosphere prevailed in the Gulf. It was not possible as long as Iran had claims over Bahrain and the three strategically important islands at the entrance of the Gulf; Abu Musa and two Tunbs. The British Government held the view that Abu Musa belonged to Sharjah and the latter pair to Ras-al-Khaimah. Shah threatened to sabotage any plan to create a Union of Emirates unless this issue was resolved.¹²

12. R.M.Burrell, The Persian Gulf. The Washington Papers No.1, For Centre for Strategic and International Studies, Washington, D.C. (New York, 1972), pp. 42-47.

As a result, some diplomatic steps were taken to remove these hurdles.

The Shah made an important announcement in January 1969 while on a visit to New Delhi. He ~~declared that~~ Iran did not have any intention to settle the Bahrain issue by force. That he did not renounce the use of force over the issue of other three islands, as was evident from his aggressive pronouncements,¹³ only meant that he wanted to bargain for the three islands with Britain in return for Bahrain. Several rounds of talks were held between Britain and almost all the states in the Gulf throughout 1969, 1970 and 1971.¹⁴ After prolonged negotiations between Britain, Iran, and the Trucial sheikhdoms, Sharjah announced an agreement with Iran on 29 November, 1971 allowing Iran to occupy part of Abu Musa. On November 30, 1971, the day before the British Treaty with the Trucial states expired, Iranian forces occupied the Tunbs forceably.¹⁵

13. See Singh, n. 9, p. 142.

14. See the Times (London), 1969; May 28, p.6, July 30, p.4; 1970: June 23, p.7; July 7, p.6; August 18, p.4; September 23, p.8; November, 3, p.1.

15. The Annual Register : World Events, 1971, (London, 1972), p. 196.

Earlier, after initial vacillations the Conservative Government had finally decided on 1 March 1971 to withdraw. British Foreign Secretary, Sir Alec Douglas-Home told the House of Commons that day that the Government would offer to the rulers of the proposed Union; the conclusion of a 'Treaty of Friendship' which would provide for consultations 'in time of need'; handing over the Trucial Oman Scouts to form a nucleus of an army and stationing elements of British forces on a continuing basis for liaison and training, including the training of 'Union Security Forces'; regular training exercises involving British Army and Royal Air Force Units and finally, regular visits to the area by the Royal Navy Ships.¹⁶

On 15 August 1971, Bahrain announced its independence and the same day signed a new 'Treaty of Friendship' with Britain, replacing the treaties of 1882 and 1892.¹⁷ Qatar became independent on 1 September 1971, and signed a new 'Treaty of Friendship' with Britain, which replaced the treaty of protection of 1916.¹⁸

16. The Times (London), 2 March 1971, p.10.

17. The Times, 16 August 1971, p.1.

18. The Times, 2 September, 1971, p.4 and 4 September 1971 p. 4.

Under the British pressure, the remaining sheikhdoms of the Gulf, except for Ras Al-Khaimah which joined later, decided to form a federation. The United Arab Emirates was officially created on 2 December 1971 as a sovereign, independent state. It signed a treaty with Britain on the same lines as was signed by Bahrain and Qatar.¹⁹ The text of these treaties was not made public. However, Sir Alec Douglas-Home told the House of Commons on 6 December 1971 that all the military arrangements proposed earlier had been accepted.²⁰

The British policy in the Gulf, on the eve of its departure, was not liked by Iraq which was hoping to emerge as the champion of the Arab cause, at least in the Gulf. The ease with which Shah realised his aim of capturing the islands made it abundantly clear that Britain acquiesced in the Shah's calculations. Iraq accused Britain of surrendering to Iran and as a result broke off its relations with Britain.

In any case, Shah's otherwise conciliatory policy in the Gulf had won him the tacit support of other Arab regimes.²¹

19. The Times, 3 December 1971, p. 8.

20. The Times, 7 December 1971, p. 9.

21. See Singh, n. 9, pp. 133-142.

The gradual strengthening of American 'two-pillar' policy in the Gulf, the two pillars being Iran and Saudi Arabi, witnessed a period of ascendancy of American influence which was to last till 1978.

It is important to note that with Britain withdrawing from all the major bases in West Asia, with the exception of Masirah (Oman), the British claims to parity with US strategic moves could no longer be sustained. Though Tories showed for some time their perennial penchant for overseas connections by signing Five-Power Agreement in South-East Asia in November 1971, the Labour coming back in 1974 decided to withdraw from the remaining bases in Indian Ocean and to withdraw, except for a small group, their forces from the Far East as designated under the November 1971 Agreement. The withdrawal from Indian Ocean bases in Gan, Mauritius and Singapore was complete by 1976 and the base in Masirah (Oman) was formally closed in 1977. Britain also withdrew as much of its military presence from the mainland of Oman as was necessitated by the success of anti-insurgency movement. With Labour committed to cuts in overseas defence arrangements, no further British forces were designated for Cold War alliances outside NATO. SEATO and CENTO were wound up in 1977 and 1979 respectively. Diego Garcia, however, was

developed by the USA and has played a very important role in the US strategic planning in the Indian Ocean. The point here to be made is that after 1971 British position in American strategic calculations became only that of a junior partner, while Britain withdrew into its European shell retaining its trans-Atlantic connections.

The period between 1971 and 1978 was of relative ease despite the 1973 oil shock (discussed in detail in Chapter three). British trade with the Gulf witnessed tremendous growth. Exports to the Gulf rose from £ 257.8 mn. in 1971 to £ 2858.4 mn. in 1978. Imports from the region too rose from £ 614.2 mn. to £ 2901.4 mn. in the respective years.²² In the year 1978, all the top five British export and import markets and the top five oil exporters to Britain, in West Asia, were located in the Gulf.²³ Likewise, in terms of arms sales three top markets in West Asia were in the Gulf. They were Iran, Kuwait and Saudi Arabia.²⁴ During 1973 and

22. MEED, n. 5, and v. 23, no. 8, 23 February 1979, p.50.

23. Ibid, vol. 23, no.8, p. 10 & p. 50.

24. World Military Expenditures and Arms Transfers 1968-1977. US Arms Control and Disarmament Agency, (Washington, D.C., October 1979), p. 156.

1977, British arms supplies to the Gulf accounted for as much as eighty-four per cent of its total supplies to West Asia.²⁵

Thus, despite the British withdrawal, the Gulf remained vital for Britain. The last thing Britain would have asked for was the disturbance or disruption in the region. But this is exactly what was happening in Iran in 1978 when an anti-Shah, to a great extent anti-West, popular pressure was building up which exploded in early 1979. The revolutionary upsurge would not only have cost Britain highly valued Iranian market, but also would have disturbed and destabilized the entire region. The event is of immense significance and deserves a detailed analysis.

There is no doubt about the fact that the world at large misjudged, and under-estimated the intensity of popular resentment against the Shah. Britain was no exception to that and in the midst of deteriorating circumstances the British Prime Minister, Mr. Callaghan, sent a message of sympathy to the Shah on 6 September 1978.²⁶ The British Ambassador to Iran,

25. Ibid, for further details on this subject see Chapter 4.

26. The Times, 17 September 1978, p. 1.

Sir Anthony Parsons, on 26 September publicly affirmed his country's support for the Shah.²⁷ Dr. David Owen, the then UK Secretary of State for Foreign and Commonwealth Affairs, said that it would not be in Britain's interests if Shah were deposed.²⁸

An important point to be noted here is that the Labour Government's support to Shah sparked off a row in the Labour party itself and later on, the senior members of the party went to the length of declaring openly their disagreement over Dr. Owen's pronouncements.²⁹ It was during this agitational mood on 5 November that the rioters set the British Embassy in Tehran afire.³⁰ However, it speaks of the versatility of British diplomacy that the most crucial phase of transition from one regime to another was tackled without harming the bilateral relations with Iran. Prime Minister Callaghan, referring to Shah's departure from Iran on 16 January 1979,

27. The Times, 27 September 1978, p. 6.

28. For details see, The Times, 23 October, 1978, p.6.

29. For details see, The Times, 17 September 1978, p. 1 and 26 October, 1978, p. 8.

30. The Middle East Journal (Washington, D.C.), vol. 33, no. 1, Winter 1979, p. 51.

said that the Western powers would "try to evolve a situation that will safeguard the interests of the West but would at the same time permit the people of Iran to chose their own leader properly."³¹ On 17 January 1979, Dr. Owen said, "it is very important for this country ~~that we~~ have good relations with Iran."³² He did not believe that support to Shah would stand against his country in achieving good relations with the Government in Iran.³³ Not risking this relationship, Britain turned down repeated requests of the Shah to enter Britain to seek permanent residence.³⁴

The new Government, formed on 11 February, was recognized on 13 February and on 20 February Dr. Owen told the House of Commons that the British Government wanted good and close relations with the new administration and it respected the right of the Iranian people to determine their own future.³⁵

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31. Survey of Current Affairs (London), vol. 9, no.2, February 1979, p.26. The periodical henceforth referred to as Survey.
32. The Times, 18 January, 1979, p. 7.
33. Ibid.
34. The Times, 21 February, 1979, p. 1.
35. Survey, v.9, n.3, March 1979, p. 55

New Conservative Government took over in Britain in May 1979 and it can be said that till November relations seem to have been improving.³⁶ The hostages crisis was the major turning point in British-Iranian relation. It also brought about a change in Mrs.Margaret Thatcher's style and tone. She became more strident and her pronouncements exhibited greater pro-US tilt. This trend got further strengthened when President Reagan took over in USA.

On 4 November 1979 a number of Americans were taken hostages in their embassy by the Revolutionary Guards and the very next day British Embassy was occupied for five hours. On 11 November it was reported that Iranian Newspapers had published documents revealing joint US-British plots in Iran.³⁷ On 13 November a US Defence Department spokesman disclosed that American and British warships had begun previously scheduled manoeuvres in the Arabian Sea.³⁸

During a visit to USA, in December 1979 Mrs.Thatcher told President Carter that Britain would be "the first to support the US if it sought UN approval of sanctions against Iran."³⁹ It

36. See The Times; 21 June 1979; 7 July 1979 and 22 September 1979.

37. The Middle East Journal, v.34, no.1, 1980, p.52.

38. Ibid.

39. The Times, 18 December 1979, p. 1

is interesting to note that not wishing to be projected as an over-enthusiastic US ally, she made it clear that Britain would not undertake an economic blockade of Iran without UN Security Council approval. Even within the EEC meetings Britain took a hardline on the question of economic sanctions, similar to what President Carter had been asking for.⁴⁰ But when British Government did impose sanctions, it added two clauses which diluted the impact of sanctions to a great extent.⁴¹ US did not hide its anger over British U-turn over sanctions.⁴²

This was not the only instance in which Britain differed with USA when it came to the economic interests of the nation, despite its proclaimed pro-US stand on several policy issues. Mrs. Thatcher sent a message of 'personal' sympathy to President Carter on the abortive hostages rescue operation on 24 April 1980 and Sir Ian Gilmour told the Parliament that Britain could not condemn the US actions as the blame rested

40. The Times, 1980; 19 January, p. 4; 9 April, p.1; 10 April, p.1 and p. 6; 15 April, p. 1; 16 April, p.6; 23 April, p.1.

41. The Times, 9 May 1980: p.1; 22 May 1980, p.1 and 24 May p. 14.

42. Ibid.

with the militants holding the hostages. A group of Labour MPs, however, tabled a motion the same day, deploring the US actions and urged the Government to cease cooperation with USA on this issue unless the US gave the assurances that it would not use military force. Disquiet over ~~the US policy~~ was expressed by some Conservative MPs also.⁴³ European allies were also of the view that such US action would only strengthen radicals in Iran which would jeopardize collective Western interests in the Gulf.⁴⁴

The Iraq-Iran war also had its impact on the British policy in the Gulf. Britain feared that the war which broke out in September 1980 might adversely affect its economic interests in the Gulf and the adjoining areas. Sir Anthony Parsons, the British Permanent Representative to the UN, told the Security Council on 26 September 1980 that the conflict had wider implications for the stability of the whole region and grim political consequences for the fragile state of the

43. The Times, 25 April 1980, p.1 and Keesing's Contemporary Archives, (London), vol. xxvi 1980, p. 30530.

44. Ibid, Keesing's Contemporary Archives.

World's economy.⁴⁵ Earlier, on 24 September, Mr. Douglas Hurd, a Minister of State at the Foreign Office, had said that Britain wanted to see the maintenance of stability in the Gulf and that it was in the interest of the West that the Gulf be kept open.⁴⁶ Britain ~~declared~~ its neutrality in the war, placed an arms ban on combatants and supported UN Security Council Resolutions for ceasefire.

Soviet invasion of Afghanistan, the down fall of the Shah, fear of revolution destabilizing other pro-West States in the Gulf and the Iraq-Iran War created an atmosphere in which Washington adopted a number of measures to check any further harm to Western interests. President Reagan's aggressive postures gave a new colour to East-West Relations. Interestingly, however, Mrs. Thatcher found herself in remarkable conformity with President Reagan's pronouncements. During her visit to Washington in February 1981, Mrs. Thatcher spoke on certain important issues like the East-West Relations.

45. Survey, vol. 10, no. 10, October 1980, p. 291.

46. Ibid.

Afghanistan, arms talks, El-Salvador and the Middle East, and struck an almost identical chord with the President.⁴⁷ On the issue of Rapid Deployment Force, she said, "I made it clear that if such a force was created, the UK would be ready to contribute to it." On consulting the local regimes on RDF, she said, "We do not need to consult except with our allies."⁴⁸ RDF, however, was to be seen in a broader perspective, "[RDF] is not only with reference to ... the Gulf, it is to have a capability to try to meet other trouble spots in the World."⁴⁹ On West Asia, she said "sometimes military strength is required when political and diplomatic initiatives have failed.... Middle East problems could not be solved except with the US."⁵⁰

As The Times reported, her Secretary of State for Defence, Mr. John Nott even chalked out the plans about the forces to be deployed for such contingencies.⁵¹ She, however, had to become more cautious in her pronouncements after the

47. The Times, 3 March 1981, p. 7 .

48. Ibid, emphasis added.

49. Ibid.

50. Ibid., p. 8.

51. The Times, 18 March 1981, p. 9.

Gulf states like Saudi Arabia, UAE and Qatar severely criticized her policy and accused her of "... domination, escalation of tension and creation of zones of influence."⁵² The RDF, as it developed over the years, apparently did not have any British participation, for any such step would have jeopardized Britain's interests in the region and would have attracted as unfriendly reactions as the Baghdad Pact or the CENTO did. Britain, however, maintains two or three warships in the area. They are not integrated in any broader Western strategy and are merely to protect British merchant vessels in the troubled zone.

In order to show the British concern for the threatened Arab Gulf states, British Foreign Secretary, Lord Carrington, said on 2 June 1981, "... it was important that the countries of the Gulf (where Britain's biggest export markets in the Middle East are to be found) should be properly equipped to defend themselves and should feel able to call upon their friends to help them to do so."⁵³ The same theme was repeated much more forcefully when in early 1986/^{when} the Iranian forces attacked and occupied the Fao Paninsula, an Iraqi territory

52. Guardian Weekly (London), Week ending 8 March 1981, p.6

53. Survey, vol. 12, no. 10, October, 1982, p.167

very close to Kuwaiti borders. Mr. Timothy Renton, Minister of State at the Foreign Office, said that Britain would extend military help to Kuwait, if asked, should the Gulf war spillover into Kuwaiti territory. He also deplored the offensive which brought Iranian troops within sight of Kuwait border.⁵⁴

Whether Britain had the will or even the capability to support Kuwait military remains doubtful. On its own, Britain could have done very little with three or four warships of the Royal Navy present in the Gulf. And if Britain was planning this support in collaboration with USA, then what was it that prevented Kuwait from asking USA straightaway to help it, as they did in 1987 in the case of protection to oil-tankers. One probable answer to the query as to why Britain was taking such uncharacteristically high-profile, pro-Arab stand, may be found in the fact that Britain wanted to neutralize the embarrassment caused by the revelations that Britain was supplying lethal weapons to Iran.⁵

54. The Times, 17 March 1986, p.9

55. See The Times; 31 March 1984, p. 1; 3 April 1984, p.8; 8 May 1986, p. 4; and Kenneth Timmerman, "Arms to Iran: The War Must Go On", New Statesman, (London), 24 July 1987, vol. 114, no. 2939, pp. 10-11.

US resented very much the supply of arms by Britain to Iran. Later on, of course, US had its own reasons to keep quiet on such revelations. The point intended here is that this incident of Britain adopting harsh posture is more of any aberration in Britain's consistent policy of keeping low-profile, low-visibility and avoiding taking sides in the war, Mrs. Thatcher's identity of views with President Reagan notwithstanding.

This policy was evident in Britain's eventual refusal, may be caused by its inability, to go along with the RDF. It also became evident in the first half of 1987 when, despite Washington's expectations and repeated requests to Britain to be more visible in its Gulf activities,⁵⁶ Britain refused to do so. President Reagan received the same cold response in the Venice summit in June 1987.⁵⁷ Responding to the statement that US was considering a pre-emptive strike against Iranian Silkworm missiles, the British officials said, "We favour reducing tension in the Gulf, not increasing it."⁵⁸

56. Newsweek (New York), 15 June, 1987, p. 9.

57. See reports in Guardian Weekly, vol. 136, no. 24, Weekending 14 June 1987.

58. Ibid.

Interestingly, when USA agreed to reflag Kuwaiti oil tankers, Kuwait approached Britain also to re-register the Kuwaiti oil tankers under its flag.⁵⁹ However, British Government made it clear that ship-registration is a commercial rather than a political question. A Foreign office spokesman said, "The Kuwaitis are free ... to register their ships here, but it is a commercial arrangement in which Her Majesty's Government plays no part,"⁶⁰ Certainly, Britain was playing down the political aspect of such an activity to avoid being bracketted with US belligerent moves in the Gulf. It should be recalled that Britain has been escorting its ships in the Gulf since 1980 without any drum beating and fanfare.

Britain has an interest in keeping the Gulf waters open and safe for free navigation and from time to time has voiced its concern over the attacks on neutral ships. However, Mrs. Thatcher, initially, went on turning down President Reagan's requests to send minesweepers to the Gulf.⁶¹ It was

59. International Herald Tribune (Singapore), 16 July, 1987, p. 1

60. Ibid.

61. Time (Weekly Magazine, Singapore) 17 August, 1987, pp. 9-10.

only after the escalation of the threat to the shipping that Britain agreed to send four minesweepers. They, however, are being sent to protect the ships flying the British flags and are not supposed to be a part of American presence.⁶²

Britain's main concern is to defuse the tension in the Gulf and, if possible, help to bring the Gulf war to an end. This concern made Britain work laboriously in UN Security Council to get a mandatory resolution passed, binding the combatants to end the armed hostilities. UN did pass a Resolution, though not mandatory, on 20 July 1987.⁶³ The UN Secretary General is following it up with all the interested parties.

Britain has avoided rash political decisions in its dealings with the Gulf states. Despite the steep deterioration in relations with Iran in 1987, Britain has tactfully stopped short of snapping ties with such an important market. France, on the other hand, did not apparently prove

62. The Economist (London), vol. 304, no. 7512, 22-28 August, 1987, pp. 38-39

63. Times of India (New Delhi), 22 July 1987, p.7.

to be so tactful and did severe the relations with Iran. Britain has shown a remarkable degree of pragmatism, restraint and adaptability in its conduct with this volatile but very important part of West Asia. Maximising national interest with the least possible loss of leverage and influence over the actors involved has been the catchword.

Britain and the Arab-Israeli Question :

Before one begins the study of this subject it is essential to understand the distinction between the two facets of the Arab-Israeli question. One, of course, is the Palestinian question per se which is central to any study of the aforementioned question. The second facet, which is closely related to but not identical with the first one, is the disputes between the Arab States and the State of Israel. These disputes have their own parameters and sometimes their origins lay completely outside the ambit of the Palestinian question per se.⁶⁴ One of course, cannot deny that the two facets influence and overlap each other very much. As a matter of fact, right from the beginning, the two have run

64. For example, the 1956 Israeli Invasion of Egypt, the 1973 War, Camp David Agreements, Egypt-Israeli Peace Treaty, Israeli attack over Iraqi nuclear reactor and invasion of Lebanon in 1982.

parallel to each other and have sometimes got so closely enmeshed as to defy any distinction. They, however, cannot be treated as a single question for reasons mentioned above and will be studied under two separate headings: The Arab-Israeli Disputes and the Palestinian Question.

Britain and the Arab-Israeli Disputes:

The roots of these disputes can be traced to early twentieth century when British Government, as spelt out in the Balfour Declaration of 1917 (See Appendix I) was obliged to work for the creation of a Jewish Homeland. This homeland, as was confirmed in the Mandate, was to be created in Palestine. The inherent contradiction of British aims as spelt out in the Preamble of the Mandate predictably led to a stalemate by the beginning of World War II.⁶⁵ For Jews, it was a Biblical right of theirs to create a home in the Holyland. The Palestinians saw it as unfair, illegal and illegitimate to displace them from a land which was rightfully their home. The Arabs saw it as another manifestation of the machinations of the Western world. Britain, unable to satisfy any of the

65. For details on this topic and period, see , George Antonius, The Arab Awakening: The Story of the Arab National Movement (London, 1955). and Elie Kedourie, In the Anglo-Arab Labyrinth: The McMahon-Husayn Correspondence and its Interpretations, 1914-1939 (London, 1976).

parties involved decided to pass the responsibility to the UN in February 1947. UN General Assembly resolution 181(II)A of 29 November 1947 regarding the partition of Palestine gave a degree of legitimacy to a separate state of Israel. The Jews declared the creation of the State of Israel on 14 May 1948 and the last British troops withdrew from Palestine the next day and left behind them a trail of blood and mayhem for the years to come.

During the period between May 1948 and June 1967, Israel went on to strengthen its hold while Palestinians continued to demand and fight for their homeland, backed by various Arab countries to varying degrees. The incessant Israeli skirmishes with the Palestinian guerrillas and the intra-Arab rivalry led to an explosive situation in June 1967. Israel launched its pre-emptive strike on Egypt, Jordan and Syria on 5 June and subsequently occupied the Sinai, the Gaza, the Golan Heights and the West Bank.

Though Israel launched the pre-emptive strike on 5 June 1967, the tension had been mounting for the last few months. Intra-Arab rivalry to some extent forced Nasser to take a more

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radical posture.⁶⁶ The tension acquired ominous proportions when in May Nasser asked the UN Emergency Force Commander to withdraw from the Sinai and closed the Strait of Tiran to Israeli shipping.

Britain even during this period was very active and was in constant communication with USA. Both of them objected to the Egyptian blockade and British aircraft carrier "Victorious" passing through the Mediterranean was put on alert for any eventuality.⁶⁷ Rapport between Britain and USA was evident in Security Council meetings too though Britain tried to tone down its criticism and refrained from pinpointing any particular country. In the Security Council meeting on 24 May 1967, Britain shared US opinion that there existed a dangerous situation as a result of Egyptian actions and welcomed the request of action by Security Council.⁶⁸ Several meetings were held between 29 May and 3 June 1967 and in one of these meetings Soviet Union squarely blamed Israel for the entire trouble in the Middle East. USA, on the other hand, put the blame on the blockade and the British representative, without

66. See details in Malcolm Kerr, The Arab Cold War, Gamal Abdal-Nasir and His Rivals, 1958-1970. (London, 1971).

67. The Times 25 May, 1967, p. 1.

68. Year Book of the United Nations, 1967 (New York, 1969) p. 166.

naming Egypt, asked for a "solution to the critical problem."⁶⁹ A series of Security Council meetings was held after the war had started, in which the Soviets condemned Israel, USA took a pro-Israeli stand and Britain tried to steer clear of any judgement as to who the aggressor was.⁷⁰

However, in the 19 June 1967 meeting of the General Assembly, the British representative, while commenting on his country's proposals, said, "War should not lead to territorial aggrandizement".⁷¹ This, undoubtedly, was a pointer towards Israeli occupation of Arab territories. In the later meetings Britain also urged for the appointment of a special UN mediator to West Asia to establish contacts with the states concerned in order to help achieve a negotiated settlement,⁷² a demand which was incorporated into the all-important Security Council Resolution 242 adopted on 22 November 1967. Renewed fighting across the Suez, following the sinking of the Israeli ship Eilat, forced the Security Council to come with a new compromise resolution. The British representative introduced a draft resolution on 16 November 1967 which he termed as just and balanced. It incorporated various proposals put forward by several members in earlier meetings. It was however, not

69. Ibid., pp. 169-70..

70. Ibid, pp. 176-88.

71. Ibid, pp. 193-4.

72. Ibid, p. 332.

difficult to discern that the draft included most of the proposals which had been put forward by USA and UK in the previous meetings. This was unanimously adopted on 22 November, 1967 as (Resolution 242 (See Appendix II)).

The Resolution, however, remained contentious and despite the appointment of Dr. Gunnar Jarring as UN mediator to West Asia, a war of attrition marred any prospect of peace. On 17 January 1969, France proposed Four-Power Talks, aimed at breaking the stalemate in the Arab-Israeli conflict and to supplement Dr. Jarring's mission.⁷³ Though the meetings continued throughout 1969, 1970 and 1971,⁷⁴ it became evident that within the Four-Power forum, only the bilateral meetings between USA and USSR were of any importance, and even those did not yield any fruitful result. The participation of Britain and France was inconsequential and was not acceptable to Israel.

After 1967, one can discern a gradual drift of Britain towards the Arabs, increasing Israeli criticism of the British stand, and finally, a gradual side-tracking of Britain by USA

73. The Times, 18 January 1969, p.4.

74. See The Times, 1969: 4 April, p.4; 2 July p.4; 11 July, p.7; 19 December, p.6; 1970: 28 February p.4; 14 May p.5; 6 August, p.1; 11 November, p.8; 1971: 2 March, p.1; 12 March, p.7.

and Israel from any forum of importance or influence, which suggested the limitations of the British capability to influence decisions even those of USA.

That British and the French stand on the conflict was not seen favourably by Israel was evident from a policy statement on 15 December 1969 by Prime Minister Golda Meir. She said that since the eve of the June War the French Government had pursued a one-sided anti-Israeli policy and that the British one-sidedness was apparent by its preventing the sale of Chieftain tanks to Israel and in its voting pattern in the UN. USA, however, was regarded as a friendly country.⁷⁵ This theme was repeated by the Israeli Foreign Minister, Mr. Abba Eban, who said that the Four-Power approach should be stopped. He doubted French and British credentials and did not accept their claims of being neutral in the Arab-Israeli dispute.⁷⁶

On 31 October 1970, Britain presented its own detailed peace plan.⁷⁷ It was more or less on the lines of the Resolution 242 and asked Israel to withdraw from the occupied

75. The Times, 16 December 1969, p. 7.

76. The Times, 20 December 1969, p. 4.

77. The Times, 2 November, 1976, p. 1.

territories with slight adjustments. The plan was rejected by Israel,⁷⁸ and Prime Minister Mrs. Golda Meir's criticism of British policy on 16 November reaffirmed it.⁷⁹ With Britain and France losing their credibility vis-a-vis Israel, US being occupied more with Vietnam and China,⁸⁰ and the Peace Plans as proposed by Golda Meir and Sadat⁸¹ becoming a victim of distrust and suspicion, there existed in 1973 a highly explosive situation in West Asia. Egyptians were faced with a situation of 'no war no peace' while the Sinai was occupied by the Israeli forces. Sadat could think of only one way of breaking the lull; going to war with Israel.

The October 1973 War and Big Power's response to it is an excellent case for a comparative study to show how circumstances bring a change in the configuration of forces; their policies, in the contents and the directions of these policies and create entirely new parameters for the Powers to

78. Ibid.

79. The Times, 17 November 1970

80. For details, see, Henry Kissinger, The White House Years (New Delhi, 1979).

81. For details see, Anwar El-Sadat, In Search of Identity (Dehradoon, 1983).

operate in it. It would be interesting to note the changes in the co-relations and interactions between the Big Powers as they had acted first in the June War and then in the October War.

The first move by the British Government, as the War broke out on 6 October, was to attempt to get an emergency meeting of Security Council convened to pass a resolution for an immediate cease fire.⁸² Secondly, Britain suspended all the shipments of arms to the combatants. This arms embargo soon became a point of heated debate both within Britain and between Britain and Israel. British Foreign Secretary called the embargo as "even-handed"⁸³ but it hurt Israel more than it did the Arabs. British Jews in general and the Jewish Peers in the House of Lords reacted sharply to British policy of withholding spare parts for British supplied tanks.⁸⁴

The attitude and statements of Labour Party leaders in the House of Commons reflected a pro-Israeli stand. On the very next day of the war breaking out, Mr. Harold Wilson,

82. The Times, 8 October, 1973, p. 7.

83. The Times, 17 October 1973, p. 8.

84. The Times, 1973: 15 October, p.10 and 16 October, p.10.

the opposition leader, had said, "If all the evidence so far published is correct (that Arabs initiated the war, then) ...grievous responsibility was on those who took up arms."⁸⁵ On British arms embargo too, the opposition Labour questioned the wisdom of Britain being biased against Israel.⁸⁶

The sharpest denunciation, however, came from Israel itself. The Deputy Prime Minister Yigal Allon, criticized the British attitude and described the embargo as "hypocrisy" and "misplaced... neutrality between the aggressor and the the defender."⁸⁷ The resentment at popular level was less restrained and anti-British feeling had engulfed almost the entire Israeli society.⁸⁸ From Britain's point of view, however, this policy came to its rescue when Arabs declared an oil embargo on the countries which were supporting USA and Israel. Britain was declared by the Arabs as 'friendly' country and oil supplies to Britain were not disrupted. (see details in Chapter Three).

85. The Times, 8 October 1973, p. 6.

86. The Times, 1973; 16 October, p.18; 17 October, p.18; 18 October, p.8, 19 October, p.1, p.8, p.13, 23 Oct. p.6.

87. The Times, 17 October 1973.

88. Ibid, p.9.

USA, however, had its own reasons to be furious with its European allies, particularly Britain, who had taken a pro-Arab stand in the conflict and had left USA alone to defend Israel. According to a report in The Times, President Reagan had expressed his extreme dislike on the failure of European allies to respond to pleas from the US for the sponsorship of a ceasefire resolution in the early stages of the war.⁸⁹ Britain also refused to permit the USA to use its bases in Cyprus for the airlift of supplies to Israel during the fighting.⁹⁰

Besides British partiality in the war, the other important point to be noted is that Britain was thinking in terms of taking steps so as to resolve the conflict in its broader context, and was not content with managing the crisis. The British representative to UN welcomed the linking of the ceasefire and the implementation of Resolution 242 by the Security Council Resolution 338 of 22 October 1973 (See Appendix III) and said that in Britain's view, securing and maintaining the ceasefire was no more than the first step towards the implementation of Resolution 242.⁹¹ The approach

89. The Times, 1 November 1973, p.9.

90. The Times, 2 November 1975, p.1.

91. Survey, vol.3, no.11, November 1973, p.444.

was in sharp contrast to the step by step, crisis-management approach which US adopted in the immediate aftermath of the war.

In yet another glaring departure from the past practice, the two Super Powers coordinated their moves and jointly proposed the two Resolutions: 338 and 339 in the Security Council, adopted on 22 October and 23 October 1973, respectively.⁹² This was again in sharp contrast to the diametrically opposite positions the two super Powers had held in the Security Council after the June 1967 war.⁹³

The afore-mentioned Resolution 338 (1973) had called for "negotiations (to) start between the parties concerned under appropriate auspices"⁹⁴ The British representative voting for the resolution said that, "appropriate auspices" would mean that efforts would be pursued under the aegis of the UN.⁹⁵ Britain wanted the talks to be held in a forum

92. Year Book of the United Nations, 1973, vol.27, (New York, 1976), pp. 196-8.

93. See no.69 and 70.

94. UN Year Book, 1973, p. 196

95. Ibid. p. 197.

where it would be able to exercise its power of veto. It also feared the US dominance if talks were held at some other fora.

A conference was held in Geneva, under UN auspices, on 21 December 1973. Alongwith USA and USSR, invitations had been extended to Egypt, Israel, Jordan and Syria. An agreement was reached on 18 January 1974 for first disengagements on the Egyptian-Israeli front.⁹⁵

The Geneva Conference is very significant in the understanding of the topic for it set two important precedents in the course of Arab-Israeli disputes thereafter. Firstly, Britain was sidetracked from the negotiations and this was obviously the result of Britain's anti-Israel stand which coloured the US policy also. No longer was Britain to be trusted and included in such parleys. During 1967 and 1973, Britain was at least formally present in such deliberations. Even that facade was now removed. This clearly marked the dispensability of Britain from the decision-making process. France too was isolated. Secondly, the conference set in the motion a course for bilateral, step by step and piecemeal

96. See no.92, p.208.

approach. Unlike the British stand, it did not try to resolve the broader conflict at a one go. As only USA had the capacity and the will to influence the actors involved in the Arab-Israeli disputes; namely Egypt, Israel and Jordan (to some extent Syria), it acquired a monopoly over such negotiations as can be seen from the US role in the second Disengagement Agreement between Egypt and Israel in 1975, efforts to convene Geneva Conference in 1977, Camp David Accord of 1978 and Egypt-Israel Peace Treaty of 1979.

As a consequence of these two trends, Britain adopted a particular strategy. Though not rejecting the piecemeal US approach, it continued to insist on addressing the more important issue of Palestinians, hence, the importance of resolving the conflict in its broader sense. It, therefore, preferred a comprehensive settlement, preferably under UN auspices. But, being reconciled to the idea of its incapacity to influence the course of events, Britain appreciated and highlighted the importance and indispensability of US in such deliberations and meetings.

These two themes lay underneath virtually every British response to a major event in West Asia. Going back to first Geneva conference, Sir Alec-Douglas Home, welcoming the

Agreement on 21 January 1974, said that it should be seen as a starting point toward the negotiations for a full and final settlement.⁹⁷ In this respect, he said Britain was ready to help through the UN Security Council or in any other appropriate way.⁹⁸ Appreciating subsequent disengagement in 1975, the Secretary of State for Foreign and Commonwealth Affairs, Mr. James Callaghan, said on 10 November 1975, "I emphasise that the Sinai Agreement is not an end in itself... we need a global settlement based on Resolution 242."⁹⁹

Talks for a more elaborate peace settlement were continuing in 1977 between Egypt, Israel and USA. It was made necessary since Israel was still in possession of Egyptian territory. Efforts were being made to call another Geneva Conference and to some extent Soviets too were involved in the process.¹⁰⁰ Reacting to such activities Foreign Secretary Dr. Owen said that the basis for a settlement did exist and Britain was prepared to play any part in the process which would lead to a reconvening of the Geneva Conference.¹⁰¹

97. Survey, vol.4, no.2, February 1974, p.58.

98. Ibid.

99. Survey , vol.5, no.12, December 1975, p. 473.

100. Fore details see William B. Quandt, Camp David: Peacemaking and Politics. (Washington, D.C., 1986)pp. 104-47.

101. Survey, vol. 7, no. 5, May 1977, pp.190-91.

He admitted that the initiative for such a process was with the US and Britain's role would be to support the US, both independently and as a member of the European Community.¹⁰² There was, however, no role for Britain to play because Israel had misgivings on that count. _____

Though Britain welcomed on 17 November 1977 the decision of President Sadat to visit Israel,¹⁰³ Prime Minister Mr. Callaghan, during a visit to Egypt toward the end of 1977, reiterated British stand that any settlement had to be based on the principles of UN Resolution 242 and 338, in all their aspects.¹⁰⁴

In response to signing of the Camp David Agreements on 17 September 1978, the British Prime Minister congratulated President Carter, while speaking in General Assembly of the UN on 17 September he said that the meeting had given renewed hope that a just, durable and comprehensive settlement can be achieved.¹⁰⁵ Mr. Callaghan, in the same manner welcomed the

102. Ibid.

103. Survey, vol. 7, no.12, December 1977, p.460.

104. Survey, vol.8, no.1, January 1978, pp.15-16.
Emphasis added.

105. Survey, vol. 8, no.10, October 1978, p. 355.

29 March 1979 Peace Treaty between Egypt and Israel. However, he made it clear that Britain regarded it, "as essential that we should move on from here to a comprehensive settlement that will engage the other Arab states and give the Arabs in Palestine-Palestinians-the opportunity of a secure future for themselves, as well as securing peace for Israel."¹⁰⁶

This is important to note that the policy of 'complementing the US' role in West Asia, either independently or through the EEC platform', was not a particular party's programme. Labour had adopted this stand between 1974 and 1979. Conservatives, coming to power in May 1979, reiterated the same stand. The British Foreign Secretary speaking in the House of Commons said, "... its (Government's) contribution to this (Middle East peace settlement) could be made most effectively in cooperation with the US and its partners in the EC While Government welcomed the recent Peace Treaty between Egypt and Israel, it recognized that this was only a partial step towards a comprehensive settlement and a solution of the Palestinian Problem. The latter lay at the heart of the issue"¹⁰⁷

106. Survey, vol.9, no.4, April 1979, p.92.

107. Survey, vol. 9, no.6, June 1979, p. 147.

This was the essence of the Venice Summit meeting of the European Community on 12 and 13 June 1980 when, for the first time, Community members together came up with an elaborate, comprehensive plan regarding the West Asian conflict.¹⁰⁸ They expressed their willingness to be more active in working for the achievement of the settlement. One would notice that since mid-seventies, Britain, finding that it was being ignored by the USA, had drawn closer to the European powers on the question of the Arab-Israeli peace settlement.

But EEC could not have been an alternative to USA. It did not possess the required cohesion, will, capability and leverage over concerned West Asian countries. The same conditions apply to Britain. Despite its "willingness" to play a role, there could not have been a doubt about its reduced influence or capability. As a result, there was hardly any tangible contribution that Britain could have made. These limitations became obvious and Britain was unable to take any effective measure when Israel committed excesses not only against the Arabs within Israel and in the occupied territories but also in its relations with its neighbours. Britain expressed its extreme dislike for such excesses,

108. Survey, vol. 10, no. 7, July 1980, p. 203.

criticized them in the UN and at other fora and condemned them in strong words. But it was powerless to do anything more.

Jerusalem is one such issue in which Britain has steadfastly taken strong exceptions to Israel's attempts to change the international character of the city unilaterally. It did so as early as July 1969, through its support to Security Council Resolution adopted on 3 July 1969, deploring Israel for not complying with previous Resolutions.¹⁰⁹ It did so again on 25 March 1976 in UN Security Council. Britain voted for a draft resolution condemning Israel for attempt to change the character of the city. The Resolution was, however, vetoed by USA.¹¹⁰ In yet another such incident, on 20 August 1980, Britain voted for a Security Council Resolution which censured the 31 July Israeli legislation declaring the unified city as the capital of Israel. US abstained from the voting.¹¹¹ The British representative in the Council made it clear in no uncertain terms that Israeli rights in East Jerusalem. "...did not extend beyond those of an occupying power."¹¹² Britain also

109. Survey, vol.4, February 1970, p. 206.

110. Survey, vol.6, no.8, August 1976, p. 318.

111. Survey, vol.10, no.9, September, 1980, p. 270

112. Ibid.

condemned the Israeli decision of December 1981 to annex the occupied Golan Heights which were a part of Syrian territory.¹¹³

The same consistency of ~~British opposition~~ can be seen on the issue of Israeli settlements on the occupied territories which would alter the demographic composition and the geographic nature of the territories occupied by Israel since June 1967. British Government was of the opinion that such Israeli settlements were illegal and provided an obstruction in the realisation of peace. This stand, however, will be better understood in connection with the British stand on a homeland for Palestinians and is dealt with under the second sub-heading of this part; Britain and the Palestinian Question.

An examination of British response to state terrorism as perpetrated by Israel and lately by the USA, which may not necessarily be directly linked to Arab-Israeli dispute, would give an idea of various compulsions working behind the British policy towards West Asia as it underwent changes after the Prime Minister Mrs. Thatcher and President Reagan tried to coordinate their policy on various issues, particularly in the later years of their tenure.

113. The Times, 16 December 1981, p. 6.

The first major act of state terrorism came when Israel invaded South Lebanon on 14 March 1978 on the pretext of a Palestinian attack inside Israel on 11 March. On 19 March, Britain, alongwith USA, voted for a Security Council Resolution calling on Israel to cease its military actions.¹¹⁴ British Government subsequently announced that it would contribute to UNIFIL by offering to provide a forward base in Cyprus whose facilities (of supplies, storage and maintenance could be utilized for that purpose.¹¹⁵ Britain, in the same manner, criticized Israel's pre-emptive strikes on Beirut in July 1981 and voted, with USA, for a Security Council resolution reaffirming the sovereignty and territorial integrity of Lebanon.¹¹⁶ This commitment was reiterated in June 1982 following a fulfledged invasion of Lebanon by Israel.¹¹⁷ Interestingly, Britain voted as did USA, for Resolution 508 and 509 which simply called Israel to withdraw its forces. However, a third draft resolution which condemned Israel for ~~not~~ complying with previous resolutions was vetoed by USA.¹¹⁸ Just as in the case of 1978 Israeli attack on Lebanon, in 1982 too Britain agreed to contribute to US initiative of

114. Survey, vol. 8, no.4, April 1978, p.122.

115. Ibid.

116. Survey, vol. 11, no.8, August 1981, pp. 221-3.

117. Survey, vol. 12, no. 6, June 1982, pp. 196-7.

118. Ibid.

peacekeeping in Lebanon, through a Multinational Force. Britain contributed a small contingent of around 100 men. However, The 1978 peace-keeping mission had UN sanctions behind it while this time it was basically a tool to defend US policy and the Force was formed with contributions from NATO allies. Expectedly, US and France got sucked into local complexities and as a result suffered. On the other hand, Britain kept a low profile and distanced itself from the local disputes.

In two other incidents which involved Israeli bombings of Iraqi nuclear reactor near Baghdad on 7 June 1981 and of PLO headquarters in Tunisia on 1 October 1985, British Government condemned such acts. On the Iraqi incident, a Foreign office statement read "we can only condemn such grave breach of International Law..."¹¹⁹ Mr. Winston Churchill, Conservative ~~M.P.~~, however, vigorously supported the attack saying, "I think Israel was absolutely right to take the Law into its own hands."¹²⁰ In the Tunisian incident, British Government condemned the

119. The Times, 9 June 1981, p. 6.

120. Ibid.

Israeli excesses and voted for the UN Security Council Resolution which condemned "...vigorously the act of armed aggression perpetrated by Israel."¹²¹

However, ~~the British~~ response to US actions amounting to state terrorism in this region is interesting to note. On 10 October 1985, US Navy aircrafts intercepted an Egyptian plane which was carrying the hijackers of an Italian cruise liner, and forced it to land at a NATO air base in Italy. It is important to note that Britain praised the US action.¹²² Yet, Britain refused to impose economic sanctions against Libya when US, in response to terrorist attacks on Rome and Vienna international airports on 27 December, itself imposed the sanction and asked its allies to do the same.¹²³ On learning that USA was considering military actions against Libya, Mrs. Thatcher criticized the US attitude and said, she did not "...believe in retaliatory strikes that are against international law."¹²⁴ Probably economic interests and a fear of terrorists retaliation desisted her from going alongwith the USA. She nevertheless

121. Keesing's, vol.XXXI No.12, Dec.1985 p.34077 and The Times, 3 October 1985, p.7.

122. The Times, 12 Oct., 1985, p.6

123. The Times, 17 January 1978, p.6.

124. Keesing's,v.XXXII, No.3, March 1986, pp.34260-63.

succumbed to the US pressure and praised US military actions against Libya on 25 March 1986.¹²⁵ Later, she made available the British bases in the UK for F-111 US aircrafts which attacked Libya on 15 April 1986. There were widespread ~~demonstration~~ in West Europe over US actions and Britain's support came under heavy criticism both inside and outside the country.

Mrs. Thatcher tried to seek refuge under the Attlee-Truman and Churchill-Truman Agreements of late fourties and early fifties and justified the British support as a bargain for the clearance of a Bill which was being blocked by Irish lobby in the Congress and which provided for a bilateral treaty making it easier for Britain to extradiate IRA activists .¹²⁶

Without getting into the argument about the viability of the justification, it can safely be said that one reason why Mrs. Thatcher agreed to work in league with USA is that Libya itself was an outcast in the Arab world and she did not expect too much of adverse criticism from them. Otherwise,

125. Ibid.

126. Ibid. p. 34458.

her policies and actions have exhibited a great deal of pragmatism, caution and concern for British economic interests in this region as is reflected in her Gulf Policy. The changes in British stand on Palestinian question too reflect the same considerations.

Britain and the Palestinian Question:

British response to this important issue shows a gradual progress in Britain's advocacy for the rights of Palestinians from the initial position of merely refugees (1967) to one deserving a homeland (1977) and then raising the question of the indispensability of Palestine Liberation Organisation in any negotiations for the comprehensive settlement of the West Asian conflict. The catalyst, of course, was economic compulsion which has influenced British policy towards West Asia ever since the 1973 oil crisis.

To begin with, the Palestinian issue had been addressed to in the Security Council Resolution 242 (1967) merely as "refugee problem". (See Appendix II). The Draft Resolution, it should be recalled, had been proposed by Britain in the Security Council. In 1970, though Britain still treated the Palestinian question as the refugee issue, it added a new dimension to it when the Foreign Secretary, Sir Alec Douglas-

Home, presented a new peace plan on 31 October.¹²⁷ In the plan, besides the call for Israeli withdrawal from the occupied territory and an end to the state of belligerency, the Foreign Secretary stated that those refugees who wished to return to their home should be allowed to do so and those who chose not to should be enabled to resettle elsewhere with compensation.¹²⁸ It is important to remember that the US and Israeli interpretation of the refugee issue does not accept the refugees returning to their homes. For them, the refugees have to be resettled outside Israel. On this count, British stand was different from that of the two countries.

The first major departure from this position came in the immediate aftermath of the October War. Nine members of the European Community, ending their meeting on 6 November 1973, stated in their resolution, "any settlement must take account of the legitimate rights of the Palestinians."¹²⁹ The British change in the stand was confirmed in November 1974 when Foreign Secretary Callaghan regarded the Palestinian

127. The Times, 2 November 1970, p.1

128. Ibid.

129. The Times, 7 November 1973, p.1 and p.8 Emphasis added.

issues as one of the three fundamental requirements for a settlement. Besides security for Israel and withdrawal from the occupied territories, he said, "... provisions must be made for the satisfaction of the needs of Palestinians, by which I mean not only the rights of individual Palestinian refugees, but also the legitimate political rights of Palestinian people."¹³⁰

But interestingly Britain was not as yet prepared to accept the PLO as the sole representative of the Palestinian people and was not prepared to give it political legitimacy. It either abstained or voted against the General Assembly resolutions concerning the rights of the Palestine and their representation through the PLO, as adopted in 1974. Britain abstained from the voting on General Assembly Resolution 3210(xxix) on 14 October, which invited PLO as the representative of Palestinians to participate in the deliberations of the Assembly.¹³¹ U.K. again abstained on Resolution 3236 (XXIX) which affirmed the inalienable rights of Palestinians in Palestine.¹³² However, Britain was not in favour of granting observer status to PLO in the Assembly's work

130. Survey, vol.4, no.11, November 1974, p.419
Emphasis added.

131. Ibid, pp. 220-21.

132. Ibid., pp. 224-25.

and voted against Resolution 3237(xxix) which conferred this status on PLO. US voted against all three Resolutions.¹³³

Britain had also abstained from a Security Council voting on 25 March 1977 to invite PLO to participate in the proceedings.¹³⁴

However, on the issue of rights of Palestinians to a homeland, Britain took one major step forward when Dr. David Owen, the Foreign Secretary, accepted in April 1977 that the establishment of a Palestinian homeland was an essential ingredient of a peaceful solution.¹³⁵ There still remained an ambiguity as to what form this homeland would exactly take. Lord Carrington, the Foreign Secretary, on outlining the West Asia policy, said on 25 September 1979, "if the Palestinians are to exercise their right to determine their own future as a people, this must be in the context of a negotiated political settlement which guarantees Israel's right to a peaceful and permanent existence."¹³⁶

133. Ibid.

134. Keesing's, v.XXIII, 10 June 1977, p. 28391.

135. Survey, vol. 7, no. 5, May 1977, pp. 190-1.

136. Survey, vol. 9, no. 10, October 1979, p. 286.

"Only Israel could decide what was in its own security interests."¹³⁷ This was the message of British Foreign Secretary, Mr. Francis Pym's address to a conference of Jewish leaders in late 1982, and it set the limits on the concept of Palestinian homeland. In the context of Palestinian rights, he elaborated, "...The term self-determination had been much misunderstood ... what we mean by it is that circumstances must be created in which the Palestinian people, through a choice of their own, can express their political aspirations and sustain their political identity. Clearly this expression of identity could take various constitutional forms, (as) President Reagan's proposal for self-government in association with Jordanians."¹³⁸ He was referring to President Reagan's Peace Plan of 1 September 1982 which proposed that a self-governing Palestinian state on the West Bank and Gaza "in association with Jordan offers the best chance for a durable, just and lasting peace."¹³⁹ It was occupied by the British government and moderate Arab regimes, while Israel rejected it, as did the Arab radicals. Israeli opposition Labour Party, however, welcomed this Plan as the basis for a dialogue.¹⁴⁰

137. Survey, vol. 12, no.12, December, 1982, pp.3292-94.

138. Ibid.

139. The Times, 2 September, 1982, p.1.

140. Ibid, 4 September 1982, p.4.

Ironically, though Britain did not recognize PLO as the sole representative of the Palestinian people, it continued to accept the indispensability of PLO in the negotiations to chalk out a comprehensive settlement of West Asian issues. It was confirmed by Prime Minister Mrs. Margaret Thatcher herself when she commented on the topic on 16 June 1980 while making an statement in the House of Commons. She said that while Britain could not recognize the PLO as the sole representative of Palestinian people, the reality of the situation was that there would not be a comprehensive settlement unless the PLO was associated with it.¹⁴¹

Though British Government formally refuses to meet PLO members, still a few meetings have been reported. In order to uphold its official policy, Mrs. Thatcher refused to receive in November 1982 an Arab League delegation which included a PLO representative. Her Foreign Secretary had initially agreed to the inclusion of the PLO member but Mrs. Thatcher overruled him¹⁴² She reiterated the Government's policy of making a

141. Survey, vol. 10, no.7, July 1980, p. 202.

142. The Times, 30 November 1982, p.6.

distinction between such formal contacts and informal ones within the context of EEC.¹⁴³ Under the threats of Arab economic boycott,¹⁴⁴ however, she agreed to accept a Palestinian National Council member in the place of PLO official. Later, the Minister of State for Foreign and Commonwealth Affairs, Mr. Douglas Hurd, held a meeting on 22 April 1983 with the Head of PLO's Political Department, Mr. Farouk Kaddaumi,¹⁴⁵ regarded as the 'Foreign Minister' in the Palestinian hierarchy. That meeting which was the first contact at ministerial level, drew sharp protest from the Israeli Government. However, a planned meeting between Sir Geoffrey Howe and two PLO members was cancelled hours before it was to be held on 14 October 1985.¹⁴⁶ The US and Israeli pressure behind the cancellation was too apparent,¹⁴⁷ though it was denied by Britain and US.¹⁴⁸

143. Guardian Weekly vol. 125, no.2, 12 July 1981, p. 10.

144. The Times, 13 December 1982, p.6.

145. The Times, 23 April 1983, p. 1.

146. The Times, 15 October 1985. p. 1.

147. See the Times, 21 September, p.1; 23 September, p.32; 24 Sept. p.5; 12 Oct., p.6 and 14 Oct., p.4.

148. The Times, 16 October, 1985, p.36

Concerned at the absence of progress in a solution to Arab-Israeli dispute, twelve European Community members, meeting in February 1987, reiterated the need to keep alive the efforts.¹⁴⁹ The statement issued at the end of the meeting repeated the basic requirements for such a solution which were same as outlined in the Venice Summit of June 1980. These were; recognition of Palestinian's right to self-determination, right to all states to secure existence, association of PLO in negotiations and opposition to Israeli settlements in occupied territories. More significant was their call for an international conference to be held under the auspices of UN with the participation of parties concerned and of any party able to make a direct positive contribution to the region's economic and social development.¹⁵⁰

First important point to be noted here is that both the European initiatives; of June 1980 and February 1987, came at a time when the credibility of USA was low and its leadership had weakened; incidentally both the times by the issues which concerned Iran. Earlier it was the hostages

149. Survey, vol. 17, no.3, March 1987, p.90.

150. Ibid.

crisis and now the Iran-Contra affairs. Probably the European Community wished to fill the vacuum created by the apparent incapacity of USA to take a bold initiative. Secondly, the statement shows that the EC members are not averse to the idea of ~~USSR participating~~ in such negotiations. This is what US has all through tried to avoid. Thirdly, the negotiations are to be held under UN auspices where the security Council members hope to assert their power and influence.

It remains an open question whether US can let the initiative slip from its hands. Britain, of course, attempts to enhance its leverage through both the connections; special relationship with USA as well as its membership of the European Community. However, there can be no alternative to dealing with the regional actors directly when it comes to the bilateral economic relations. Unlike the political initiatives like the Geneva Talks, Disengagement Agreements, Camp David Agreements, and Egypt-Israeli Peace Treaty, the critical economic issues like oil-embargo, quadrupling of oil prices and recycling of petro-dollars, were the issues which warranted direct British involvement with the regional

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countries. Probably this was the real test of British diplomacy and a study of the way Britain tackled these issues would reveal the extent to which Britain has been successful in safeguarding its interests in West Asia.

Chapter - III

THE ECONOMIC COMPULSIONS.

The single factor that affected the British economic interests in West Asia after the East of Suez policy was the oil crisis of 1973 since it had a devastating effect on the economies around the world, particularly on those of the industrialized world. Main reason was that oil constituted the most important source of energy and most of the Western developed world relied on its industrial development on this source. Being indigenously deficient in oil, these countries imported very large quantities from West Asia. Britain's condition was even worse for its economic performance since 1950s had been highly unsatisfactory. In the wake of worsening situation, Britain had to evolve a new set of policies to confront the issues so critical to its economic survival.

Britain since mid-sixties had been running a deficit balance of trade with West Asia.¹ In 1965, West Asia accounted for 4.7 percent of total British exports in that year. Imports from the region constituted 5.3 percent of the total imports. The deficit in the balance of trade with West Asia amounted to £ 86.25 mn.² Though the British exports remained at almost the same level in 1971, imports from the region went up to 7.06 percent of total imports and as a result the deficit jumped to £ 247.2 mn.³

1. Middle East Economic Digest, (London), v.16:6, 11 February 1972 p.167 & 168. (The weekly henceforth referred to as MEED)

2. Ibid.

3. Ibid.

In 1973, the deficit in the balance of trade stood at £ 385.2 mn.⁴

More important and worrying fact from Britain's point of view, however, was that it was relying on West Asian supplies of oil to a dangerous extent. In 1972, British imports of oil from West Asia, in terms of quantity, amounted to as much as 81.4% of its total oil imports.⁵ This reliance increased to 84% in 1973.⁶ British reliance on West Asian oil was increasing⁷ at a time when its economic performance was far from satisfactory. According to one source, increase in Britain's GDP during the period 1966-71 averaged 2.2 percent as compared to 4.4 percent of West Germany, 5.8 percent of France and 5.2 percent of Italy.⁸ British GDP rose by 2.3 percent in 1972

4. MEED, vol.18:9, 1 March 1974, p.247

5. MEED, vol.18:9, 15 February 1974, p.175

6. Ibid. Note that last two figures include the oil supplies from Algeria, Libya and Tunisia also.

7. See figures since mid-sixties in MEED, 11 February 1972 p.148.

8. L.V. Boyd, Britain's Search for a Role (England, 1975), p.19. For the economic development of this period see also Joseph Frankle British Foreign Policy, 1945-73 (London 1975), pp.47-69; Peter Calvocoressi, The British Experience, 1945-75. (London 1978), pp.65-115.

and then by 5.6 percent in 1973.⁹ Events in West Asia in 1973, however, wrecked any British calculations to maintain the same rate of growth.

The stalemate on the Arab-Israeli front was broken by Egypt on 6 October 1973 (see details in Chapter two) Military actions apart, the Arab oil producers decided to use oil as a politico-economic weapon. On 17 October 1973, the Organization of Arab Petroleum Exporting Countries (OAPEC) announced a cut back in oil production and exports by five percent per month from the September levels.¹⁰ To compound the pressure on the countries which were openly supporting Israel, the OAPEC decided on 19 October to impose a selective embargo upon the USA, the Netherlands, Portugal, South Africa and Rhodesia.¹¹ The main target, however, was the USA which had by then started heavy arms airlifts to Israel which helped the latter in halting and then repelling the Arab forces in the war.

Coinciding with this use of oil as political weapon, came the OPEC's decisions to increase its price of oil. On 16 October 1973, in a scheduled meeting, OPEC decided to

9. Ibid. Boyd.

10. Abdulaziz Al-Sowayegh, Arab Petro-Politics (London 1984), p.133.

11. Ibid., p.130

raise oil prices by seventy percent. OAPEC's decision of 19 October created panick in the world oil market and as a result demand for oil outstripped its supply. On 23 December 1973, OPEC announced a further 130 percent increase in crude oil prices, raising the posted price from the 1 November figure of \$ 5.17 per barrel to \$ 11.65 per barrel begining 1 January 1974.

It should, however, be kept in mind that OAPEC was not entirely responsible for the price explosion. Nor can it be said that, OPEC whose decision was mainly instrumental in the price rise had political motives against pro-Israel countries. The 1973 price rise was the culmination of a process which had begun in late sixties in which the oil producers had been demanding, from the major oil companies, a greater share of returns from the oil sales and greater participation in and control over the entire production process. Of course, the policies of both OPEC as well as OAPEC were complementary to each other. A coordination too between the two can not be denied and they did benefit from each other's policies. Nevertheless, one has to keep this subtle but very important distinction in mind.

The immediate effect of rise in oil prices was felt on Britain's balance of payment. Its oil import bill skyrocketed from £ 1296 mn. in 1973 to £ 3,725 mn. in 1974 and then to £ 4,446 in 1976, though the quantity imported actually fell down from 113.3 million tonnes in 1973 to 87 mn. tonnes in 1976.¹² According to another source, this decline had been reduced in 1976 to 66 million tonnes.¹³ A look at the following table would give an idea of complete balance of payment situation in oil trade.

12. Gilbert Jenkins, Oil Economist's Handbook, 1985.
(London, 1986), p.20

13. MEED: v.23, no. 8, 23 February - 1 March 1979, p.10

TABLE 1¹⁴

British Balance of payment on current account
over the period 1973-1979 (in £ Billions):

	<u>1973:</u>	<u>1975:</u>	<u>1977:</u>	<u>1979:</u>
				(Estimated)
Imports	1.28	5.84	4.77	4.40
Less exports	0.32	0.75	1.97	3.90
Deficit	0.96	3.09	2.80	0.50
Plus : other oil sector imports	0.18	0.87	0.90	0.70
Plus : Repatriated profits	0.01	0.02	0.60	1.50
	<u>1.15</u>	<u>3.98</u>	<u>4.30</u>	<u>2.70</u>

A look at the overall balance of payment in visible trade would make the things clearer.

14. James Morrell, Britain Through the 1980's: An Evaluation of Market and Business Prospects, (England 1980, p. 189)

TABLE-2¹⁵UK Balance of Payment in current Accounts (£ Millions)

<u>Visible Trade</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
Exports	9,043	9,437	11,937	16,394	19,330
Imports	8,853	10,185	14,523	21,745	22,663
Balance	+ 190	- 748	-2,586	-5,351	-3,333

A White Paper presented to the Parliament in March 1978¹⁶ listed the ills of British economy, compounded by the 1973 oil crisis, as follows. "For too long, Britain had a weak balance of payment and slow productivity growth. This weakness had many and complex origins, but the inadequacy and poor productivity of investment in a number of sectors of UK industry has been an important factor. Following the five-fold rise in oil prices, and the heavy additional cost of importing oil, Britain borrowed heavily abroad to finance the balance of payment deficit. In addition, it suffered dangerously rapid inflation. The recession has highlighted

15. Ethel Lawrence, (ed), Annual Abstract of Statistics, 1983 Edition, (UK, 1983) p.259.

16. The Challenges of North Sea Oil, Command - 7143 (London, 1978), p. 5.

long standing uncompetitiveness of some of our major industries".

It was not very difficult in 1973 itself to predict the likely impact of oil price increase on the precarious British economic conditions. It required immediate action on the part of British Government to offset the adverse effects of 1973 oil crisis.

During and after the October War the British Government was confronted with the daunting task of not only to guarantee the continued supply of oil which was threatened by the Arab oil embargo, but also to take adequate steps to neutralize or at least lessen the deficit in the balance of payment; in other words, to recycle the petro-dollars. In order to examine the British policies designed to safeguard its economic interests, British responses can be divided into two categories; diplomatic and economic.

British Diplomatic Response to the Oil Crisis:

The 1973 oil crisis did not come out of the blue. The increasing OPEC assertions vis-a-vis oil companies since late sixties to increase its share of returns on oil sales, its demands over participation in and control over entire

production process; and ultimately, its claims for the ownership rights, had made it clear to the world that the producer countries were going to wrest the control of their resources very soon. Tehran-Tripoli Agreements of February 1971 were the crucial indicators for the trends that followed. As far as the use of oil as a political weapon was concerned, the Arabs had been pointing towards such a possibility even before the war.¹⁷ Obviously, British government could not have remained oblivious to such drastic changes in relationship between the oil producing states and the major companies, and its eventual impact on the consumers.

Britain, realising the importance of West Asia in world oil exports and its own extreme reliance on this region for oil imports, had become very cautious in its approach towards the Arab-Israeli disputes right from the late sixties. This cautiousness slowly and gradually got transformed into a pro-Arab policy. (See chapter Two for British policy between June 1967 and October 1973).

17. See Al-Sowayegh, n.10, pp.109-37.

During the October War too main British concern was to secure the continued oil supply and, as such, Britain could not have afforded taking an overtly pro-Israel stand. Not only did Britain impose an arms embargo on the combatants, which hurt Israel more than the Arabs, but also it refused to take steps which might have strengthened Israel during the war. It refused the use of Cyprus air base to US planes which were airlifting supplies to Israel. When embargoed Holland tried to evoke the European oil-sharing system within the OECD so as to fulfil its oil shortage, Britain, in league with France, blocked any such move which would have been disliked by the Arabs.¹⁸ On 7 November 1973, answering to MPs in the Parliament, Sir Alec Douglas-Home, the Foreign Secretary said, "Israel has occupied the Arab territories and there has been no other solution other than war".¹⁹ Responding to the charge that the government was on

18. See Joan Garratt, "Euro-American Energy Diplomacy in the Middle East 1970-80: The Pervasive Crisis" in Steven L. Speigel (Ed.) The Middle East and the Western Alliance. (London 1982), p.86

19. The Times, 8 November 1973, p.18.

its knees to the Arabs and was sacrificing its alleged principle of neutrality for the sake of oil, he said, "Of course we must care about oil ... it is a fact that it is not the Soviet Union or the US but Europe which will suffer from Arab oil policy"²⁰.

As far as security of oil supply was concerned, British diplomacy and political decisions were highly successful. On 18 November, Arab oil producers announced that they were going to ease the planned cutback in Oil exports to the countries of the European community, apart from Holland, "in appreciation of the political stand taken by the Common Market countries".²¹ On 27 November, Sheikh Zaki Yamani, the Saudi Oil Minister, said that Britain was exempted from the cut in oil supplies. He said, "We are ready to make sure that the British people got, at least from Saudi Arabia, exactly the amount of oil they received prior to September 1973."²²

20. Ibid.

21. The Times, 19 November, 1973, p.1

22. The Times, 28 November, 1973, p.1

Economic Remedial Steps :

Having solved the problem of continued supply of oil through diplomatic measures, British government faced much more formidable task of redressing the balance of payment deficit. This required drastic economic measures at home and abroad. Britain adopted the following policies. It increased the exports of goods and services to West Asia. This was facilitated by the massive developmental projects as chalked out by most of the West Asian states, due to increased in revenues. Britain also decided to decrease its dependence on imported oil by developing its North Sea oil fields, by developing alternative sources of energy like coal, nuclear and hydro-electricity and by popularizing measures like conservation and more efficient utilization of energy.

This strategy was spelt out on 13 December 1973 by Prime Minister, Edward Heath. He told the House of Commons, "Until a few weeks ago we could foresee a progressive diminution in the balance of payment deficit during the course of next year. But that prospect has now disappeared. We shall have to find out, therefore, to earn much more foreign exchange in order to pay for the same amount of oil. In the long run some of the money will come back to us in payment

to increased exports to the oil-producing countries who will need the goods and services we can provide for their own development With in five to seven years we can look forward to bringing two-third of the amount of oil we need in from the North sea. This in due course will make an enormous improvement in our balance of payment position.²³

Exports of Goods and Services.

If the five-fold increase in the oil prices created critical problems for the western consuming countries, it also gave them an opportunity to get back their money by selling goods and services to the West Asian countries, most of which planned massive projects so as to create the infra-structure of a modern state with the help of billions of petro-dollars at their disposal. Estimates of oil earnings in 1974 and projections for a decade, thence were mind-boggling. These estimates, as presented by MEED, are as follows :

23. The Times, 14 Dec. 1973, p.16.

Table - 3²⁴

Estimated Oil Revenues, Surpluses and Expenditure of
Selected West Asian Countries (in \$ millions-estimated)

	<u>Oil Revenues 1974</u>	<u>Foreign Exchange Surplus by the end of 1985</u>		<u>Imports of Goods and Services by the end of 1985</u>	
		<u>Lower Value</u>	<u>Upper Value</u>	<u>Lower Value</u>	<u>Upper Value</u>
Saudi Arabia	28,207	358,055	500,133	375,839	550,938
Iran	20,228	Nil	Nil	154,029	572,153
Kuwait	9,725	216,333	291,071	58,270	74,220
Iraq	6,015	108,709	166,083	78,681	103,103
Abu Dhabi	4,896	72,366	102,320	20,468	28,176
Qatar	1,694	6,559	8,182	28,991	44,376
Oman	1,012	11,182	18,601	8,896	10,384

The magnitude of the share of the Western states in these markets could well be imagined. The industrialized countries had a lot to offer ranging from machinery, consumer goods, high and low level technology, construction, consultative services, training, maintenance etc. The post-1974 period saw a race among the developed countries to capture not only new market created in the oil producing states but also to seek the

24. Based upon MEED, v. 18:52, 27 December 1974, p.1589.

investment of surplus petro-dollars in their own industries and institutions.

Britain and France, in order to ensure their further oil supplies and to be able to pay for these supplies, adopted the method which amounted to barter agreements whereby these countries supplied goods and services to oil producers in return for oil. USA strongly condemned these agreements as being selfish.²⁵ Britain, overlooked these criticism and intensified its commercial campaign and went on to increase its exports to the region. Table No.4 gives an idea of the magnitude of British trade with West Asia over the period 1971-86.

25. MEED, v.18:5, 1-7, February 1974, p. 123.

TABLE - 4

BRITISH TRADE WITH WEST ASIA (£ '000)

Countries	E X P O R T S				I M P O R T S			
	1971	1973	1974	1977	1971	1973	1974	1977
Bahrain	25,181	24,338	33,694	113,777	4,046	15,811	20,345	13,673
Egypt	20,231	27,116	52,360	190,516	15,819	23,734	37,317	88,065
Iran	78,561	169,412	278,580	654,661	109,459	237,381	513,270	789,819
Israel	116,965	187,248	219,206	273,925	53,765	69,942	78,701	159,025
Jordan	11,056	13,408	20,648	48,974	269	465	1,631	1,996
Kuwait	35,264	36,101	59,753	243,341	198,750	235,305	569,501	541,262
Lebanon	26,265	41,959	60,750	48,591	3,885	8,012	28,603	8,365
Oman	13,087	22,199	42,927	172,856	4,021	15,930	32,814	15,147
Qatar	15,722	19,410	22,081	116,611	41,322	47,293	166,005	100,761
Saudi Arabia	38,946	58,466	119,698	576,904	172,785	322,183	1,178,149	1,095,116
Syria	7,409	11,630	20,854	57,203	757	1,154	20,572	5,351
UAE	26,317 ¹	49,430	98,911	454,977	47,118 ¹	68,909	325,067	259,055
Yemen (Aden)	5,292	4,470	5,968	22,613	5,882	3,445	8,118	187
Yemen (Sanaa)	2,386	3,159	6,021	28,356	34	428	1,412	455
World Total	9,175,535	12,455,110	16,494,315	32,951,476	9,833,942	15,854,443	23,116,718	36,493,152

¹ UAE includes Abu Dhabi and Dubai only.

1971 Figures ; MEED, v. 6 : 6, 11 February 1972, p.167 & p.168.

1974 Figures ; MEED, v.23, No.8, 23 February 1979, p.50.

1973 Figures ; MEED, v.18: 9, 1 March 1974, p.247.

1977 Figures ; Ibid.

BRITISH TRADE WITH WEST ASIA (£ '000)

Countries	E X P O R T S			I M P O R T S		
	1981	1983	1986 ¹	1981	1983	1986 ¹
Bahrain	102,337	150,264	131.0	16,713	37,488	19.7
Egypt	325,141	370,489	371.0	414,599	79,826	328.1
Iran	402,753	629,980	399.4	154,383	100,545	100.3
Iraq	623,889	400,259	443.9	72,644	30,334	55.1
Israel	211,989	354,860	462.4	255,866	314,148	385.2
Jordan	203,651	262,503	130.4	10,300	28,680	49.8
Kuwait	281,203	333,273	300.6	477,262	67,281	58.5
Lebanon	61,945	81,345	55.9	7,470	11,521	9.8
Oman	170,835	448,900	399.6	40,460	91,216	87.2
Qatar	135,722	216,385	112.1	10,675	10,063	29.6
Saudi Arabia	1,133,921	1,478,587	1,507.1	1,892,605	897,702	435.9
Syria	85,244	72,300	55.5	4,555	18,859	31.3
YAE	492,060	567,765	581.8	393,348	309,806	74.0
Yemen (Aden)	31,480	36,673	23.9	7,272	10,627	4.8
Yemen (Sanaa)	31,599	56,315	58.1	964	1,857	2.1
World Total	50,998,080	60,533,692	73,009.0	51,168,579	65,993,096	86,066.7

1. 1986 Figures in £ Million.

1981 Figures; MEED, November 1986, p. 35 & p. 36.

1983 Figures; MEED, November 1986, p. 35 & p. 36.

1986 Figures; MEED, v.31, No.8, 21 - 27 February, 1987.

According to this table, Israel was Britain's largest market in 1971. This position, however, was acquired by Iran by 1974. Iran maintained the lead till 1978, but due to distrubances in later period, it made way for Saudi Arabia which became number one British market for xxxxxxxx goods and services in West Asia. Saudi Arabia has since then maintained this position and in terms of value of imports from Britain it is far ahead of any other market in the region. So much so that in 1986-87 it emerged as Britain's most lucrative export market outside Europe and North America.

The Gulf is the hub of British commercial activities and accounts for the bulk of British trade in the region. (See Table No.4). Even when Britain's main rivals in trade; the USA, France and West Germany recorded a fall in their trade with West Asia towards mid-eighties due to falling oil prices, Britain registered an increase in merchandise exports to the region.²⁶ Iraq has also recently recorded an expansion in its trade with Britain. British exports to Iraq rose from £ 343 mn. in 1984 to £ 443 mn in 1986, while imports from Iraq

26. See MEED, v. 29, no.41, 12-18 October 1985, p.43 and UK and the Middle East, Special Report, November 1986, p.35

increased from £ 30 mn in 1983 to £ 55 mn in 1986.²⁷ This has, to an extent, offset the loss of Iranian market. Despite the domestic disturbances and periodic diplomatic tension with Britain, Iran has provided it with a substantial export market. After registering an all-time high of £ 751 mn in 1978, British exports slid to £ 333.7 mn in 1983 but recovered to £ 703 mn in 1984. It, however, fell again to £ 399 mn, in 1986.²⁸

Britain has sold a wide-range of articles to this region; like foodstuff, beverages, animal and vegetable oil. But the three categories which accounted for the bulk of British exports to the region were machinery and transport equipment, manufactured goods, and chemicals, in that order.

One field in which Britain has traditionally had a lot of experience and success is the invisible trade; namely, earnings through insurance, banking and consultancy services.

27. Ibid, November 1986, p.35 & 36; 21-27 February 1987 v.31, no.8, P.29.

28. Ibid and v. 23, No.8, 23 February 1979, p.50.

Unlike the balance of payment in the visible trade, the overall British invisible trade balance has been in surplus for at least a decade. In 1985, when over all British exports were about £ 78 billion, credits in invisible trade stood at £ 80.6 billion.²⁹ British insurance, banking and consultancy agencies have been deeply involved in the developmental projects in West Asia. For example, in 1986 while British exports to Saudi Arabia were only £ 1.5 billion, earnings from invisible trade stood at £ 1.0 bn.³⁰ Thus, balance of trade has been more favourable to Britain than is evident from the terms of visible trade only.

Thanks to the favourable balance of trade, Britain succeeded in eliminating the deficit with West Asia fairly early after the 1973 oil crisis. In 1974, British exports to West Asia yielded £ 1,101.2 mn while imports cost it £ 3,088 mn. As such the deficit stood at £ 1,986.8 mn. However, the deficient narrowed down to £ 239.7 mn in 1977 and was eliminated next year.³¹ From then onward, Britain has enjoyed a surplus

29. Annual Abstract of Statistics, 1987, (Norwick, UK, 1987), p. 237.

30. MEED, v. 31, no. 12, 21-27 March 1987, p.27.

31. Calculated on the basis of figures given in Table 4..

in its trade with West Asia. In 1986, British exports to this region were worth £ 5,032.7 mn and were 6.89 per cent of its total exports. Imports, on the other hand, were pretty low at £ 1,671.4 mn and accounted for only 1.94 per cent of total British imports. The surplus in West Asian trade was, therefore, a substantial amount of £ 3,361.3 mn. Today Britain enjoys a surplus in trade with every state of West Asia, a far cry from the 1974 situation when exports to West Asia were 6.67 percent of total British exports while this region had accounted for as much as 13.35 percent of its total imports.³²

The most important reason why Britain succeeded in eliminating the deficit was that oil accounted for less and less because of the North Sea oil production which started in 1975. In 1973, British imports from West Asia were valued at £ 1,403 million, of which crude oil had accounted for as much as £ 1,079 million.³³ Quite understandably, when British Government concentrated its efforts for the rapid development of North Sea fields, and got its first supplies soon, this import bill was cut down drastically. The development of North Sea oil fields had become very crucial in order to redress the

32. Ibid.

33. MEED, v. 18: 7, 15 February 1974, p. 175.

severe strains as a result of the 1973 oil crisis. This important strategy which affected not only the domestic economic scene but also the world oil market in subsequent years, deserves a detailed study.

Decreasing Dependence on Imported Oil: Development of alternative Sources:

Unlike many industrialized countries, Britain has been lucky enough in the context of its reliance on imported oil. Significantly, first major oil discovery in the British sector of the North Sea was made in 1969-70, coinciding with the increasing assertion of OPEC in raising the oil prices and wresting the ownership rights in reality from the companies. Britain was aware of both the trends; increasing importance of OPEC, and the North Sea as a source of oil, independent of the OPEC, even before the 1973 crisis actually surfaced. In early 1973, Mr. Tom Boardman, Minister for Industry, had expressed his concern about these trends. He said, "It is already clear that the producers will increasingly control not only the oil but also the huge financial reserves they would acquire from sales Although UK will be helped by our North Sea supplies, nevertheless, the preponderance of the Middle East in oil supply for Europe and the world as a whole, must be a matter of major concern ... (Our intension

is) to seek the best basis in our mutual interests (with OPEC) for continued development of oil supplies at a reasonable price".³⁴

The subsequent oil price rise added an element of desperation and urgency to the Government's plans to expedite work in the North Sea oil fields. Towards the end of 1973, Mr. Christopher Chataway, the Minister for Industrial Development, while reviewing the Government's plans for the development of North Sea oil, said that government's first aim was to exploit the reserves as quickly as possible. He added that apart from the normal commercial reasons of companies wanting a return for their investment, other important factors were the need to maintain the maximum possible assurance of oil availability and savings in foreign exchange to benefit UK's balance of payment.³⁵

Elaborating upon the plan in May 1975 the Foreign Secretary, Mr. James Callaghan, said that Britain would be investing £ 3,000 million annually in the area over the next fifteen years.³⁶ He hoped that the country would be self-sufficient by early 1980s.³⁷

34. Petroleum Review (London), vo.27, No.316, April 1973, p.143.

35. Petroleum Review, v.27, no.324, Dec.1973, p.460.

36. Petroleum Review, v.29, no.345, Sep.1975, p.606..

37. Ibid.

The White Paper³⁸ presented to Parliament in March 1978 had conducted a study on the same topic. Talking of the benefits the North Sea oil was to bring to economy, the paper mentioned a number of ills and deficiencies the economy was beset with at that time. They were low productivity, bad performance by manufacturing sector, adverse balance of payment, high inflation and unemployment rates etc. It was expected that the foreign exchange saved and revenues generated, as a result of oil coming from domestic sources, would help a lot in rectifying and redressing the ills which had marred the economic performance.³⁹ The White Paper expected that the income arising directly from oil production would be about £ 4.5 bn in 1980 (more than three percent of GNP at 1977 level) and stated that the balance of payment would be better than it would otherwise have been by about £5.5 bn in 1980 and about £ 8-9 bn in mid eighties.⁴⁰ Another important sector which was going to benefit from the development was off-shore supply industry which in 1977 itself was providing over one hundred thousand jobs in the country.⁴¹

38. No.16

39. Ibid. pp.5-6

40. Ibid., pp.6-7.

41. Ibid. p-7.

This industry in 1986 emerged as the second largest industry of this sort in the world and in 1985 received orders worth £ 2,720 million.⁴²

Apart from North Sea oil development, other major decisions that the government took so as to decrease dependence on the imported oil were, endorsement of a programme of investment to expand the coal industry, giving itself more powers to control the development of off-shore oil resources, expansion of nuclear power programme and popularizing measures like conservation and more efficient use of oil.⁴³

The Conservation policy, as was claimed by the White Paper, had saved the government approximately £ 2,000 million between 1973 & '77.⁴⁴ It envisaged further savings of

42. Britain 1987: An Official Handbook, (London, 1987) p.275.

43. Energy Policy: A consultative Document, presented to Parliament in February 1978. Command, 7101 (London, 1978)

44. Command 7143, no. 16, P.12.

16 million tonnes of all equivalent annually. In 1983 British government set up the Energy Efficiency Office and designated 1986 as "Energy Efficiency Year".⁴⁵ This reflected government's commitment to the policies, which recognised the importance of oil even after Britain had become self-sufficient.

In 1981, for the first time North Sea oil production exceeded consumption.⁴⁶ The details of oil production, oil exports and imports over the period 1975-85 are as follows :

TABLE - 5⁴⁷

OIL STATISTICS (in million tonnes)

<u>Oil Production</u> ¹	<u>1975</u>	<u>1980</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Land	0.1	0.2	0.3	0.3	0.4
Offshore	1.5	80.3	114.6	125.6	127.1
Refinery output	86.6	79.2	70.9	73.2	72.9
Petroleum Produced for inland consumption	91.2	71.2	64.5	81.4	70.1
Exports:Crude Petroleum	1.1	38.5	68.3	75.9	79.6
Refined Petroleum Products & Processed Oil	17.3	16.1	15.9	16.4	18.9
Imports:Crude Petroleum	100.8	44.8	22.87	25.0	26.9
Refined Petroleum Products & Processed Oils	23.1	14.1	17.3	28.5	25.0

¹ Crude Oil plus condensates and petroleum gasses derived at onshore treatment.

45. Survey, vol.17, no.1, January 1987, p.31.

46. Survey, vo.11, no.5, May 1981, p.144

47. Britain 1987, no.42, p.278.

The reason why Britain continues to import a substantial quantity of crude and allied products, despite its attaining the self-sufficiency level in oil production, is that the North Sea oil called Brent is a low sulphur content and high quality oil. ~~As a result~~, Britain has to import heavy crude for certain purposes in petro-chemical products.

The British oil exports earned the government £ 6,417 mn. in 1980 and £ 9,633 mn in 1981. The 1981 figures accounted for about 19 percent of total British exports that year. Imports in 1981 cost Britain £ 7,261 million.⁴⁸ By 1985, the surplus in oil trade amounted to £ 8,200 million.⁴⁹ and total government earnings from North Sea oil industry in 1985-86 stood at £ 11,500 million.

Britain cannot afford to go for a very high level of production to increase its revenues because its proven oil reserves at the present rate of exploitation are expected to run out by the turn of the present century. According to one estimate, Britain's proven oil reserves as on 1 January 1984 stood at 13.2 billion barrels as compared to 168.9 bb. of

48. Survey, v.12, No.5, May 1982, p.158.

49. Britain 1987, n.42, p.212

Saudi Arabia and 372 bb. of the entire Middle East.⁵⁰

Obviously, it would be in Britain's interest to make sure that these reserves last as long as they can to avoid dependence on West Asian oil at a time when oil would be scarcer and dearer.

The impact of Britain's oil production and pricing policy since 1983 is very important in its relations with the OPEC. Despite its low production of 952 million barrels in 1985, as compared to total world production of 20,664 million barrels that year,⁵¹ Britain was able to embarrass OPEC and influence its production and pricing policy to a considerable degree. It was made possible by certain conditions in the international oil market which had resulted in a stagnancy in the demand of oil at that time. In order to stabilise the falling oil prices, OPEC went on cutting down its production level. But Britain and Norway turned down OPEC's repeated requests and, in order to increase their share of the oil market, lowered their prices. Except for a short period in 1983, the British Government refused to cooperate with OPEC citing its helplessness against the proclaimed policy of independent

50. Middle East Economic Handbook, (London, 1986) pp.6-9

51. For detailed figures see Petroleum Economist, V.LIV no.1, January 1987, p.48.

operation of the oil companies.⁵²

Britain's Brent being of the same quality as Nigerian oil (called Bonny); every time there was any change in the prices of British oil, it directly impinged upon the Nigerian oil prices. This in turn triggered a chain-reaction within the OPEC. The situation continued to be tense throughout 1984 and 1985. But in December 1985, OPEC decided to retain its share by increasing its production which resulted in the crash in oil prices. In July 1986 British Brent was selling at \$ 9/b and Nigerian Bonny at \$ 9.25/b. In 1984 OPEC wanted to maintain the price at \$ 29 per barrel.

The crash had disastrous effects on Britain's revenues. In 1984-85 the revenues had peaked to £ 12,002 million, but the estimates for 1986-87 hovered around £ 6,000 million only. Besides it caused a cash generation decline for the industry to the tune of about £ 3,000 million. In October 1986, there

52. For details see, The Times, 1973; March 3, p.1, 12 March p.1, 16 March, p.14; 15, April p.17, 3 May, p.17, 8 Oct., p.16, 5 Dec. p.15, 23 Dec. p.13, and for later developments, Richard D. Vanderberg, "OPEC and the oil Glut" in international Perspectives (Ottawa), November/December 1986, pp.17-19.

were only 27 drilling rigs active in the UK sector of North Sea, as compared to 49 two years back, throwing thousands out of employment.⁵³



This is where Britain's peculiarity of being a large producer as well as an industrialized consumer of oil come to its rescue. The loss due to price-fall was self-cancelling since low energy cost helped the domestic industry, particularly the manufacturing sector, making the products more competitive in international market. It also helped the employment scene to some extent.

The fact, however remains that too low a price cannot be a viable proposition for Britain for further exploration and development. North Sea is a very high cost area and the fields being developed after 1985 will need \$ 17 for every barrel to be produced. Since the old fields developed in early 1970s will soon be running out of their reserves, and now discovery rate declining, it will not be in Britain's interest to see an unstable oil market. Yet, Britain was the only major oil producer in the world which formally refused early this year to cooperate with OPEC's efforts to stabilise the oil market.

53. Petroleum Review, v. 41, no. 432, March 1987, p.8.

In 1986, in terms of percentage, imports from West Asia accounted for only 1.94 percent of total British imports. Definitely, one important factor, oil has been missing from the imports all these years. This may change towards the turn of the century. A report prepared in 1980 for the Royal Institute of International Affairs, London, has estimated that by the year 2000, total energy needs for Britain would be between 267 and 309 million tonnes of oil equivalent⁵⁴ (mtoe). Of these, indigenous sources of coal would account for between 82 and 93 mtoe., gas between 37 and 39 mtoe, oil 60 mtoe and nuclear and hydroelectricity between 53 and 57 mtoe. This leaves net imports between 21 and 75 mtoe. It presumes an increase in the share of hydroelectric and nuclear energy so as to offset the falling oil supplies from North Sea. Coal and gas shall, without much difficulty, be available and will constitute the bulk of indigenous supply. The failure or success of the development of nuclear and hydro-electricity will eventually determine the share of oil in the total energy consumption in the year 2000. If this share exceeds the projected level, that would mean increased dependence on the imported oil.

54. North Sea Oil and Gas and British Foreign Policy.
The report prepared by Ray Dafter and Ian Davidson
(London) 1980, (A Chatham House Publication).

Over the number of years Britains dependence upon West Asia has been declining. Just as politically Britain withdrew into the European shell gradually since the 1960s, economically too the importance of Europe became evident. Exports to EEC rose from 13.9 percent of total British exports in 1958⁵⁵ to 46.2 percent in 1985.⁵⁶ Likewise, imports from EEC increased from 14.2 percent in 1958⁵⁷ to 45.9 percent of total British imports in 1985.⁵⁸ Today Europe and North America account for over 75 percent of total British exports and imports. Obviously Europe's importance increased at the cost of other regions. West Asia too suffered in percentage terms. (see table 4) Even then, in terms of absolute value, West Asia provides a substantial export market. Thus, though the British economic dependence on West Asia has been reduced since East of Suez policy, West Asia has remained and will continue to be a major market for Britain.

55. Boyd, n. 8, p.56 .

56. Annual Abstract, n.29, p.231.

57. Boyd, n.8, p.56

58. Annual Abstract, n.29, p.233

Chapter - IV

THE ARMS TRANSFER

Britain has been transferring arms to West Asia since the post World War I period. The consideration at that time, however, was not economic. Most of the states in this region were either British protectorates or dependencies, a fact which warranted active British involvement in the security and defence policies of these states. In the aftermath of World War II the importance of the military bases and facilities in the West Asian states increased, since they were now being used, in addition, in the context of the East-West Cold-War rivalry. One should not be surprised then to know that most of the weapons used in these states till 1955 were of British origin.

The first major inroad by other Powers was made after 1955 when weapons like the F-86 Sabre Jets, Mystere and MIG-15/17 were transferred to Iraq, Israel and Egypt from the USA, France and the USSR respectively.¹ With the emergence of Super Powers as the major suppliers of arms, British role in this respect became marginal and remained so till mid-seventies. In terms of value of arms exported to this region after World War II, the following table would make picture clearer.

1. World Armaments and Disarmament, SIPRI Year Book 1976, (Sweden), 1976, p.67.

TABLE-1²

	<u>Arms Exports (\$ mn. 1973 Constant Prices)</u>					
	<u>1950</u>	<u>1955</u>	<u>1960</u>	<u>1965</u>	<u>1970</u>	<u>1973</u>
USA	91	305	545	412	962	811
USSR	25	65	164	415	868	1,175
Britain	96	175	196	202	141	241
France	3	67	35	74	155	411

There were several reasons for this relegation of British position among the ranks of major arm suppliers to this region. First of all, Britain transferred arms in pre and post World War II period very frugally and calculatedly even to the friendly regimes of Iraq, Jordan and Egypt, let alone the Gulf protectorates. Even the weapons which were transferred were not sophisticated at all. This policy was guided by colonial and imperial considerations. The 1950 Tripartite Agreement between Britain, France and the USA aimed at maintaining an arms balance between Arabs and Israel, also prevented any large scale British arms transfers. More important, however, was the fact that unlike the USA, Britain did not possess surplus World War II weapons which could be

2. SIPRI source quoted by P.K.S. Namboodiri, "British Arms Exports : Low visibility, but High Performance" in Strategic Analysis (New Delhi, April 1985), v. IX, no.1, p.96.

supplied to friendly countries. Nor was Britain economically so strong as to handover large quantities of sophisticated arms to West Asian countries.

Since mid-fifties the USA and the USSR emerged as major arms suppliers of the World. It again highlighted the declining British importance and influence in world affairs. The events of 1950s and 1960s, as discussed in Chapter 1 and 2, rendered the old colonial and imperial frame-work of British policy unworkable. British withdrawal from West Asia and also economic compulsions, as discussed in the previous chapter, transformed completely the parameters and compulsions for British arms transfers to this region. Political considerations were replaced by economic ones.

West Asia has, since World War II, been a very high spending region. Between 1950 and 1970 the rise in military expenditure averaged 13.7 percent, as compared to 5.1 percent in South Asia and 7.4 percent in Far East (excluding China).³ The events in West Asia, particularly in the Persian Gulf, towards late sixties and early seventies, initiated arms build up and armed forces expansion programmes on a phenomenal scale. This was facilitated by the huge amounts of petro-dollars at

3. SIPRI, no.1, 1972, p. 53.

the disposal of oil producing countries. For industrialized oil consumers, it was an opportunity to redress their adverse balance of payment by supplying large quantities of sophisticated weapons. Britain too found itself in the same situation. ~~The~~ magnitude of arms imports in West Asia, in terms of value, is evident by the following table.

TABLE-2⁴

Value of Arms Imports of West Asia 1972-82
(\$ million, at 1981 Constant Prices)

Years	Arms Imports

1972	3,880
1973	6,877
1974	7,043
1975	5,977
1976	8,211
1977	10,648
1978	10,799
1979	11,570
1980	10,281
1981	13,405
1982	14,421

4. World Military Expenditures and Arms transfers, 1972-1982, US Arms Control and Disarmament Agency, (Washington, D.C., April 1984), p. 55).

Britain had been world's number one arms exporter to this region till early fifties, but by early sixties, was relegated to the third position. Britain lost even this position to France in 1970s. However, as far as West Asia is concerned, between 1970 and 1974 Britain still held the third position. It claimed 10 percent share of total major arms export to that region, while French share was only 2 percent.⁵ This picture, however, got transformed between 1975 and 1979 when France occupied the third position with 7 percent of the region's total imports. Britain stood fourth with 5 percent of total West Asian imports.⁶

The following table would give an idea of British and French performances in West Asia during 1973-82.

5. SIPRI Year Book 1980, p. 97.

6. Ibid.

TABLE-3⁷

Value of Arms transfers 1973-82 (Million Current Dollars).

Recipients	<u>Cumulative 1973-77</u>		<u>Cumulative 1978-82</u>	
	<u>France</u>	<u>Britain</u>	<u>France</u>	<u>Britain</u>
	1,355	1,280	6,500	5,000
Bahrain	-	-	40	-
Egypt	180	90	800	600
Iran	100	350	140	230
Iraq	240	20	1,800	220
Israel	50	60	-	-
Jordan	5	30	600	850
Kuwait	150	90	-	150
Lebanon	10	5	50	10
Oman	-	60	10	460
Qatar	30	10	190	310
Saudi Arabia	230	525	1,900	1,900
Syria	130	10	550	200
UAE	220	30	380	60
Yemen (Aden)	-	-	-	-
Yemen (Sanaa)	10	-	70	-

Analysis of information available also reveals that West Asia accounted for 51 percent of total British arms transfers

7. World Military Expenditures and Arms Transfers, 1968-1977, p.156 and Ibid, 1972-1982, p.97.

to the developing world during the period 1973-77. This share of West Asia rose to 67 percent during the period 1978-82.⁸ If we look at the British arms transfers from the point of view of total West Asian arms imports, then the figures would tell that the British share rose from 5.38 percent to 8.9 percent for the two periods mentioned above.⁹ The share of French imports in total arms imports of the region, however, more than doubled from 5.7 percent during 1973-77 to 11.54 percent during 1978-82.¹⁰

French penetration of the West Asian States which had historical ties with Britain is really noteworthy. The case of UAE is really surprising. These Sheikdoms had been under British protection for a considerably long period and since 1971 enjoy a treaty relationship with Britain. Still, at least in terms of value of arms transfers, France performed better than Britain. Since late seventies Britain faced further competition from other West European countries which were subsequently joined by some East European and Third-World arms exporters. The stiff competition reflected the changing

8. Ibid. 1968-1977, pp. 155-56 and 1972-1982, p. 95 and p. 97.

9. Ibid.

10. Ibid.

nature of international arms market since 1970s. However, apart from the USA and the USSR, France remained Britain's main rival in this field. In the category of supersonic combat aircraft (SCA) France stood head and shoulders above Britain. Out of fifteen SCA Britain managed to sell between 1973 and 1977, only five were delivered to West Asia.¹¹ As compared to this, France was far ahead of Britain with 120 deliveries to West Asia out of total sale of 300 SCA.¹² During 1978-82, though total British deliveries of SCA rose to fifty-five, the numbers delivered to West Asia remained at five. On the other hand, French exports to West Asia of the same type of aircraft stood at 100 out of a total 255.¹³

This apparently dismal performance of Britain, however, was the result of a self-imposed restriction on the production of SCA. Since 1960s Britain was relying to a great extent on the US fighter aircraft, as a part of its NATO strategy, and was concentrating more on the production of missiles, armour, artillery and ships. France, on the other hand, was planning its strategy independent of the NATO and as such had to produce its own aircraft. It meant that France had to export

11. Ibid., 1968-1977, p. 159.

12. Ibid.

13. Ibid., 1972-1982, p. 99 and p. 101.

more of this category of planes in order to achieve economies of scale for its domestic requirements.

This is why one notices British success more in the fields of armour, ships and missiles. During the period 1973-77 Britain exported 1,015 tanks and self-propelled guns, out of which as many as 930 were delivered to West Asia. French performance, as compared to it, was rather poor. The total French deliveries of tanks and guns numbered 585, out of which 340 went to West Asia.¹⁴

Most of the afore-mentioned British exports of armour, however, went to Iran. Britain signed a number of contracts to supply an extensive array of weapons which included 800 Chieftain tanks, world's largest hovercraft fleet and the development of improved BAC Rapier missile system. Apart from this, Britain since late sixties had been supplying weapons for training purposes to Oman, UAE, Qatar, Bahrain, Kuwait and Saudi Arabia. These weapons were used by these states in counter insurgency operations also.

Britain, during 1970s, took some political decisions which affected its arms sales in West Asia. It placed an

14. Ibid., 1968-1977 , pp. 159-60.

arms embargo on the combatants in the 1973 war. France on the other hand, had shown much more pragmatism and sold 110 Mirage Fighters to Libya in 1970 which were allegedly used in 1973 war by Egypt.¹⁵ Britain also refused to sign a package worth \$ 1.4 bn. with Libya in early 1975, consisting of Jaguar planes and Chieftain tanks. About the same time Britain lost another potential order for Jaguars when Saudi Arabia refused to provide assurances that the aircraft would not be transferred to Egypt.¹⁶ The same policy can be noticed in the Iran-Iraq war in which Britain has apparently taken a neutral stand while France has been selling arms to Iraq.

However, this is not to imply that as a matter of policy political considerations override the economic ones. The aforementioned incidents stand out as aberration over the period under study. As a matter of fact, any arms exporter wishing to remain in the market has to take note of the grave negative impacts political considerations would have on balance of payment, employment scene and more important, on the domestic defence production and R & D allocations. These considerations

15. Roger F. Pajak, "French and British Arms Sales in the Middle East : A Policy Perspective," in Middle East Review (New York), v. x, no.3, Spring 1978, p. 48.

16. Ibid., p.52.

began to influence the British policy also. That the country's interests **alone** are the guiding force behind British arms sales was reflected in the policy statement in the Defence White Paper of 1980. It stated that arms sales, "help to maintain a viable defence industry and a sound technological base, they facilitate long production runs, economies of scale and reductions in the unit cost of equipment for our own forces; they sustain some 70,000 direct job opportunities in British industry, they help improve the balance of payments and they support political and defence relations with customer countries".¹⁷

This is the main reason why during 1970s, an estimated 25 to 35 percent of all defence equipment produced was exported. It included a large proportion of exports in the field of aerospace technology, shipbuilding and electronics industries. Britain, for instance, exported sixty percent of all its Jaguar trainers.¹⁸ In 1984, Britain exported 42 percent of its conventional arms production. At that time the total employment in the British armament industry was about 3,15,000.¹⁹

17. Quoted by Namboodiri, no.2, p.105.

18. SIPRI Year Book 1980, p. 77.

19. SIPRI Year Book 1986, p. 336.

In 1986 Britain had world's third largest pool of workers in the arms industry, after the USA and the USSR.²⁰

The significant point to be noted here is that if, despite ~~lack of capability~~ to export more of front-line weaponry especially the costly super-sonic aircraft, Britain succeeded in 1970s in retaining its fourth position in the wake of tough competition from other West and East European exporters, it was basically because of the fact that Britain stuck to the sectors in which it had an upper hand over other arms exporters. Britain contracted on the service sector even in the field of defence. It did not fail to realise that for the underdeveloped technologies of most of the West Asian countries with an infrastructure which was not suitable to absorb the latest weapon systems, primary requirement would be to lay the infrastructure of a modern military complex. A substantial part of UK's 'defence sales' relates to items other than the hardware per se. Supporting services constitute a big chunk of military sales, sometimes upto forty per cent.²¹ The former Head of Britain's Defence Sales Organisation, Sir Ronald Ellis said, "the really big money is coming from military building projects, runways,

20. Newsweek (New York), 27 April, 1987.

21. Namboodiri, No.2, p.99.

hangars, laboratories, hospitals, arms factories and repair shops".²² Janes Defence Weekly (June 23, 1984) reported that of the £2,400mn. worth of military sales in 1983, thirty per cent constituted services.²³

Britain has been 'maintaining' weapons and providing services in the Gulf states since the mid-sixties. In the post-1973 period when these states began to acquire more and more sophisticated weapon systems, the British services also increased. Often, British firms won these contracts and employed others, specially Pakistani and Jordanian technicians, to do the job for them. That is one reason for large-scale presence of Pakistani and Jordanian personnel there in the military field. In 1973, British Aerospace won air service contract in Saudi Arabia, initially to maintain British made Lightning F-53 and BAC-167 Strikemaster aircraft. The Agreement, which continued to be renewed periodically and was to expire in August 1986, had already earned Britain \$ 1.640 mn. till August 1985.²⁴ A contract involving services of hundreds of British personnel, lasting for several years, is definitely far more suitable in strengthening

22. Lawrence Freedman, "Britain and the Arms Trade" in international affairs (London), V.54,n.1, July 1978,p.385.

23. Namboodiri, n.2, p.99.

24. Middle East Economic Digest (MEED), v.29, no.26, 29 June-5 July 1985, p.27.

The ties with the local regimes than a mere sale of military hardware.

During the period 1981-85 also West Asia continues to be the region with the greatest share (50.2 percent) of the world arms imports.²⁵ Iraq (13.7 percent), Egypt (10.3 percent), Syria (7.8 percent), India (7.4 percent) and Saudi Arabia (5.5 percent) stand in the same order as five large third world major weapon importing countries for the period 1981-85.²⁶ Out of these four West Asian countries Britain is a major supplier to only one, Saudi Arabia. Syria continues to be heavily depended upon the USSR, while Egypt gets bulk of its weapons from USA. Iraq has the USSR and France as the major suppliers.

Britain had entered the Saudi market in the early sixties with the sale of lightning supersonic aircraft and surface to air missiles. Subsequently, it lost the market to the USA and France. Britain has, however, staged a comeback. In 1980s, Saudi Arabia has emerged as a largest market for British arms in West Asia. Out of \$ 4,480 mn. worth of military equipment and services Britain sold to this region, Saudi Arabia accounted for as much as \$ 1,900 mn.²⁷

25. SIPRI Year Book 1986, pp. 325-26.

26. Ibid., p. 344.

27. US ACDA source as quoted in RUSI and Brassey's Defence Year Book 1987 (London), p. 258.

This point brings us to an important pattern of British arms exports to West Asia. Israel had been a buyer of British arms till late sixties but switched over to the USA subsequently and became almost completely dependent on it after the October war. In the case of Egypt too, British arms exports declined after 1955, and the market was lost to Soviets very soon. Though Britain did recover some market in Egypt after 1974, it did not compare favourably with the British sale of arms to the Gulf countries. Britain had been cultivating these states, except for Iraq, since the sixties. French sales drive to these states was a serious challenge to Britain but Britain provided the pro-US states with an option for modern weapons whenever the USA was unable, for one reason or another, to deliver weapons to its allies and friendly regime. Thus Britain emerged as a replacement for the USA in Saudi Arabia or in any other West Asian State. This has enhanced the importance of the Gulf in the context of British arms sales drive. This importance is very much reflected in the share of the Gulf in total British arms sales to West Asia. Between 1973 and 1977, the Gulf accounted for 84 percent of total British arms sales to the entire region. This share declined to 66.6 percent during the period 1978-82, but again rose to 70 percent between 1979 and 1983.²⁸

28. Calculation based on the figures given in the World Military Expenditures, 1968-1977; 1972-1982; and 1985.

The real boost to British arms transfer to the Gulf came in February 1986 when Britain signed its biggest ever export order with Saudi Arabia. The contract of about \$ 8 bn. called for 132 aircraft in all. That includes 72 Tornado Fighter/MRCA, 30 Hawk jet trainers, 30 PC-9 Pilatus Swiss primary trainer planes, plus support and training.²⁹ The Tornado deal, apart from its magnitude, is very significant in three other respects. As a matter of fact, the deal represents three important trends prevailing in the West Asian arms market.

Tornado deal, first of all, came as a result of the failure of the USA to deliver goods to its Arab ally, as a result of campaign against it by the pro-Israel lobby in the Congress and outside. The Saudis initially had been negotiating since 1985 for a second F-15 package, worth \$ 3,612 mn. The package was opposed by the pro-Israel lobby and eventually fell through.

Pro-Israel lobby in the USA has, right from early 1970s, made it easier for other competitors to benefit from the growing

29. For details see MEED, 21-27 June 1986, v.30, no.25, pp. 4-5; 21-27 March 1987, v.31 no.12, pp.28-30; Special Report on Saudi Arabia, June 1987.

demand for new arms in the Arab world. The first major deal to be blocked by the US Congress was that of F-4 fighters, offered to Saudi Arabia and Kuwait in 1973, which ultimately led to the purchase of French Mirages in mid-seventies.³⁰

Likewise, in another such incident in 1979, when Jordan was refused F-16s by USA, it decided to go to France for Mirage F-1C as alternative.³¹ In 1986, Jordan placed order with Britain for 1,500 Blowpipe portable SAMs when US withdrew the offer to sell Stinger SAMs.³² Very recently, another package of 12 replacement F-15 and 1,600 Maverick air-to-surface missiles for Saudi Arabia were blocked by the US Congress.³³

The second major trend revealed by this deal is the terms on which the contracts are being signed lately. The trends in the World arms market since the late seventies have created a buyers market where too many sellers are chasing the potential buyers. In such a buyer's market it has become

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30. K.R.Singh, The Persian Gulf: Arms and Arms Control. Canberra Papers on Strategy and Defence, No.21. (ANU, Australia) 1981, p.11.
31. SIPRI Year Book 1985, p.385.
32. Arms Transfer to the Third World: 1971-85, A SIPRI Publication prepared by M.Brzoska and T.Ohlsson, (Oxford University Press, 1987) p.200.
33. MILAV NEWS (Essex, England) v.XXVI, no.309, July 1987, p.23.

imperative for supplier that it gives some concessions so as to keep its share of the market intact. In this deal too, Britain agreed to Saudis financing the deal in the form of crude oil.³⁴ Besides, Saudis asked for offset investment of 35 percent of the technical content of the contract. Presently there seems to be some confusion over the question of joint venture, cooperation and technology transfer, as being suggested by Saudis, who are interested in a wide range of activities extending from aircraft overhaul, aerospace accessories manufacture, military electronics and computer software development to bio-technology and medical product manufacture.³⁵

The third important trend the deal indicates is training of the armed forces as the subtle tool of influence of the weapon supplier country over those that receive these weapons. It is said that the man who really made the decision tilt in favour of the British package, as against a very sophisticated campaign by France for Mirages, was Prince Bandar, Saudi ambassador to Washington and son of Saudi Minister of Defence. Prince Bandar is an ex-British trained fighter pilot and once he was convinced that the F-15 package would be blocked, he

34. MEED, vol. 31, no. 12, 21-27 March 1987, p. 30.

35. Ibid., pp. 33-34.

he decided to go for British weapons.³⁶

There is another interesting side of the whole contract. Not only President Reagan appreciated this sale going to America's closest ally, but also it was seen as if USA was repaying the UK for its support to President Reagan's Strategic Defence Initiative. Mrs. Thatcher has certainly benefitted from her dual connection in this respect.

Another important aspect of arms market, as it prevails today, needs to be highlighted. The emergence of buyer's market in late seventies has made it essential for the government of the supplier state that it engages itself in massive marketing efforts, whether it controls the arms production process or not in its own country. It is generally believed that one reason why France performed better than Britain during 1970s was that the government was involved very closely in the entire arms production structure and in the marketing. This distinction of arms industry being either privately or government-owned, has to a large extent got

36. Anthony H. Cordesman, Western Strategic Interests in Saudi Arabia, (London, 1987) pp. 215-6.

blurred. Whether it is President Mitterand or Prime Minister Mrs. Thatcher, one has to lobby on behalf of its arms industry, due to the overwhelming economic compulsions.

British performance in 1980s, both in terms of the value of the arms supplied as well as their quality, has been very satisfactory. West Asia once again emerged as its important market, after years of low performance. In particular 1983 was a very successful year for British arms industry which won substantial orders for Jaguar and Hawk aircraft, Sea King helicopters, Chieftain and Vicker MK-3 tanks, missiles of various sorts and ships. What is more satisfying is that large orders of these weapons came from traditional buyers like Oman, Kuwait and UAE, though these markets continue to be penetrated by other West European suppliers and the USA. British influence has been most evident in Oman, particularly after the Sandhurst trained Sultan Qaboos took over in 1970. Today Omani armed forces draw the bulk of their weaponry from British sources. Omani Air Force operates two squadrons of Jaguar aircraft, supported by an integrated air defence system, including surveillance radars from Britain's Marconi Space and Dynamics. Army operates tanks mostly of British origin, so is the case with the navy.³⁷

37. MEED Special Report, Oman, September 1986, p. 32.

As for the future prospects, Britain has enough contracts at hand to keep it busy for several years. It is hoped that Britain will, as a result of the major Tornado deal, get a minimum of \$ 4-6 bn. in additional exports. Britain is also currently busy in lobbying for the multi-billion dollar contract for the Saudi sub-marine force. With Saudis indicating an urge for a deep-water capability from a primarily coastal force, one should expect further naval capability augmentation in this region and resultant competition for the contracts.³⁸ Thanks to these initiatives Britain in 1986 has emerged as the second most important arms supplier of the world. According to the latest reports available, Britain in 1986 signed arms contracts worth \$ 8.6 bn in a world total of \$ 45 bn. as against the \$ 6.8 bn. of the USSR, \$ 14 bn. of the USA and \$ 3.5 bn. of France.³⁹

Britain has reached to this stage after a long period of struggle and perseverance and is expected to retain its share in West Asia in the years to come. Saudi Arabia is expected to continue to be the largest British market in West Asia. If and when Iran-Iraq war ends, Britain would be in a better position, than either USA or France to win Iranian contracts. France

38. See MEED Special Report on Saudi Arabia, June 1987.

39. The Times, 13 July 1987, p. 1 and MILAVNEWS v. XXVI, no. 310, August 1987, p. 13.

has not endeared itself to Iran by continuously supplying lethal weapons to Iraq. USA finds itself more or less in the same situation. Other states like Kuwait, UAE and Jordan will continue to provide Britain with a substantial market. ~~Oman has not indicated any~~ desire to break the traditional close ties with UK. Egypt and Syria continue to be heavily depended on Super Powers. Britain may get some low level contracts in Egypt, Israel, Iraq and Lebanon which continue to be depended on the USA, the USSR and France for the supply of their weapons. If Britain wins the coveted Saudi submarine contract, it would ensure a highly beneficial and satisfactory West Asian market for its arms industry.

Britain may not be able to repeat, due to constraints on its capability and power, the performance of late forties and early fifties when it held the number one position in the ranks of the arms exporters to this region. After the virtual dominance of the world arms market by the Super Powers during 1950s and 1960s, the competition in 1970s became very stiff and in Europe France emerged as the major competitor to Britain's arms exports to the important market of West Asia. It goes to the competitive spirit, hard work and perseverance of Britain that it has jumped back to the second spot in mid-eighties. West Asia, by any reckoning stands as the most important and lucrative market for British arms. Britain's image as the neutral arms salesman, despite occasional

revelations to the contrary, should help it secure important market of Iran once the war ends. If it happens, then Britain would be in the most envious position among its European rivals.

Chapter - V

CONCLUSION

The British policy towards West Asia has undergone a sea-change during the past few decades. Its policy till the Second World War was governed by the colonial and imperial heritage, beginning with the seventeenth century. Britain held an undisputed sway over the area till the wave of decolonization began to erode its empire. Simultaneously, Britain had begun to rely upon the USA to maintain the central balance in Europe since the First World War. Britain emerged economically and militarily a very weak power after the Second World War. Not only did its reliance upon the USA increase greatly but it could no longer play the role of the dominant power. The result was that the USA and the USSR emerged as the Super Powers. It was they and not the erstwhile great powers of Europe that began to guarantee the central balance even in Europe. The Cold War and the associated bi-polar system further eroded the credibility of Britain which was reduced to the status of a middle power.

The realization of this middle power status conditioned the British policy towards the East of Suez also. Having lost the empire and its resources, Britain was reduced from the status of a global power to that of an European power. This realization, along with growing economic pressure at home, forced Britain to restructure its commitments East of Suez. These decisions were taken between 1968-71.

Though Britain had formally decided to withdraw from the area, it still had its political, economic and military interests. These interests had to be preserved and, if possible, promoted. Britain, therefore, formulated new policies to serve its modified commitments in West Asia. It took a low profile on the Arab-Israeli question and concentrated more upon the Gulf.

In the Arab-Israeli question the British position has shifted gradually. Initially, it gave total support to Israel and, under the UN Security Council Resolution 242 of November 1987, treated the Palestinians only as refugees. That position has been gradually modified. In the seventies, Britain not only criticized the Israeli policy in the occupied territories and on Jerusalem but also was more favourable towards the Palestinian demand for political solution to their problem. Despite the opposition of the Zionist Lobby, not only in the USA but also in UK, it is maintaining that stand hoping thereby to win long-term favours with the Arabs.

Britain was more active in the Gulf for two reasons. Firstly, the sheikhdoms and Oman had maintained their traditional ties with Britain. The British withdrawal from the Gulf was not due to any long-drawn anti-colonial struggle but was the result of a peaceful transition of power to the elite which had

supported Britain earlier. Thus, there was no bitterness. On the contrary, binding political and military links were forged on the eve of the British departure which helped Britain to maintain its links with these states.

The other reason for the continuing British interest in the Gulf was due to the import of oil and also due to the question of recycling of petro-dollars. Britain depended to a large extent upon the Gulf oil in 1973. Thus, continued availability of oil was of strategic importance. That was ensured partly due to historical ties and partly due to the gradual British tilt towards Arabs in the Arab-Israeli dispute since 1967. While that ensured the supply of oil, the question of repayment of enhanced oil price since 1973 posed serious problems. Increase in trade, including arms trade, was an answer to the question of recycling of petro-dollars. The Gulf states by themselves were too small to fill the economic gap in terms of arms trade. Hence, Britain cultivated Iran as the new market. It made major deals for the supply of Chieftain main battle tank, Scorpion light tank, Improved Rapier low level anti-aircraft guided-missile etc. Britain also entered in a big way in the field of military services, maintenance, training etc. It had to face the French competition in the late seventies since But / the middle of this decade Britain has emerged as a major arms supplier in the area, especially after its massive arms deal with Saudi Arabia. Britain has also increased its trade

with the region. The North Sea oil has reduced the British dependence upon the Gulf oil. Thus, within fifteen years, Britain has emerged as an independent variable in the Middle East. Its new role is different from its traditional role before the East of Suez decision.

In the meanwhile, keeping with its new geopolitical compulsions, Britain has been reorienting its focus from the East of Suez to Europe and to the Western alliance system. That the trans-Atlantic relationship still remains the corner-stone of British foreign policy cannot be denied, though today Europe counts in Britain's economic and defence policies to a much greater degree than it did in 1950s or 1960s. Commitments to NATO at the European continent has become the linchpin of British defence since early seventies. So has EEC relationship in economic terms. And, with the increasing likelihood of the USA signing a deal with the USSR to scrape the intermediate and short range missiles, Britain's defence policies now may have to be in greater harmony with European powers than before. This, however, would not mean cutting off trans-Atlantic connections. If anything, the acquisition of Trident nuclear submarine launched missile from the USA has underlined that continuity.

It is rather difficult to say that these facets of British policies; continued relationship with the USA and greater reliance on the European Continent, have affected Britain's West Asian policy to any substantial degree. Probably nowhere

else has independence of Britain's foreign policy been more striking than in its relations with West Asia. The Conservative Government of Edward Heath had its own obvious reasons to conduct a West Asia policy independent of any American influence or compulsion. That was the period of oil shocks, embargoes and prices explosions. The subsequent Labour Government too kept a visible distance from USA, which in any case had been their traditional line. One would, however, note that conditional support to US policies on West Asian issues was never altogether discarded. Mrs. Margaret Thatcher found herself nearer to US stands on a variety of global issues than even her predecessor, Mr. Heath. Personality factor was partly responsible for that.

Mrs. Thatcher has trodden West Asian path very cautiously and pragmatically. She has tried not to be seen in league with the US policies or actions in this region. She learnt from upheavels in Iran. Her initial pronouncements on Rapid Deployment Force (RDF) were perhaps due to finding a likeminded ally in the White House. But even that had to be toned down subsequently when local powers opposed it. Support to the US policy on Libya was, probably, the least she had to do in return for the special relationship between Britain and America. Colonel Gaddafi, of course, was more of an outcast in the Arab World itself and she did not expect much outcry on that issue. But these two incidents apart, the overall British policy is

characterized by a high degree of pragmatism, low-visibility and least aggressiveness. Even when Britain agreed, in response to US insistences, to become more visible in this region, as in the recent case of sending minesweepers to the Gulf, it made it clear that, apparently, these ships would not be integrated with the US policies in the Gulf.

Low-visibility and subtlety help a country under adverse conditions. This was learnt by Britain from the Iranian Revolution. Low profile helps in beating a hasty retreat and coming up with a new set of policies. A super power with deeper commitments and higher stakes in and visibly closer relations with the unstable regimes in a hyper-tension area like West Asia, is always in a more vulnerable position.

Britain has benefitted not only by avoiding following intoto the US line in West Asia, but also by retaining her special relationship with the USA. The most glaring example of its benefit is the arms contract it won as the result of American inability to deliver goods to its Arab allies. The Tornado deal, one of the biggest in the history of arms transfers was struck with the US approval. Probably the USA was repaying for Britain's support on a number of issues.

Britain has not succeeded in affecting the course of events in West Asia. And, this is where the limitations of a

middle-power are obvious. Certainly, what a Super Power can offer economically, politically and technologically, Britain can not. Not only that, the US policies on occasions have clashed with those of Britain. And this shows the limitations of the special relationship. But by shrewed diplomacy, Britain has achieved some success due to its policy of tight-rope-walking. This is where the two significant elements of British foreign policy become obvious; playing the role of a junior partner of a Super Power and, simultaneously, dealing independently with the local regimes in West Asia on a bilateral level.

The main tool Britain has applied in promoting its policy in this region has been diplomacy; mostly on its own and occasionally in coordination with the USA. Militarily, Britain does not have the capability in the region and, as a result, cannot force its will upon the region. Of course., the nature of interests itself does not require that sort of action. As such, it is not desirable for Britain, even if possible, to even collaborate with the military moves of the USA, to safeguard its interests in West Asia. From the point of view of local regimes also, it is sometimes better to operate through a low-risk channel like Britain, than to deal directly with the USA. Britain in that perspective may work as a bridge between the local powers and the USA.

Britain may not be the prime actor in West Asia, but through its policy of maintaining relations with the USA and

the local regimes simultaneously, it may be at the right place to correct the effects of any blunder the Super Power may make due to its highly aggressive policies.

For Britain, West Asia may count for much more towards the turn of the century than what it does today. The need to import more oil would be greater at a time when North Sea Oil supplies would be reduced drastically. That may affect the economy and may result in greater reliance on the USA. If it happens, Britain may find itself in a bit of paradoxical situation. In such a case, a comparatively weak Britain will have to rely more on the USA for protecting its interest in West Asia. Such a policy might clash with Britain's present autonomy of operation in the region. But, if past experience is any guide, one should not be surprised seeing Britain sailing through smoothly.

APPENDIX I

BALFOUR DECLARATION¹, 2 November, 1917.

" Dear Lord Rothschild

I have pleasure in conveying to you on behalf of His Majesty's Government ~~the~~ following declaration of sympathy with Jewish Zionist aspirations, which has been submitted to and approved by the Cabinet.

'His Majesty's Government view with favour the establishment in Palestine of a national home for the Jewish people, and will use their best endeavours to facilitate the achievement of this object, it being clearly understood that nothing shall be done which may prejudice the civil and religious rights of existing non-Jewish communities in Palestine, or the rights and political status enjoyed by Jews in any other country.'

I should be grateful if you would bring this declaration to the knowledge of the Zionist Federation.

Yours sincerely,

Arthur Janes Balfour. "

1. Balfour was British Foreign Secretary, Rothschild the British Zionist leader. The declaration as given in The Middle East and North Africa 1987, Europa Publications Limited. (London), p.68

APPENDIX II

The United Nations Security Council Resolution 242 (1967)
adopted on 22 November 1967.

"The Security Council,

"Expressing its continuing concern with the grave situation
in the Middle East,

"Emphasizing the inadmissibility of the acquisition of territory
by war and the need to work for a just and lasting peace in which
every state in the area can live in security,

* Emphasizing further that all Member States in their acceptance
of the United Nations have undertaken a commitment to act in
accordance with Article 2 of the Charter,

"1. Affirms that the fulfilment of Charter principles requires
the establishment of a just and lasting peace in the Middle
East which should include the application of both the
following principles :

"(i) Withdrawal of Israeli armed forces from territories
occupied in the recent conflict;

"(ii) Termination of all claims or states of belligerency and
respect for and acknowledgement of the sovereignty,
territorial integrity and political independence of every
state in the area and their right to live in peace within
secure and recognised boundaries free from threats or acts
of force;

- "2. Affirms further the necessity
- "(a) For guaranteeing freedom of navigation through international waterways in the area;
- "(b) For achieving a just settlement of the refugee problem;
- "(c) For guaranteeing the territorial inviolability and political independence of every state in the area, through measures including the establishment of demilitarized zones;
- "3. Requests the Secretary General to designate a special representative to proceed to the Middle East to establish and maintain contacts with the states concerned in order to promote agreement and assist efforts to achieve a peaceful and accepted settlement in accordance with the provision and principles in this resolution;
- "4. Requests the Secretary General to report to the Security Council on the progress of the efforts of the special representative as soon as possible".

APPENDIX III

The Security Council Resolution 338 (1973) adopted on 22 October 1973.

"The Security Council

1. Calls upon all parties to the present fighting to cease all firing and terminate all military activity immediately, no later than 12 hours after the moment of the adoption of this decision in the position they now occupy;
2. Calls upon the parties concerned to start immediately after the ceasefire the implementation of Security Council Resolution 242 (1967) in all of its parts;
3. Decides that, immediately and concurrently with the ceasefire, negotiations shall start between the parties concerned under appropriate auspicious aimed at establishing a just and durable peace in the Middle East."

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