

THE SUEZ CRISIS SEEN FROM A MINOR IMPERIALISM: PORTUGUESE DIPLOMACY AND EGYPT (1956-1957)*

ARTICLE

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Imperialism in the Middle East, 1956

In 1947 the majority of Middle Eastern output of crude oil (79%) still belonged to the British corporations. In 1956 the situation was quite different:

Table 1 –Middle Eastern Oil in 1956

Territory	Output - tons (.000)	% of Middle Eastern Oil	Syndicate	British Corporations (BC)	BC share - %	US Corporations USC	USCs share -%	BC share of total Output - %	US share of total Output - %
Kuwait	54 982	0.32	Kuwait Oil Company	D'Arcy Kuwait Oil Company (British Petroleum subsidiary)	0.50	Gulf Kuwait Oil Co. (Gulf Oil subsidiary)	0.50	0.16	0.16
Saudi Arabia	47 874	0.28	Aramco			Texas Oil, Standard Oil of California, Standard Oil of New Jersey (30% each); Mobil (10%)	1.00	0.00	0.28
Iraq	31 325	0.18	IPC	British Petroleum (23.75%) and Royal Dutch Shell (23.75%)	0.475	Near East Development Corporation (Standard Oil of New Jersey, Mobil)	0.2375	0,09	0.04
Iran	26 530	0.16	IOP	British Petroleum (40%) and Royal Dutch Shell (14%)	0.54	Standard oil of New Jersey, Mobill, Standard Oil of California, Gulf Oil, Texas Oil (7% each)+ "Independents" (5%)	0.40	0.08	0.06
Qatar	5 876	0.03	IPC	Kuwait Oil Company);	0.475	Petroleum Development Qatar (IPC associated);	0.2375	0.02	0.01
Neutral Zone	1 600	0.01	AMINOIL; Getty Oil			10 "Independents" and Getty Oil	1.00	0.00	0.01
Bahrain	1 500	0.01	Aramco			Texas Oil, Standard Oil of California, Standard Oil of New Jersey (30% each); Mobil (10%)	1.00	0.00	0.01
Total Middle East	169 687	1						0.35	0.58

Based on: for oil outputs, Berreby, 1958: 236-237; for shares, Berreby, 1958; Dalemont and Carrié, 1993.

*Excluding Egypt, Turkey and Israel

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In the decade following the end of the Second World War, American corporations had come to own almost twice as much as the British share of Middle Eastern oil.

Imperialist Contradictions in the Region

The political control of the region did not change as fast as the oil output split. In 1956, the United Kingdom still mainly controlled the “security” of the region. Corporate control and political power were thus unbalanced in the Middle East.

In 1947 the Foreign Office had informed the US State Department that it could no longer cope with most of its responsibilities abroad. But the British withdrawal from the Eastern Mediterranean (Greece, Turkey and Palestine) did not apply to the oil-strategic positions held in the Middle East: Egypt (the Suez Canal), Jordan, Iraq, Kuwait and the Trucial Coast. But the empire had just been repositioned at a high cost: defence spending in the 1950s amounted to about 10% of the value of British exports. This could not last for long and some kind of adjustment was inevitable.

In fact, American interests in the region not only afforded but also required a more flexible approach to the rising nationalist forces in the Middle East.

So, some often disregarded Middle East features of these years are:

- to face the pressure of rising nationalisms, British power was becoming too weak to deter challenges and too tied to local interests to assure all-encompassing protection for the constellation of Western oil corporations;
- in spite of the United States’ military absence in the region, American oil firms (either the major ones or the “independents”) were already present in every Middle East oil-producing state, as Table 1 clearly shows.

American interests were therefore much more complex to handle than, for instance, French, whose three priorities in the Arab countries “were Algeria, Algeria and Algeria.” The big oil corporations, which had massively supported the Eisenhower election in 1952 and had placed two of his men as top officials (Allan Dulles in the CIA and J. Foster Dulles in the State Department) were aware of that. In spite of all the anti-Soviet rhetoric, for instance, Washington had preferred to let Britain face the rising Arab nationalism alone and cope with the damages (by forcing her Arab clients, Iraq and Jordan, to enter the CENTO treaty in which there was a non-Arab majority). The CENTO suited US policy against the Soviet Union (and against Arab nationalism) but American participation therein at the wrong time – that is, with Britain still holding general responsibilities in the region – would have had the negative side effect of mixing American interests and British policies. As Dulles put it, “it would have been disastrous for us in any plan in the Middle East if it seemed to be inspired by the British.”

Shortly, for American interests, the Middle East in 1956 was suitable for the old T. Roosevelt policy of “gentle words and a big stick.” For Britain and France, it was soon to be proven that by then not even a big stick was enough.

The Real Issue in the Suez Affair

On 19 July 1956 US Secretary of State Dulles informed the Egyptian Embassy in Washington that the American government had decided to withdraw the loan-offer of USD \$56 million for the Aswan Dam project. This project stood at the core of the Egyptian agrarian reform and industrialisation programme. It had been resumed by the new Nasser regime and was supposed to grant it wide social and political support.

One week later, on 26 July, the Egyptian government found an alternative source of income by nationalising the Suez Canal Company. Nasser's speech in Alexandria on the 26 July explicitly linked the two issues.² The American press agreed: the US loan refusal was the starting point of the "crisis", at least its detonator.

The Canal was owned by the Compagnie Universelle du Canal Maritime du Suez, whose capital stock was mainly French and British and its headquarters were in Paris. Nevertheless, the Compagnie Universelle was an Egyptian registered corporation and had never had sovereignty rights over the canal. The seizure of its assets by the Egyptian government without proper compensation to the shareholders was thus perfectly legal. It just meant anticipating the end of a concession, due for 1968. This was known by all the parties involved even if not publicly admitted because, of course, that was not the point.

Neither was free navigation in the Canal the point. In 1888, imperial powers had signed the Constantinople Convention, which guaranteed freedom of navigation of the Suez Canal. The Egyptian government became explicitly engaged to abide by it when it signed the 1954 treaty (by which the British forces would withdraw from Egyptian soil two years later) and kept repeating it in every official statement after 26 July. Everyone knew that in the case of a boycott due to single-country control of the canal, all the Western interests and especially Britain's would be severely damaged. In 1955, out of 14,666 ships going through the Canal, 4,538 were British-registered (over 30%). Moreover, 75% of Britain's oil consumption was carried along the Canal. The British "principal requirement" (in official statements and in the mainstream press) was thus that the "Canal should be insulated from the politics of any one country." But it was known that the Egyptian government would never take the initiative of a Canal boycott because it would mean the end of the Aswan project, even admitting that Suez revenues would ever be enough to pay for it. Besides, Britain's allies were also aware that until 1954 control of the canal had never been insulated from Britain's own policy. The secondary argument that the Egyptian government did not know how to run the Canal was even less suitable for a *casus belli* because it had yet to be proven (and it never was).

For some Portuguese officials there were no doubts about what was at stake. The freedom of navigation in the Canal was a pretext: Britain and France wanted to occupy it only to overthrow the Egyptian regime. Cairo's anti-imperialist influence irradiated eastwards (British CENTO client states) and westwards (French Algeria). Both countries were running out of time to topple

² "This year, from the \$100 million net return of the Canal, Egypt got \$3 million; the money will not keep flowing abroad; our money will build the Great Dam [...]" (Daumal and Leroy, 1971: 107-108).

Nasser. According to the 1954 agreement, the last British troops should leave Egypt in June 1956. Time was running against the Western colonial powers: the expectation that meanwhile CENTO could put pressure on Egypt was reversed by the 1955 anti-colonial riots and the results of the 1956 election in Jordan. Instead of isolating the Nasser regime, Iraq had now become Britain's only "safe" state in the region, apart from the Gulf sheiks.

Dual Diplomacy at the SCUA – Two Cases

British and Portuguese foreign policies during the last period of the Suez "affair" are examples of dual diplomacy. Both are worth considering more closely.

The first one because it touches on a crucial aspect of the imperialist power: the international currency. The dollar-pound competition is the least talked about factor of Anglo-American policies in the Middle East and although being a forgotten item in the Suez crisis it is a major element for understanding it.

The Portuguese stand shows how Portugal's main interest in Egyptian politics was linked to colonial policies and therefore contributes to a broader view on late colonialism.

a) Britain

Most British dual diplomacy during the "Affair" was unsophisticated and did not work out well. Britain's use of the United Nations (UN) and the Suez Canal Users' Association (SCUA) to cover military action was exposed in real time, with some relevant media exceptions. But during the later weeks the goal of British dual diplomacy was different and it got what it wanted.

Britain was aware that after the United State's declaration of 27 April at the UN no effective boycott was possible; American ships would pass under protest and all the others (including British) would follow or had already passed. But there was something that Egypt could give in exchange for a final British appeasement and for which Britain could never count on American backing: that the Suez Canal toll be paid in sterling.

The international recovery of sterling was for the British ruling class (the City) more important than anything else, "even the future of empire which, it was assumed, would fall into place once the prior financial problem was solved." The British finance capital was trying once more to give London a chance to become the world market for non-dollar trade and this implied holding the convertibility of sterling, gradually introduced between 1955 and 1958. The payment of the Canal dues in dollars or any other currency would cause a considerable drain of gold and currency for the British banking system that would certainly harm sterling convertibility.

After the failure of the military operation and having settled the main lines of the "affair" with Egypt, the Foreign Office delivered the Portuguese Ministry another "Confidential" Note two days before the Parliamentary debate in which Prime Minister Macmillan relaxed Britain's opposition to the use of the Canal. The Note expressed thanks to the "staunch support given

by the Portuguese Government” but informed that the British Cabinet had given further consideration to the use of the Canal”: boycott was no longer possible. Besides,

“The United Kingdom has a particular problem which is not common to the members of the Suez Canal Users Association as a whole, namely that sterling was not specified by the Egyptian government as a currency in which dues could be paid. Provided that this problem can be resolved, Her Majesty’s Government propose to announce next Monday (May 13) the withdrawal of their present advice to shipping.”

The “problem” was solved on time. In Parliament, Macmillan announced that “Payments made in connection with the canal – for canal dues and other purposes such as port dues, or water – will be made in sterling.” And more: a new transferable account had been opened in the Bank of England in the name of the national Bank of Egypt.

b) Portugal

It was no coincidence that Portugal and Belgium were at the same time two of the European states most opposed to changes in their African colonies and the most hostile to the Cairo “Voice of the Arabs” Radio. However, the stand of Belgium towards the Egyptian government corresponded more to what should be expected from a colonial metropolis. Contrary to what Paul H. Spaak, the Belgium Foreign Minister demanded early in September 1956 (nothing less than NATO backing for a military operation against Cairo), the Portuguese diplomats made from the beginning of the Suez crisis reassuring statements towards Egypt.

Right after Portugal’s entrance to the “18 Powers”, Brandeiro, then in charge of the Portuguese Cairo Legacy, was asked by the Egyptians if Portuguese participation in such a scheme meant that “*qu’il est pour la guerre*”. Brandeiro’s reply was that a decision about entering SCUA had not yet been taken but that if Portugal did enter, “it would be because in our view such a plan would not lead to war.” Portugal was in favour of a “peaceful solution”.

Besides, Portuguese shipping companies had immediately switched their Suez toll payments to the Egyptian authorities and continued doing so until the blockade of the Canal in November. The Portuguese government’s decision of not interfering was not only justified by the additional freights or the possible oil rationing. There was an additional cause for “upsets” in the Canal:

“The liquid fuels are not the only sensitive issue for us: there is also the civil and military transit to Goa and the problems arising from the fact that Egypt is currently our mediator in several of our difficult business dealings with the Indian Union.”

The Egyptian government was playing this broker role because the Indian Union was one of its main supporters and because the New Delhi claims over Portuguese colonial territories in India had led to the breakdown of diplomatic relations in 1955. The Canal was of course a key factor: during the first semester of 1956, 10 round trips of Portuguese ships to Mormugão (the main port of Goa) had passed the Canal.

The Portuguese stand became difficult to hold in April 1957 during the second boycott attempt. On the eve of the troubles, Brandeiro had a conversation with Mahmoud Fawzi, the Egyptian Foreign Minister, in which Egyptian reassurances were too explicit and repeated to be just casual:

"Referring explicitly to Portugal and after highlighting Portugal's moderate and sensitive stand in the Canal affair, he told me that he wanted to reassure me that the Egyptian government, in spite of his good relations with the Indian Union *would not hinder nor comment in any way on the passage of ships transporting troops to Goa*, because he was sure that the Portuguese government did not nourish imperialist goals. He added that this statement would not be made public either in Cairo or in New Delhi but that he could fully reassure me that it would be so. *He repeated: 'Egypt will not be against the passage of Portuguese troops through the Canal.'* I thanked the Minister."

Egypt knew that Portugal could be easily pressed on this issue and Portugal was now made aware that Egypt knew it. The Portuguese colonial government did not want to be left alone to become dependent on a Canal "not insulated from one's country politics". It was more than plausible that once there was no more international control of any sort over the Canal, Egyptian close relations with India would sooner or later reverse Dr. Fawzi's guarantees about the passage of Portuguese ships. So, after 27 April once again a dangerous double game had to be played by Portuguese diplomacy: to do its best to support whoever was pressing Egypt (until 13 May it was Britain) and to be as discreet as it could be.

This goal was not achieved. Egypt got its way, there was no boycott and, worse still, Cairo found out about the Portuguese stand. Portugal was in a very bad company by the end of the Affair.

Conclusions

The Suez "Affair" allowed for the readjustment of hegemonic power in the Middle East. American oil interests had been progressing there for the last three decades but until then the United States had no political or military responsibilities in the region proportional to its size. Henceforth, American imperialism would be the major umbrella for the minor European ones.

This was not to happen without frictions: the smaller any former colonial metropolis was, the harder it became for it to rely on a superpower whose global interests had more complex issues to balance.