

## Naval War College Review

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Volume 23  
Number 4 *April*

Article 10

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1970

# British East of Suez Policy: A Victim of Economic Necessity

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### Recommended Citation

Bird, Thomas C. (1970) "British East of Suez Policy: A Victim of Economic Necessity," *Naval War College Review*: Vol. 23 : No. 4 , Article 10.  
Available at: <https://digital-commons.usnwc.edu/nwc-review/vol23/iss4/10>

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*At the beginning of the 20th century, Britain enjoyed a strong balance-of-payments position despite extensive worldwide military and imperial commitments. The last 70 years, however, have seen two costly wars and perennial domestic difficulties destroy her international financial position. The task of restructuring British foreign commitments to resources available has been largely accomplished through an accommodation to crisis. Britain has finally brought her commitments into alignment by reducing her Commonwealth security role in favor of closer economic ties with Europe, but in doing this has produced problems for the West, east of Suez.*

## **BRITISH EAST OF SUEZ POLICY: A VICTIM OF ECONOMIC NECESSITY**

A research paper prepared

by

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The beginnings of the British Empire came at some imprecise time, possibly with the conquest of Wales, maybe with the acquisitions in France, or perhaps with the colonies of North America. Historians also differ as to the precise date that it ended, if indeed it has. Some assert that the British Empire officially ended on 15 February 1942 when the Japanese took Singapore.<sup>1</sup> Many feel that the final curtain rang down with the Suez debacle in November 1956. Explicit dates seem anticlimactic when describing what was actually a lingering death; however, to consider 16 January 1968 as the last milestone in Britain's descent from Empire appears reasonable. It was on that day that Prime Minister Harold Wilson announced a phased withdrawal of all British forces from east of Suez, with the exception of security units in a few lingering colonies.<sup>2</sup> On that same day Chancellor of the Exchequer Roy

Jenkins in a television speech stated that "we are recognizing that we are no longer a super power."<sup>3</sup> This was the historical climax to the nostalgia and yet sad story of Britain's decline.

The end of World War II saw England step forward as one of the victors and a colleader of the non-Communist world. She actively participated as a leader in the economic and political reconstruction of Western Europe while assisting the United States in setting up the North Atlantic Treaty Organization (NATO).<sup>4</sup> Under the aegis of the U.S. nuclear deterrent, she reestablished her primacy along the route stretching from Gibraltar through Suez to the Persian Gulf, India, and Singapore. Along this route the Royal Navy had a string of land bases which reconstituted the imperial lifeline to the East and played an important role in the security of the countries bordering the Indian Ocean basin and the Persian Gulf. Almost

immediately the British position in the area began to change with the decolonization and partition of India in 1947.<sup>5</sup> The independence of India and the creation of Pakistan were followed by a succession of newborn nations, almost all former colonies, which served to diminish further the significance of this lifeline to the East. Nevertheless, Britain was able to maintain an effective and adequate presence in the area and as late as 1955 continued her efforts to consolidate and insulate the Middle East from Russian influence by concluding the Baghdad Pact<sup>6</sup> with Iran, Iraq, Pakistan, and Turkey.<sup>7</sup> These efforts received the full support of the United States who had seen fit, in 1947, to assume Britain's role in the eastern Mediterranean through the Truman Doctrine.

Britain continued to preside over the area east of Suez as in previous centuries, carrying out her traditional role of peacekeeping. She was reasonably successful, and despite the tremendous economic and psychological setback of Suez in 1956, she continued to act as a world power until the sixties when she slowly began to adjust to the existing international political scene.<sup>8</sup> During this period it became painfully evident that her economic resources simply could not sustain her as a leading actor in the world scene.

Thus in 1970 there is no Empire, and Britain's role as banker and financier of the sterling bloc has ended with the pound itself under continued assault. Since the end of World War II both the pound and its partner, the dollar, have come under mounting pressure as the world's trading currencies; however, due to the stagnant state of the British economy, the pound has twice fallen to the ax of devaluation, plummeting in 1949 from \$4.03 to \$2.80 and in November 1967 suffering a 14.3 percent cut in value to \$2.40. In addition to these monetary problems, Britain has not been able to successfully conclude

her marriage to the European Common Market largely because of the efforts of France.

What accounts for the seemingly sudden fall from a position of great strength and world leadership to that of a "middle power"? Why is Britain giving up her relatively unchallenged position of leadership east of Suez and retrenching to Europe, possibly to become an offshore island, while France aspires to a role of world leadership? Spiritually exhausted and financially depleted in 1945, Britain allowed her role during World War II to obscure the weaknesses resulting from its cost, and she pursued postwar defense policies which were in excess of her resources.<sup>9</sup> Her failure to realize what was happening in Europe where her vital interests lay unnoticed was a fundamental miscalculation. In not foreseeing the disintegration of the Empire and hence drawing closer to Europe at an earlier date, Britain effectively closed the door to Europe herself. Had she not done thus, she almost surely would be a member of the Common Market now.

Britain's persistence in attempting to maintain the bond with the Commonwealth was due in part to her sense of duty. She attempted to discharge her several obligations, many incurred at great sacrifice and having a special meaning, such as the debt of honor owed Australia and New Zealand for their unselfish participation in Britain's past wars.<sup>10</sup> It can be fairly said, however, that without Britain there would be no Commonwealth, and this distinction has not been without burden. The returns on investment in the Indian Ocean area are not near what they were prior to World War II nor are they commensurate with the total cost of British presence east of Suez. This includes estimated profits derived from the Middle East oil industry prior to the Suez Canal closure in 1967. The net return after local taxes is less than half the cost of maintaining forces there.<sup>11</sup>

Additionally, it has been estimated that the Suez blockage is costing Britain some \$600 million a year in higher shipping costs for exports and imports.<sup>12</sup> The misconception of its international role has been costly and contributed to Britain's problems, but there have also been other problem areas.

England, even though the birthplace of modern industry, has been woefully slow in making the adjustments necessary to maintain an efficient and competitive position in the world marketplace. World War II left her merchant fleet decimated and much of her overseas financial holdings consumed. She did hold an immediate postwar advantage over her European contemporaries because her industrial plant came out of the war fairly unscathed. This advantage was short lived, for European industry was revitalized through the Marshall Plan, and became highly competitive. This resulted in a steady loss of Britain's export market, which was further aggravated by British defense spending of 6 to 7 percent of her gross national product (GNP) compared to the almost nonexistent defense expenditures of her European competitors. In addition, industrial reorganization and efficiency were further restrained by the obsolete methods epitomized by the well-known British penchant for "pushing on in the usual manner" or "muddling through."<sup>13</sup>

Further complicating Britain's recovery attempts were the labor unions. These organizations not only resisted modernization, almost by reflected action, but they also overprotected themselves against unemployment because of fears ingrained in the thirties. The position taken by labor has produced "featherbedding" estimated as high as 10 to 15 percent and an increase in the wage scale of approximately 40 percent between 1960 and 1966. Unfortunately, production did not keep pace with wages.

During this same period, Britain's

productivity grew 18 percent while that of West Germany went up 29 percent and Italy's swelled 40 percent.<sup>14</sup> Since 1951 Britain, in comparison with the major industrial nations, has had the slowest rise in productivity, the lowest rate of investment in private enterprise, and the largest rise in export prices. This blade cuts both ways since Britain must import most of its food and raw materials.<sup>15</sup>

The English social structure has played its own part in inhibiting national recovery. The persistence of a rigid class system with its lack of social mobility has tended to limit opportunity and stratify career development, leaving businessmen with little incentive or status. The same situation exists in the educational system, and business suffers from a lack of talented young men entering its ranks.<sup>16</sup>

Another factor contributing to Britain's financial dilemma is its pursuit of a "welfare state" in excess of its ability to support the expensive social programs. For example, in the years 1963-1968 the cost of Government welfare has risen 50 percent.<sup>17</sup> There is little question that the welfare programs are socially desirable, but they are being borne by an economy that is meeting stiff competition in the world markets and is suffering from lack of resources for modernization.

In sum, the British have neglected to come to grips with reality as regards their national power and capacity for industrial growth. Britain simply does not have the resources to support a large overseas commitment and build a creditable nuclear force, while simultaneously financing extensive domestic programs. In general, these have been the major factors governing Britain's role in today's world.

\* \* \* \* \*

The framers of British policy after the war were faced with unique

problems. The most difficult was the determination of Britain's world role. This matter remained unsolved, in its abstract sense, until some 20 years later. Then it was the product of economic and political "backing and filling"; an evolutionary result of defense machinations rather than the result of deliberate strategic assessment.

Initially the Government made little effort to redefine long-range goals or vital national interests. This resulted in the vacillation of policy, changing allocations and priorities, and an absence of coherence in strategic doctrines and supporting weapons systems.<sup>18</sup> Furthermore, within the defense establishment there ensued, over two decades, a series of tentative and indecisive programs having little or no valid relationship between the potentialities of an advancing technology and the necessities of the armed services.<sup>19</sup> Constant re-estimation of opportunistic defense policies and the pressure of events, rather than providing the desired flexibility, produced an almost uncontrollable, burgeoning list of commitments abroad.<sup>20</sup> These obligations, in turn, produced the dilemma of how to provide sufficient resources for domestic programs while allocating sufficient funds to defense to meet commitments.

During the late forties, Britain was concerned with reducing war-related commitments and forces overall; however, heavy defense spending continued somewhat as a way of life. The Berlin blockade in 1948 and the Korean war in 1950 helped stimulate the formation of NATO and Britain's alliance policy which hinged on her "special relationship" with the United States. It was during these formative years that British policymakers decided to construct an independent nuclear deterrent.<sup>21</sup> In 1951, under a Tory government headed by Winston Churchill, a 4-year program of rearmament and modernization was started for the army and navy which included new carriers for the neglected

navy. By 1953 nearly every available combatant unit was serving overseas in order to preserve the vestiges of Empire.<sup>22</sup> The early fifties witnessed the creation of a series of regional and bilateral security treaties which increased Britain's possible military commitments abroad to nearly 100.<sup>23</sup>

The Suez crisis of 1956 shook the confidence of British military planners and at the same time exposed glaring deficiencies in Britain's capabilities, particularly in the areas of basic transport equipment and strategic mobility.<sup>24</sup> In 1957 Defense Minister Duncan Sandys announced an immediate reduction in force of the British Army of the Rhine from 80,000 to 55,000 and programed an overall armed forces reduction from 700,000 to 400,000 to take place over the following 5 years. This was to be coupled with an eventual end to conscription. Also announced was the decision to develop and build an intermediate-range ballistic missile (IRBM), the Blue Streak.<sup>25</sup> That same year several programs that were designed to provide a new generation of supersonic aircraft had to be canceled because of the cost of Suez.<sup>26</sup>

By 1960 conventional forces had been scaled down somewhat. The two missile systems, Blue Streak and Blue Water, were canceled because of prohibitive cost and Soviet technological advances.<sup>27</sup> British dependence on American technology was certified by the replacement system adopted—a scheme to rejuvenate the aging V-bombers by equipping them with Skybolt, an oncoming U.S. air-to-ground missile.<sup>28</sup> Skybolt was abruptly revoked by the United States, leaving Britain with an empty shopping bag. This system had been scheduled to prolong the use of the V-bombers into the 1970's, and no replacement was available due to insufficient technology.<sup>29</sup>

In 1962, as a result of the Nassau Conference,<sup>30</sup> the United States

contracted to sell Polaris missiles to Britain, who would provide the submarines and the warheads—a deal which would provide her with nuclear credibility and which, incidentally, may have caused President de Gaulle to veto her Common Market application. Another incongruity which provided much argument for Britons was the tremendous sum of 250 million pounds invested in the early sixties to develop the TSR-2, an advanced reconnaissance bomber, only to have it abandoned in 1965 in order to conserve funds. It was to be replaced by the procurement of American aircraft.<sup>31</sup>

The controversies which revolved around the question of the necessity for a British nuclear deterrent and nuclear sharing within NATO were of primary concern prior to October 1964. At that time, when the Labor government returned to power, the argument shifted to a debate over commitments east of Suez and force contributions to NATO.<sup>32</sup> It is interesting to note with today's perspective that, just prior to taking office, Mr. Wilson had stated that the British frontiers of interest must run along the Himalayas; whereas while in opposition he and his party had urged that the garrisons east of Suez be reduced so as to be able to increase those of the British Army of the Rhine.<sup>33</sup>

As mentioned previously, heavy defense spending was a way of life even during the sixties, when it was pegged at a 6-7 percent share of GNP in an effort to curtail inflation. Consider the following data for 1966.<sup>34</sup>

a. Defense spending accounted for 31.3 percent of public expenditure.

b. Out of a total work force of 25.5 million, 425,000 were in uniform, 125,000 civilians worked for the armed services, and 935,000 were employed in defense industries (i.e., 6 percent of

the total work force were thusly involved).

e. Fulfillment of defense contracts required 46.5 percent of the capacity of the aircraft industry, 20.1 percent of shipbuilding yards, and 15.2 percent of the radio and communications industries.

d. In sum, defense occupied 10 percent of the manufacturing work force, it uses some of the most skilled men and expensive R&D in the economy, and it significantly affects the expansion of the modern industrial plant.

Figures such as those quoted above were difficult to obtain and are seldom assembled under one cover, whereas reports of this nature are made regularly by the U.S. Secretary of Defense to the Armed Services Committees of the Congress and are widely circulated.<sup>35</sup> This lack of information frustrates the participation of the general public and even Members of Parliament in meaningful discussion and judgments on defense particulars. A classic example was the Government's failure to publish estimates on the relative costs of aircraft carriers vs. island bases during the 1966 controversy over the choice of which system would best allow Britain to satisfy her commitments east of Suez.<sup>36</sup>

Another basic issue which evolved internally and deserves mention is concerned with defense organization. On 2 July 1963, the Maemillan government announced a reorganization of the defense establishment. This "review" merged the three service departments into one to be known as the Ministry of Defence. The role of the political leaders of the services<sup>37</sup> was assumed by one Cabinet-level official, the Secretary of State for Defence, who would be assisted by one minister representing each service. The services retained their

separate identities and little was changed below the policymaking levels. It was, however, at these senior, central decisionmaking levels where the unification accomplished was supposed to provide cohesive policy and close inter-service cooperation. An effort was also made to streamline operations in two previously troublesome areas by creating a new Defense Secretariat to coordinate the views and activities of the military, scientific, and administrative staffs and, secondly, substantially enlarging the Defense Scientific Staff primarily to "heef-up" the areas of research and weapons development.<sup>38</sup>

This reorganization was predicated on the need for a hybrid defense organization, fully integrated and unified while retaining its triservice autonomy and independence during the policy planning process. When controversial major changes in structure or policy occur, oftentimes the scapegoat is said to be the organization rather than the staff members. Suffice to mention, with no comment on efficacy, that in the early 1960's Britain made a highly controversial effort to reshape her defense establishment so as to enable it to deal with the complexities of effective policy formulation.<sup>39</sup>

In the face of irreducible domestic expenditures established and kept relatively stable by law, the Government has sought reduction in defense spending. Defense officials have instituted some cost saving improvements in the budget process such as 5 year budget forecasts, program control by the Ministry of Defense, and the use of budgetary ceilings and more "cost effectiveness" analyses.<sup>40</sup>

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Up through 1965 British statements on defense reiterated Britain's pledge to her commitment of peacekeeping in the area east of Suez.<sup>41</sup> Statements were clearly decisive such as:

It would be politically irresponsible and economically wasteful if our bases were abandoned while they were still needed to promote peace... our presence in these bases... our Commonwealth ties, and the mobility of our forces, permit us to make a contribution towards peacekeeping in vast areas of the world where no other country is able to assume the same responsibility.

Only in the next paragraph did the reader receive a hint of indecision (or future decision):

In meeting this worldwide role we have a claim upon our allies since we serve interests which are theirs as well as ours. If some of our burdens can be assumed or shared by our allies we may not need the full range we should require to carry them all alone [sic].<sup>42</sup>

The 1965 statement reiterated Britain's attempt to maintain three major roles: to support a strategic nuclear force; to make a major contribution toward the defense of Western Europe inside NATO; and to assist in keeping the peace elsewhere overseas. However, it ominously continued, "the balance between these three roles is up for review." This indicates a significant realization, occurring only 1 year prior to the initial decision on withdrawal. The 1965 white paper further indicated future belt-tightening and set down a 5-year cost reduction program. Defense spending was targeted with a decrease of 400 million pounds to a ceiling of 2 billion pounds overall.<sup>43</sup> Also, mention was made of "seriously overstretched forces" having "inadequate equipment" which regenerated questions not only of British intentions, but also of British capabilities.

The British Labor Party, for many

years, has been guided by the principles of gradual democratic Socialism developed primarily by homegrown philosophers who supplied the impetus and stimulated idealistic beliefs in self-determination and concern for peace. Clinging to the precepts of collective cooperation and agreed disarmament, the party developed a characteristic aversion to the use of force, except collectively, and a traditionally anti-imperial foreign policy. Party hostility to Far Eastern involvement could be epitomized by the stopping of the construction of Singapore in 1924 by Ramsay MacDonald's government during its 6-month tenure.<sup>44</sup>

In more recent years the sometimes painful transition from a united and committed "movement" to a political party has evolved. The democratic process has blurred the doctrinaire simplicities producing splits, uneasy compromises, and coalitions which have resulted in a similarity and weakening of programs where the differences most often become those of degree rather than principle and where the Parliamentary Party has developed an appreciation of the political and economic interdependency of the Empire and, later, the Commonwealth.<sup>45</sup>

Several segments of foreign and defense policy have caused splits among Britain's parties. The arguments have been most heated over conscription, German rearmament, nuclear policy, and Suez in 1956; however, it has often been the strife within the parties which has exposed the issues most obtrusively. This was the case in the late 1950's and the early 1960's with Labor's inter-necine struggle over nuclear weapons. The militant left, led by Frank Cousins and later spurred on by Bertrand Russell and Canon Collins, pushed hard for a unilateral renunciation of the manufacture, testing, or use of nuclear weapons. This group did, in fact, succeed in passing a resolution rejecting any defense policy based on nuclear weapons

at the party conference of 1960, which immediately brought up the question of the independence of the Parliamentary Party in the face of policy decisions emanating from the party conference. Hugh Gaitskell, Parliamentary leader, refused to accept the so-called "Scarborough decision," and at the party conference during the following year he smoothly engineered its reversal while reaffirming the autonomy of the Parliamentary Party.<sup>46</sup>

In the past 15 years Labor's Parliamentary defense policy has been quite similar to that of the opposition with little continuing distinction of substance. Until 1964, it had been characterized mainly by its propensity to provide criticism and perform the function of the opposition. The parties did not differ much in this area between 1956 and 1964, and in 1964 Wilson held talks with Home on defense policy after having suggested earlier the formation of a bipartisan front.<sup>47</sup> The policies institutionalized by the Conservatives seem to have been largely accepted and quietly carried on by Labor until economic dictates forced them to change. With the election of 1964 imminent, Labor intensified its criticism and pointed to Tory defense policy, which was in a shambles.<sup>48</sup> Labor's major points of criticism included the cancellation of weapons projects such as Blue Streak and Skybolt, the growing enfeeblement of cold war forces, the unnecessary expense of the Polaris deal, and the continuance of an overseas policy depicted as atavistic imperialism. After taking office, Labor leaders, although pressed to show more competence than the previous government, made an effort to reduce the cost of the "inherited" policies. The only significant and productive move was the commissioning of a "defense review,"<sup>49</sup> which was a searching evaluation of overall defense policy and required 15 months of intense study. Its recommendations were the basis for the 1966



defense white paper, and they provided Mr. Wilson with a chance to demonstrate a basic awareness of the obvious necessity of balancing commitments realistically with capabilities. His ensuing policy indicated a desire to avoid the inevitable economic result of further overextension—another devaluation of the pound. The policy he adopted was long-term military retrenchment; the motive was wholly economic; the objective of this policy was the determination of a defense posture which would be financially feasible, acceptable to the public, and compatible with Britain's goals in the world.

By 1966 Britain was spending 25 percent of her defense budget and 38 percent of her defense-expenditure on foreign exchange east of Suez<sup>50</sup> in support of 75,000 troops, a huge base complex at Singapore, and several lesser installations such as Hong Kong, Aden, and Bahrain plus cruising naval units, one an amphibious group.<sup>51</sup> All stood ready to perform their diverse functions whenever occasioned by such proclivities as new governments of former colonies crying for help to quell insurgencies or the protection of one Arab State from the aggression of another. In the past, British planners had maintained with minimum argument that the overseas bases were inviolate "sacred cows," the foundation stones upon which the British Empire and later the Commonwealth were strategically built. However, questions were beginning to be asked concerning their usefulness, necessity, and vulnerability in the face of new weaponry. Their expense and the payments deficit resulting from military dependents expenditures enhanced the argument which postulated the political liabilities of foreign bases in this age of surging nationalism and decolonization. The imperial position became more insecure when alternate strategies were probed. As early as 1954, and particularly in 1958, the theory of the "Airlifted Central Strategic Reserve" was

put forth.<sup>52</sup> Its proponents saw organic combat units being airlifted to overseas trouble spots in timely fashion whenever necessary. This policy was not wholly adopted, was sporadically funded, and finally languished because of the slow expansion of the airlift capacity of the Royal Air Force and the existence of an "air barrier" which could effectively be erected by intervening countries which refused overflight rights. Other minor disadvantages were the logistics involved, the necessary prepositioning of equipment, and the adverse affects of acclimation difficulties. These served to turn planners to another method for maintaining Britain's overseas position while allowing her to reduce locally stationed troops and bases.

The concept of "strategic mobility" was predicated on the utilization of a Royal Navy commando carrier.<sup>53</sup> This ship could be on patrol and with her helicopters land 800 troops when needed. The force would include an underway replenishment group and, if desired, an attack carrier to provide air cover.<sup>54</sup>

Both these programs were minimally funded into the 1960's, and by 1961 the amphibious task group was a reality. The amphibious concept was tested in 1958 in Jordan,<sup>55</sup> and both were successfully employed in Kuwait in 1961 to protect that state against Iraqi threats of annexation. These were "fire-brigade" techniques, limited in size and lacking sustained effectiveness; but in the Indian Ocean there were few credible indigenous counterforces.

The 1966 defense white paper reaffirmed the previous year's cost reduction goals and matched that with plans to lower overseas forces by one-third in the following 4 years. Another major decision was to scrap the strategic mobility concept and replace it with a medium-range airstrike capability of F-111's which would use staging bases to be constructed in the mid-Indian

Ocean island groups.<sup>56</sup> The islands would be Diego Garcia, Aldabra Farquhar, and Desroches, and were to be built up and used jointly by Britain and the United States along with the existing facilities at Gan island.<sup>57</sup> Concomitantly the navy's carriers and fixed-wing aircraft would phase out during the 1970's. The 1966 statement said, in reference to overseas commitments, that Britain would maintain sizable forces in the Southern Hemisphere to assist the United States in containing Chinese Communist influence. On the other hand, she would undertake no major operations of war except in cooperation with her allies; she would give no assistance to other countries unless facilities necessary to make the assistance effective were made available on time; and she would make no attempt to maintain defense facilities in an independent country against its wishes.<sup>58</sup>

Christopher Mayhew, the Navy Minister of Defence, resigned over the ensuing controversy. Because of the failure to provide replacement carriers, he felt overseas commitments should be commensurately reduced since soon they could no longer be met. Also, he was excluded from the very meetings in which this policy was decided. Thus the navy's case was not presented, and he felt compelled to resign, as did the First Sea Lord.<sup>59</sup>

The 1967 white papers announced the gradual withdrawal of all military forces east of Suez and a plan to reduce overall military manpower by 75,000 men by the mid-1970's. The July statement hedged previous pledges by stating that SEATO obligations would be adjusted and that Britain may maintain a mobile capacity in the area, but the precise character and size had not yet been settled. The last aircraft carrier would leave service in 1971—the final and catastrophic blow to the proponents of projected British sea-power.<sup>60</sup>

On 5 December 1962, former U.S. Secretary of State Dean Acheson said in a speech at the U.S. Military Academy, West Point:

Great Britain has lost an empire and has not yet found a role. The attempt to play a separate power role—that is, a role apart from Europe, a role based on a "special relationship" with the United States, a role based on being head of a "commonwealth" which has no political structure or unity, or strength, and enjoys a fragile and precarious economic relationship by means of the Sterling area and preferences in the British market—this role is about played out. Great Britain, attempting to work alone and to be a broker between the United States and Russia, has seemed to conduct policy as weak as its military power. Her Majesty's Government is now attempting—wisely, in my opinion—to recenter Europe, from which it was banished at the time of the Planagenets, and the battle seems about as hardfought as were those of an earlier day.<sup>61</sup>

In 1968 Britain took a giant step toward establishing her role in Europe, at least in her own eyes, when in the February white paper she stated:

Britain's defence effort will in future be concentrated mainly in Europe and the North Atlantic area. We shall accelerate the withdrawal of our forces from Malaysia and Singapore and complete it by the end of 1971. We shall also withdraw from the Persian Gulf by the same date. . . . No special capability for use outside Europe will be maintained when our withdrawal from Singapore and Malaysia, and the Persian Gulf, is complete.<sup>62</sup>

This involves the following reductions: 48,000 troops from Far East bases, 8,400 from the Persian Gulf, 35,000 men from the Royal Navy at sea in Far Eastern waters, plus 7,000 miscellaneous troops.

In order to illustrate the intensity of the economic and financial difficulties which provided the basis for the overseas cutbacks, the emergency measures instituted by the Government on 18 November 1967 in conjunction with devaluation of the pound are outlined below:

Effective immediately, the Bank of England's discount rate was raised from 6½ to 8 percent (highest in 53 years).

Banks were ordered to limit advances to priority borrowers, particularly exporters.

Defense spending abroad would be reduced by more than 100 million pounds (\$240 million at the new rate) in the next year.

Other public expenditures, including nationalized industries capital expenditure, would be reduced by 100 million pounds.

Except in development areas, the extra amount received by manufacturers in the Selective Employment Tax premium would be withdrawn. (This would save the Government more than 100 million pounds.)

The export rebate, currently costing the Government nearly 100 million pounds annually, would be abolished.

A strict watch would be placed on dividends, and the corporate profit tax would be raised 2½ percent from 40 percent.

Effective midnight 18 November, installment purchase of autos in Britain would require a minimum deposit of 33 1/3 percent and a maximum repayment period of 27 months.

An application had been submitted to the International Monetary Fund (IMF) for an immediate standby loan of \$1.4 billion.

Arrangements had been made for a loan of \$1.6 billion from the central banks of the major industrial nations.

Banks and the stock exchange were ordered closed 20 November.<sup>63</sup>

In his statement, Chancellor of the Exchequer James Callaghan morosely said: "This change [in par value of the pound] brings with it fresh opportunities—but at heavy cost. . . . We need an improvement in our balance of payments of at least 500 million a year and the government intends to ensure that this is achieved."<sup>64</sup>

In a television address to the nation the following day, Prime Minister Wilson cited the more than \$2-billion payments deficit inherited from the Conservatives in 1964 which had been reduced to less than \$560 million by 1966. Further improvement had been disrupted by "successive waves of speculation" on the pound and the "heavy cost of our trade and payments of the war in the Middle East" and "the temporary disruption of our exports by the dock strikes." Continuing, he noted that "Time was needed to restructure and modernize our industries, to build up our trade. . . . to cut down our overseas defense commitments too. That time was denied us."<sup>65</sup>

On 16 January 1968, in the House of Commons, Prime Minister Wilson announced a series of cutbacks that

resulted from a review of public expenditure and that were designed to "make devaluation work." These included the military cancellations and overseas cutbacks previously discussed but more importantly in this context, the domestic reductions. Stating at the outset that

There is no military strength whether for Britain or for our allies except on the basis of economic strength. . . . We therefore intend to make to the alliances of which we are members a contribution related to our economic capability while recognizing that our security lies fundamentally in Europe and must be based on the North Atlantic Alliance.<sup>66</sup>

He then declared the severe measures he planned to impose which were to supplement those announced by Mr. Callaghan the previous November.

No general increase in national insurance and other social security benefits until at least the autumn of 1969.

While family allowances would be increased by seven shillings in April as planned, the government intended "to recover the full amount of the increase from taxpayers" . . . The benefits of the increase to "be confined to families most in need."

Deferral of the raising of the school leaving age from 15 to 16 in order to cut back school building and save an estimated \$79 million.

To seek legislative approval of a proposal to end the free milk in secondary schools.

A reduction or postponement of grants to colleges and universities.

Reintroduction of a charge for prescriptions filled under the National Health Service.

An increase in the maximum charge for dental treatment from \$2.40 to \$3.60.

Placing the Civil Defence Program on a "care and maintenance basis" with several volunteer service units to be disbanded.

A slowdown in home building.

A cutback in road building and maintenance programs.<sup>67</sup>

The measures chronicled above serve to indicate the apparently irreversible economic basis for the chosen course of action. The basic argument concerning Britain's role has been settled—at least officially and for the time being. Mr. Heath, the Conservative leader, has stated that he would countermand complete withdrawal and remain in the Far East in a limited capability and a co-operative role if elected prior to pullout. This places a clear-cut, polarized defense issue before the British electorate if, in fact, the decision is not irrevocable without remedying the conditions which caused it.<sup>68</sup> The only certain factor here is time, which allows the Prime Minister to stave off election call until 1971. Hopefully, in the words of Robert V. Roosa:

Britain has been relieved of what were becoming unbearable military burdens of Empire; she apparently is now prepared to discard the burdensome aspects of providing a reserve currency for the world. She may thus be ready and able to regain the benefits of her comparative advantage as a world trader, a world capital market, a world banker and insurer, a world shipper and a

source of talent to develop resources throughout the world.<sup>69</sup>

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Twenty-four Laborite Members of Parliament abstained when the issue of overseas defense reductions and domestic welfare expenditures came up for a vote of confidence on 18 January 1968.<sup>70</sup> It is also common knowledge that the decision on withdrawal from the Persian Gulf, announced 2 days earlier, was opposed by the Ministries chiefly involved—the Foreign Office and the Ministry of Defence, and was responsible for the resignation of Mr. George Brown from the Cabinet.<sup>71</sup> Taken alone these are unusual occurrences, and together they clearly indicate weakening Labor leadership as well as, in this instance, a psychological unacceptability of Britain stepping out of her last area of primacy. The press in Britain has generally followed predictable patterns of reaction as typified by the *Daily Telegraph* which called the 1967 decision “sneaky” and “an open invitation to China to take over by 1975.”<sup>72</sup> The extremists are seldom placated, as has been the case in this issue; however, the general impression gained from recent British periodicals indicates a realization of the inevitability of the consequences of steady economic decline. Occasionally these arguments are refuted by such writers as Michael Chichester and John Marriott in *Navy*; undoubtedly this criticism will grow as the Government’s austerity measures continue to bear down. A degree of public dissatisfaction is already evident as shown by the results of the most recent by-election where the Conservatives won all three seats, one of which was previously Labor. More significant is the fact that the Conservatives have recaptured 27 seats in this manner since the last general election 3 years ago.<sup>73</sup>

The year 1969 was the first year in

this century in which no British soldier, sailor or airman was killed in action anywhere in the world.<sup>74</sup> A determined group of Scots traditionalists has unsuccessfully attempted to save the proud Argyll and Sutherland Highlander Regiment from disbandment by petitioning the House of Commons with over 1 million signatures.<sup>75</sup> The Government, early in 1969, announced a “Rent-a-Soldier” plan to give idle troops something to do, whereby men will be contracted out to work in certain skilled capacities, thus absorbing some of the many returnees from foreign duty, helping to avoid potential boredom, and assisting the pay and upkeep of the army.<sup>76</sup> These commentaries tell their own story of the end of an era; on the other hand, the *Daily Telegraph* heralded the beginning of a new one. In mid-1968 we read that Britain planned to increase her NATO commitment by 40 percent in consonance with her shift to a European role, as outlined in the 1968 defense white paper.<sup>77</sup>

The Government of Malaysia reacted to the 1967 white paper by voicing its unhappiness with the withdrawal and rationalized that “the timetable did allow for essential readjustments.”<sup>78</sup> This came before the speedup announced in 1968. The initial reaction in Australia was one of deep concern and prompted the late Prime Minister Holt to talk of the “dangers” of withdrawal and to foresee early mutual defense pacts.<sup>79</sup> His successor, Mr. Gorton, in January of 1968 said “The continued presence of British forces in Malaysia and Singapore could provide a greater contribution to peace and security than the deployment of those forces in the European region.”<sup>80</sup> Prime Minister Lee Kuan Yew of Singapore indicated his fear that time may run out before the smaller countries are ready to defend themselves or gain their national identity.<sup>81</sup>

The tangible results to date have been the efforts of several countries to

form new regional organizations to provide some security in Britain's wake. The strengthening of existing pacts such as CENTO and SEATO has been discussed with little outcome, but it is quite possible that the other members of the Commonwealth will at least partially fill the gap created by the British withdrawal. The Governments of Australia, Malaysia, New Zealand, Singapore, and the United Kingdom conferred at Kuala Lumpur on 10-11 June 1968, and the official communique afterwards noted that a "new understanding" and "joint consultations" were necessary. Australia and New Zealand committed themselves to maintaining their present forces in Singapore and Malaysia and promised a statement on long-term policy later.<sup>82</sup> Early this year they issued their long-awaited policy statements, which indicated their intention to cooperate directly in the defense of Southeast Asia. This statement announced the stationing of 42 Australian jet fighters, a battalion of infantry, and a warship in Malaysia and Singapore.<sup>83</sup>

Japan's continued economic expansion may eventually result in her assuming military responsibilities in this area. Britain now provides the stability and has prevented, or at least postponed, regional conflicts which in the future might easily erupt. Indonesia, now with a new government which has ended the "confrontation" with Malaysia, appears to be more interested in internal consolidation. President Suharto has said that his Government accepts the presence of foreign military bases in Southeast Asia as a "realistic measure to protect weak States" with the reservation that they should be temporary and be abolished "when no longer necessary."<sup>84</sup> Japan is intimately concerned with the area's security because the bulk of her oil, which comes from Middle East sources, passes through the Strait of Malacca. This vital waterway will no longer be patrolled by the Royal Navy. The Japanese do not

want to see their industrial production curtailed because of an oil shortage,<sup>85</sup> as it was in 1967 by the Arab-Israeli war. Japan is likely to support regional cooperation, with Australia and New Zealand, since they are acceptable to Singapore and Malaysia.

In the Persian Gulf the politically kaleidoscopic Arab and non-Arab Muslim relationship highlights a bewildering variety of feuds. Prodded by the formation in Aden of a National Front for the liberation of the Arabian Gulf, which has been conducting guerrilla operations in Muscat and Oman, the nine Persian Gulf sheikdoms have formed a Federation of Arab Gulf Emirates. Its composition is complicated by a tremendous disparity of oil income and is challenged by Iran's irredentist claim on Bahrain, one of the federation members and long the British military and political headquarters in the gulf. More perplexing is Saudi Arabia, on one hand supporting Bahrain's independence and the federation, while on the other, disputing the borders of Abu Dhabi, another federation member.<sup>86</sup>

If Iran and Saudi Arabia can curb their immediate passions, they could make the gulf a Saudi-Iranian lake. Saudi King Faisal has stated that there need be no power vacuum in the gulf when the British leave, if the United States and Arab neighbors support the Federation of Emirates.<sup>87</sup> Iran has entered into some rather extensive trade pacts with the Soviets and has received special consideration in the form of a personal visit by Premier Kosygin. He ostensibly went to discuss trade relations and the future after British withdrawal; but more likely he wished to discourage the formation of a regional defense pact.<sup>88</sup> The Shah has been conducting personal diplomacy and engaged in a series of meetings with King Faisal in 1968. These resulted in the settlement of their dispute over offshore oil rights in October; in a later statement they agreed not to do anything to

damage each other's interests in the gulf.<sup>89</sup>

The countries in the area can be politically typed as traditional and in some cases reactionary. All are monarchies, sheikdoms, or sultanates with varying degrees of autocratic leadership. The threat from Iraq, Egypt, and the Adeni NLF group is imminent upon the retirement of Britain. The Gulf States themselves provide a difficult forum for diplomacy and cooperation. They are Gulf Arabs, to be differentiated from traditional Arabs. As recently as 1948 Abu Dhabi and Dubai fought a war. The future of the Trucial Oman Scouts, a force of some 1,700 similar in makeup and capabilities to the old Arab Legion, is unquestionable, as is the stability of the area which they now patrol.

The American position regarding British withdrawal can now be described as ironically ambivalent. Because of her traditional support of self-determination, the United States has applauded the discarding of the colonial mantle; however, simultaneously there is the sacrifice of British influence and stability in the Indian Ocean area. At stake is the stability of a vast area upon which U.S. long-term strategy has relied.

When Britain first announced her pullout in 1967, the American reaction could be considered indignant and, in the light of stated policy, slightly hypocritical. President Johnson expressed the hope that Britain would continue to "maintain an interest." Senator Dirksen deplored the proposal as "extreme." Senator Mansfield stated flatly that "it should be understood by all that the U.S. was not going to assume the responsibilities of Britain or any other nation" and further commented that the move appeared almost isolationist and that maybe the United States should take unilateral action like reducing West European troop forces.<sup>90</sup> Other than that, most Americans have put forth very little to refute the arguments which have been postulated by

military writers for 10 to 15 years. For example, the Indian Ocean littoral is the last remaining power vacuum, and it is of direct strategic concern to the United States; therefore, the United States should have a "presence" there. For the past 10 years the United States has maintained a "Middle East Force," a naval force made up of a small flagship and two destroyers, which primarily carries out a "Show the Flag" mission. Occasional visits to the area by larger U.S. units, often there for combined fleet exercises, were commonplace prior to the Vietnamese war. The United States appears to realize the political significance of the area but is unwilling to accord it a high priority or to commit increased forces to the area.

The significant expansion of Russian seapower is contrasted by the contraction of the Royal Navy. It is increasingly ironic that Russia has moved into the Indian Ocean area almost as fast as the British have moved out. A recent example is Southern Yemen, where the two countries have exchanged military missions.<sup>91</sup> The supreme irony would occur if someday the Russian Flag Officer Middle East were to break his flag over a headquarters in Aden. The Russian entry, which combines several warships cruising the Indian Ocean and the Persian Gulf coupled

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#### BIOGRAPHIC SUMMARY



Lt. Comdr. Thomas C. Bird, U.S. Navy, is a graduate of the School of Naval Command and Staff at the Naval War College. His undergraduate work was completed at Heidelberg in the field of political science, and he also holds a master's degree from The George Washington University in international affairs. As an aviation officer he has served in various aircraft squadrons, and he is currently assigned to the staff of Commander Fleet Air, Mediterranean.

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with the growth and permanence of the Soviet Mediterranean Fleet, may preclude the existence of any vacuum. If the Suez Canal were to reopen, the Soviets could establish and easily support an Indian Ocean Fleet in the same dramatic fashion. They can do this now, since they have strong ties in the area and could negotiate base rights at Hodeida in Yemen, Berbera in Somalia, Aden in the Peoples Republic of South Yemen, or even in the islands governed by India.

Russia, having realized that a capability for strategic mobility is essential to great power status, is no longer land oriented but is now the possessor of a creditable seaborne strategic capability and has ended the era of Western dominance of the Mediterranean Sea.

The 6th Fleet can no longer act with the freedom with which it has been able to operate since 1946. In concentrating in the Mediterranean, the Soviets are able to influence an area that is vital to the West—the Middle East. The singular act of reopening the Suez Canal would allow the Soviet Navy immediate access to the Indian Ocean and provide its merchant fleet with a competitive southern sea route to its Siberian maritime provinces. In discussing the problem of Asia, Admiral Mahan stated that "Communications dominate war; broadly considered, they are the most important single element in strategy, political or military." For the Indian Ocean littoral, this is as true today as when the Portuguese dominated the area beginning in the late 15th century.

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You cannot escape necessities; but you can conquer them.

Seneca, 4 B.C.-A.D. 65  
*Epistulae ad Lucilium*, xxxi