

Ultimatums and Economic Sanctions

The Case of Coercive Diplomacy in the 1956 Suez Canal Crisis

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This paper explains the 1956 Suez Canal Crisis with reference to theoretical literature pertaining to the successful use of Coercive Diplomacy as an instrument for conflict de-escalation.

*“These are our principles- self-determination and freedom from colonialism”.*¹

- Nasser 26th July, 1956

It was pure euphoria of Egyptians that greeted President Gamal Abdul Nasser, on July 26th 1956 at Alexandria, as he announced the culmination of imperial influence of Britain and France in the country and the nationalization of the Suez Canal.² Britain and the United States had wanted to punish Nasser for cutting a deal with Nikita Khrushchev of the Soviet Union for economic and military aid and for recognizing People’s Republic of China at a time when tensions were soaring between China and Taiwan. Nasser had turned to the Soviets to secure his country militarily after France agreed to supply Israel with its first fighter jets. When British Prime Minister Anthony Eden and the Secretary of State of the United States John Foster Dulles made a decision to stop funding Egypt for the Aswan Dam, Nasser started a guerilla campaign to force out 88,000 British troops from the banks of the Suez Canal. In London, Eden received intelligence reports from an MI6 contact codenamed *Lucky Break* that Nasser was a Soviet pawn and the Egyptian people would welcome his overthrow. This gave Eden the impetus to sign a secret military pact with France and Israel, called the *1956 Sèvres Protocol*, with the principal aim of overthrowing

¹ See Kyle (1991), pg. 10

² See "*The Suez Crisis: An Affair to Remember*". The Economist (2006)

Nasser³. The plan was that Israel would attack Egypt and once the two sides are engaged in conflict, Britain and France would have the justification to intervene militarily and overthrow Nasser in the process. Thus, once Israel deliberately attacked Egypt on 29th October, Britain and France issued their ultimatum to Nasser to stop the war or they would have to intervene, knowing full well that Nasser would never surrender. The next day British and French troops started bombing Egypt. Their main target was Port Said at the mouth of the canal, where they attacked for the re-conquest of the Suez Canal. At this point, the war had officially begun. The purpose of this paper is to assess the role played by *Coercive Diplomacy* in the successful de-escalation of the 1956 Suez Canal Crisis and in the process, analyze its usefulness as a tool for conflict resolution.

The research methodology chosen for this paper comprises mostly of qualitative research because the research calls for an exploration of the behavior of states and an analysis of their decisions. The data-collection methods mostly constitute of secondary sources like books, journals, newspaper articles and scholarly reports written on the topic. Since the research was mostly theoretical in nature and much of the material on the Suez Canal Crisis was available in this form, it made sense to rely on secondary sources. In addition, the research was further enriched by gaining access to some historical texts and interviews of state leaders. The relevance of these sources to the research was that it lent credibility to the arguments and analysis of the paper. All in all, the data-collection methodologies used stimulated the discussions and helped in reaching the research goals of the paper.

³ See Shlaim (1997), pg. 509-530

Firstly, we would examine the theoretical literature available on the use of Coercive Diplomacy as a tool for conflict resolution and define the concept itself. In the process, we would list down the conditions that are usually necessary for a successful use of Coercive Diplomacy. The purpose here is to familiarize the reader with the concept, before delving into its use as a method for conflict resolution in the Suez Crisis itself. Then we would assess how Soviet Union's Nikita Khrushchev used ultimatum as Coercive Diplomacy in the shape of a nuclear threat against London and Paris, in order to bring about a de-escalation of the war in Egypt. Finally, we would examine the successful use of sanctions as Coercive Diplomacy by the US against Britain, which was the final straw in ending the Suez Canal conflict. In the process, it would be discussed what prompted the Soviet and US to use this method of conflict resolution, while giving a brief insight into the Cold War politics of the time. Finally, an analysis would be presented to evaluate the usefulness and effectiveness of Coercive Diplomacy as a technique for the successful de-escalation of the 1956 Suez Canal Crisis.

The theoretical conceptions of coercive diplomacy describe it as an instrument for conflict resolution that involves the use of forceful persuasion. Art and Cronin (2007) describe it as “an attempt to get a target... to change its behavior through the threat to use force or through the actual use of limited force”.⁴ Another scholar describes it as a “political diplomatic strategy that aims to influence an adversary's will or incentive structure” that is aimed towards inducing the other side “to comply with one's demands or to negotiate a settlement”, while at the same time ensuring that the

⁴ See Art and Cronin (2007), pg. 299

conflict does not lead to unnecessary military escalation⁵. George and Simons (1994) defined it as a "defensive strategy that is employed to deal with the efforts of an adversary to change a status quo situation in his own favor by persuading the adversary to stop what it is doing or to undo what it has done".⁶ The process of conflict resolution through coercive diplomacy generally involves the use of both negotiation and coercion techniques, in that it takes a middle ground between the use of diplomacy on one hand and the execution of force on the other.⁷

One of the major conditions for the successful execution of coercive diplomacy is that it is necessary to convey to the adversary that the threat is credible. Even though coercion has been employed in many instances, the eventual goal of coercive diplomacy is the de-escalation of the conflict. Though it may seem difficult to differentiate between the two, coercive diplomacy differs from the process of deterrence in that the former is flexible enough to accommodate negotiation settlements and positive inducements, in addition to the use of force.⁸ Therefore, the carrot and stick approach is not sufficient in itself for conflict resolution and some form of incentive must be given to the adversary to convince it to back down. In most successful cases of coercive diplomacy, like in the Suez Canal Crisis, it is ideal to have a power asymmetry and politico-economic interdependence between the actor executing the resolution process and the adversary it is targeting, such that the former holds some sort of political or economic advantage over the latter. In such a scenario, coercive diplomacy can serve as an effective and useful instrument for conflict

⁵ See Levy (2008), pg. 539

⁶ See George (1994), pg. 8

⁷ See Art and Cronin (2007), pg. 299

⁸ See Levy (2008), pg. 540

resolution. However, if history is any indication, it is not easy to employ coercive diplomacy successfully.

*“There are only two Great Powers in the world today, the United States and the Soviet Union... The ultimatum put Britain and France in their right place, as Powers neither big nor strong... It was the lesson of a lifetime for Britain and France”.*⁹

Anwar Sadat, Al Gumhuriya, 19 November 1956.

It can be argued that during the Suez Canal Crisis, both the Soviet Union and the United States successfully executed a process of coercive diplomacy that eventually led to a conflict reduction in Egypt. However, the methods of coercive diplomacy employed by the two countries were very different in nature. The Soviet Union used a nuclear ultimatum against the Western allies, while the United States employed economic sanctions as a means of coercive diplomacy. Even though it was the former measure that led to the latter, a mix of the two processes of coercive diplomacy eventually led to a withdrawal of British and French troops from the Suez Canal, to be replaced by troops from the United Nations Security Council that were assigned to conduct a ceasefire between the two sides. It is important to examine what techniques the Soviet and US applied to successfully put into effect the procedure of coercive diplomacy. It must be noted here that this was the onset of the Cold War between the Soviet and the United States, so any step taken by one side to increase its influence in the Middle East was likely to receive a retaliatory response from the other. Thus, as

⁹ See Kyle (1991), pg. 477

Soviet and the US got involved in the conflict, the Cold War politics of the two sides came into play.

The Soviet-Egyptian relationship paradigm saw a considerable improvement after Stalin's death, because Khrushchev saw the opportunity of increasing Soviet involvement in the Arab States, without direct confrontation with the Americans and in the process, force the British and French colonial powers out of the region. The Suez Crisis was the first instance in which this new relationship was tested. However, in the initial stages of the conflict, the Soviets were reluctant to take a direct political or military role in the conflict. Even though Moscow sent letters of warning to France and Britain, expressing concern about Soviet interests in the region, these communications were by no means a form of threat.¹⁰ However, Khrushchev saw his ally Nasser coming under attack and thought that Soviet prestige seemed to be crumbling in two continents at once. He felt that the West was trying to take advantage of his failures in Eastern Europe by taking down one of his allies while he was distracted.

The move that changed the dynamics of Soviet involvement in the Suez Crisis came in the form of an ultimatum on 5th November, 1956. The Soviet Union issued five ultimatums: it threatened Britain and France with a doomsday option, saying that if they did not stop, nuclear weapons might fall on London and Paris; to Israel it threatened with calling the existence of their state into question; to the Security Council it gave a 12 hour deadline to mitigate hostilities between the two sides; and

¹⁰ See Eden (1969), p. 122

finally to the US, it proposed the formation of a joint force to de-escalate the conflict.¹¹

This Soviet Union employed the tool of ultimatum as coercive diplomacy, which was aimed to forcefully persuade all the actors involved to de-escalate the conflict. The aim of this strategy was to alter the incentive structure of the adversaries- in this case Britain, France, Israel and the US- in a way that could alter the course of their actions. The role of coercion and threats has long occupied the study of international relations, but few have assessed the role of the ultimatum, which is one of the most dangerous forms of forceful persuasion in the process of conflict resolution¹². When accompanied by the threat of nuclear attack, the ultimatum is likely to have a huge impact. This was the first time the Soviet made a nuclear threat, so the impact of the ultimatum on the US in particular was huge, in that it raised the possibility of a third world war. Even though there was no direct use of force, the threat of a nuclear attack was credible because the targeted adversaries believed that there was a huge possibility that the Soviet might carry through with its threat. According to Paul Gordon Lauren (1972), “it is in the explicit, serious, and urgent nature of an ultimatum that features of negotiation and coercion frequently reach their extreme forms”.¹³ It must be noted here that the use of ultimatum as coercive diplomacy must focus on influencing the will of the adversary rather than upon his military capabilities. To achieve this end, the strategy of ultimatum employs coercion in a way so as to induce the adversary to give up his actions without the need for a direct military intervention. This can be done by exploiting the capacity of the executer of

¹¹ See Troen and Shemesh (1990), pg. 278-279

¹² See Lauren (1972), pg. 131

¹³ Ibid., pg. 132

coercive diplomacy to inflict damage on the adversary and by creating a situation in which the noncompliance of demands can be “expected” to wreak havoc on the opponent.¹⁴ Francis Fukuyama pointed out another interesting aspect of the Soviet ultimatum in relation to how it was worded: it used the term ‘could’ instead of using the term ‘would’ when listing down the threatened actions.¹⁵

The biggest impact of this threat was that it increased the temperature of the Cold War and the US became more actively involved in the war than ever. The threat was designed in a way so as to embarrass the United States in front of the whole world in that it portrayed that the US not only supported the actions of the British and French, but was also colluding with the two countries to wreak destruction in the Middle East¹⁶. Eisenhower realized that further US inaction against Britain and France could mean the shift in the balance of power in favor of the Soviet Union and that if Soviet went ahead and carried out its nuclear threat, it would mean the end of US influence in the third world. The strategic political move now was for the US to distance itself from its Western allies and resolve the Suez Crisis at the earliest. The Soviet threat elevated Eisenhower’s fears that in the new cold war, “any British and French bullying of Egypt would alienate (the) Arabs... and drive them towards the communist camp”.¹⁷ Therefore, US stepped up its own efforts to reach a conflict resolution for the Suez Crisis. President Eisenhower was furious with Eden for placing him in this dilemma, because Eden was the one who went behind his back and colluded with France and Israel without even informing him. In front of the world, American secretary of state Dulles condemned the country’s oldest ally. It was

¹⁴ Ibid., pg. 135

¹⁵ See Troen and Shemesh (1990), pg. 281

¹⁶ Ibid.

¹⁷ See "*The Suez Crisis: An Affair to Remember*", The Economist (2006)

at this point that Eden had the awful realization that he had totally misjudged the American aspect of the affair; he had not anticipated this level of hostility from the Americans.

“It would have been disastrous for us in any plan in the Middle East it seemed inspired by the British... [T]hey would be glad to ride back on our shoulders if they could”.¹⁸

John Foster Dulles to Senate Foreign Relations Committee, 2 January 1957.

The technique of coercive diplomacy employed by the US against Britain was the placement of economic sanctions. According to Drury (2001), “economic sanctions are foreign policy tools used by the sender country to pressure the target country to conform to the sender’s demand”.¹⁹ The effectiveness with which economic sanctions can be used as an instrument of coercive diplomacy has been debated at length by many scholars, but the duration for such a method to be effective varies from case to case.²⁰ The tendency of states to avoid the costs of military escalation and the expansion of international cooperation through international organizations like the United Nations, have led to the increased use of economic sanctions as coercive diplomacy against targeted opponents.²¹ In short, economic sanctions comprise of an economic means to a political end.

By November, Britain had started to feel the economic strains of the war. Britain’s currency reserved had been hemorrhaging since the bombing campaign began as

¹⁸ See Kyle (1991), pg. 515

¹⁹ See Drury (2001), pg. 488

²⁰ See McGillivray and Stam (2004), pg. 154

²¹ See Drury (2001), pg. 485-486

dealers all over the world dumped sterling. Until then, there had been a lack of British emphasis on the financial and economic implications that the war had the capacity to entail.²² Diane Kunz (1989) was the first historian to shed light on the economic and financial aspects of the affair, with a focus on the importance of Anglo-American cooperation; she said that to maintain the sterling at the overvalued exchange rate to the dollar, Britain had to maintain goodwill with America. When this goodwill was replaced by hostility during the Suez Crisis, the sterling could not survive and America was able to bring Britain to heel fairly easily.²³

Harold Macmillan, the Chancellor of Exchequer at the time, initially ignored the Treasury's warnings about the dangers of the use of force to the state economy and didn't properly pass these warnings to the Cabinet either.²⁴ The Treasury perceived armed intervention in Egypt as a threat for Britain, while Macmillan saw it as a solution.²⁵ For him, the only focus was that if Britain lost access to the Suez Canal and its oil supplies, it would be catastrophic to the country's balance of payments and exacerbate the inflationary pressures.²⁶ He did not think about the prospect of American hostility in the war until it was too late, and it was this hostility that eventually rendered Britain unsuccessful in its Suez operation. On 12th November, 1956, Macmillan informed the Cabinet that the country had suffered losses during the last three months that amounted to a total of \$328 million. C.F Cobbold, the Governor of the Bank of England, said that "sterling was a major casualty of recent events and

²² See Cooper (2008), pg. 297

²³ See Kunz (1989), pg. 400-425

²⁴ See Cooper (2008), pg. 297

²⁵ Ibid., pg. 302

²⁶ Ibid., pg. 299

that radical treatment would be required to save it".²⁷ By November, the British losses had reached a vantage point, such that a further loss of reserves could have led to a second devaluation, further intensifying the risk of cohesion of the Commonwealth states.²⁸ At this point when the stakes were at their highest, Macmillan was forced to approach US for help. However, Eisenhower was quite firm on the matter; he said that the US would help them as soon as they get out of Middle East and not a minute before that.

The eventual de-escalation of the conflict can be attributed to the economic pressure employed by the United States to force the British to reach a conflict resolution in accordance to the Americans' desires.²⁹ For Eisenhower, the use of force was the last option; he said that force should only be used when every other avenue for conflict resolution is exhausted.³⁰ He wanted to employ such a measure of coercive diplomacy that would not entail a military intervention by the US. The opportunity presented itself when Britain's economy got trapped in a financial deadlock and Eisenhower placed sanctions until Britain complied with his demands; to withdraw from the Middle East, convince its allies to do the same and agree to a UN-sponsored conflict resolution. In fact many, like Harold Macmillan, even accused the Americans of deliberately devaluing the pound to coerce the British into withdrawal.³¹ America applied economic pressure on Britain, rather than France, because the British were

²⁷ See Kyle (1991), pg. 500

²⁸ Ibid., pg. 501

²⁹ See Filipink (2007), pg. 173

³⁰ Ibid., pg. 176

³¹ Ibid., pg. 173

more vulnerable to the economic pressure at the time and the US government had good reason to believe that if Britain withdrew, then France would follow suit.³²

On the 15th November, the UN Security Forces arrived to arrange a ceasefire between Egypt and Israel, shortly after which Britain and France announced withdrawal as well. Shortly afterwards it was announced that the US would provide Britain with aid to replace the loss of \$279 in dollar and gold reserves and Britain was able to obtain an American-approved loan from the IMF.³³ The major lesson for the British during the Suez Crisis was that never again would they be able to act independently of the US.³⁴

America's execution of sanctions as coercive diplomacy was effective because it presented a credible threat to the adversaries, while the ramifications of not following the demands were unimaginable for Britain. The British economy was in shackles and it was desperate to find a way out, therefore they agreed to comply with American demands. Furthermore, Britain did not have the financial and military resources to deal with the extra costs if US decided to intervene militarily in the Suez Crisis. The possibility of American military intervention was certain because it was obvious that after the Soviet's nuclear ultimatum, the US would definitely intervene in the conflict in one way or the other. It can be argued that had Britain not been dependant on the US to save its economy and the US did not have the alternative of placing economic sanctions on the Britain; the Americans might have had to engage in a military confrontation with the British. This is because the Soviet threat of the nuclear

³² Ibid., pg. 188

³³ Ibid., pg. 175

³⁴ See "*The Suez Crisis: An Affair to Remember*". The Economist (2006)

ultimatum was still there and the US was desperate to make sure that it did not come into play. In short, the use of economic sanctions by the US helped it reach its political ends in the Middle East. By employing coercive diplomacy, the US was able to alter the incentive structure of Britain, and thus got it to act in accordance to its own desires.

All in all, the US employment of coercive diplomacy, coupled with that of the Soviets, forced Britain and France to withdraw and agree to a ceasefire. It can be argued that it was the Soviet's use of ultimatum as coercive diplomacy that first altered the incentive structure of the US and forced it to become involved in the Middle East in the first place. In this first case, the adversary was the US, while the executor of coercive diplomacy was the Soviet. This, in turn, motivated US to act against Britain to reach a resolution for the war and thus, it made the use of economic sanctions as coercive diplomacy to pressurize Britain to withdraw from Egypt. These actions by Soviet and US were responsible for the eventual culmination of the Suez Crisis. This goes to show that with proper execution and accommodating circumstances, coercive diplomacy can be an effective tool for conflict resolution in international conflicts.

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