

'Europe after Suez' from La Libre Belgique (13 January 1957)

Caption: On 13 January 1957, Fernand Baudhuin, Professor at the Catholic University of Louvain, analyses in the Belgian Conservative daily newspaper La Libre Belgique the political and economic impact of the Suez crisis on Europe.

Source: La Libre Belgique. 13.01.1957, n° 13; 74e année. Bruxelles: Société d'édition des journaux du Patriote. "L'Europe après Suez", auteur:Baudhuin, Fernand , p. 1.

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Europe after Suez

Direct and indirect consequences

Egypt's announcement of the nationalisation of the Suez Canal on 26 July 1956 triggered one of the most serious political crises of the postwar period. The mounting tension reached its climax in early November, when an Anglo-French force landed at Port Said. These events inevitably had serious direct and indirect consequences for the economy of Europe and, indeed, that of the whole world.

Two acute problems arose. The first was that of the Middle East, a vast region linking Asia and Europe. Secondly, there were serious repercussions for oil supplies, especially as oil is an ever-increasing source of heat and power.

The time has come to review the consequences in the light of the events of the last six months.

The first thing to note is that Europe has proved much more vulnerable than the rest of the world. In the United States, the Suez crisis is undoubtedly considered of minor importance, both politically and economically. This is probably a misjudgement, but it is explained by the natural selfishness of nations and the fact that distance reduces our response to events and disasters.

Accordingly, Europe is more or less alone in suffering the consequences of the Suez events. The question is whether they have given rise to a real threat or whether Europe is able to bear, and adapt to, the disruption caused. In fact, the latter seems to be the case.

In the case of continental Europe, the restrictions on oil supplies do not appear to have had serious consequences. It was believed that they would, and several governments panicked in the face of possible complications. Their loss of composure does not appear to have been justified.

Germany, in particular, has been scarcely affected and is still subject only to the effects of fluctuations in the world economy. As for Belgium and Holland, the effects of the oil restrictions are clearly bearable. Strangely enough, the same can be said of France which, despite some limited resources of its own, is largely dependent on foreign supplies.

The situation is most critical in Britain, which is suffering less from supply problems than from payments difficulties. Its already fragile financial structure is under severe strain, aggravated by withdrawals of foreign capital. At the present time, Britain is quite obviously the weak link in the European chain. While it tends to exaggerate its difficulties, that is clearly where the danger is greatest.

How is it that continental Europe, which depends to a considerable extent on supplies from the Middle East, has been able to see the crisis through without serious problems? No doubt the main reason is that, during the run-up, from 26 July to the beginning of November, all the countries in question increased their oil purchases and built up stocks. The import companies, which sensed the danger directly, took all possible precautions. And so did the consumers in each country, at least in Belgium. These stocks largely offset the shortage of fresh supplies.

Obviously, we cannot live for ever on stocks. They can only get us over a transitional period. But American supplies are increasing, and a partial resumption of deliveries from the Middle East is imminent. Moreover, the countries of continental Europe are pursuing a reasonable energy-saving policy, which has been facilitated by mild weather. So, while caution is called for, the annual outlook is not too bad.

... What about the consequences of the Suez crisis for the Middle East itself and the oil-producing countries? In the longer term, the real threat is probably to them. The countries of the Middle East are undergoing rapid demographic expansion, which is causing serious problems. Most of them have been fortunate enough to benefit from rising oil production, which has been an unexpected bonus. But if, in the circumstances, Europe buys less oil from the Middle East, the development of the region will be hampered,

and the existing difficulties will only be aggravated.

Egypt, which benefited indirectly from the oil boom, is in a similar position, exacerbated by the fact that the value of the Suez Canal appears to have been permanently diminished. Whatever solution is adopted, its direct and indirect benefits to Egypt have been reduced. Now that supertankers have been built that can make the journey round the Cape without additional charges, they will not be left idle. So the Suez Canal will lose a large part of its oil traffic, which is the most remunerative at the present time.

In short, the Middle East is stirring up economic and political difficulties for itself in the future.

Europe's situation in the last few months has been eased by the exceptionally mild weather, which has enabled construction work to continue right into the first 10 days of January. Industrial activity, which usually dips sharply in winter, is still at its height, and this is undoubtedly helping us considerably.

In terms of the demand for both oil and coal, the position is also unexpected. In the two months since this unusual situation began, we have saved the equivalent of 500 000 tonnes of domestic coal on domestic heating alone. And that is not the only saving. In all sectors of industry and transport, it is an established fact that a harsh winter increases heat loss, which has to be made good by greater fuel consumption. We have been spared that.

... All in all, the Suez crisis has created difficulties for Europe but has not had such serious consequences as might have been feared. Once again, adaptability and the coordinated efforts of manufacturing industry have mitigated the effects of the closure of the Suez Canal, as they did during the Iranian crisis of 1951. This confirms our belief that, despite its obvious flaws, the world economy is in better shape than is generally thought. It is more resistant to shocks than in the past.

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