ECONOMIC POLICY IN IRAQ

1932-1950

JOSEPH SASSOON

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Publisher's Note

The publisher has gone to great lengths to ensure the quality of this reprint but points out that some imperfections in the original may be apparent

To Taffy, Rachel and Dena

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TRANSLITERATION

Arabic names and words have been transliterated according to the system adopted by the *International Journal of Middle East Studies.*

CURRENCY

Up to April 1932 the monetary unit in Iraq was the rupee. The Iraqi dinar (ID) was then introduced, each ID comprising 1,000 fils. The ID was valued at par with the pound sterling, being equal to $4.03. In 1949, with the devaluation of the pound sterling, it became equal to $2.80.

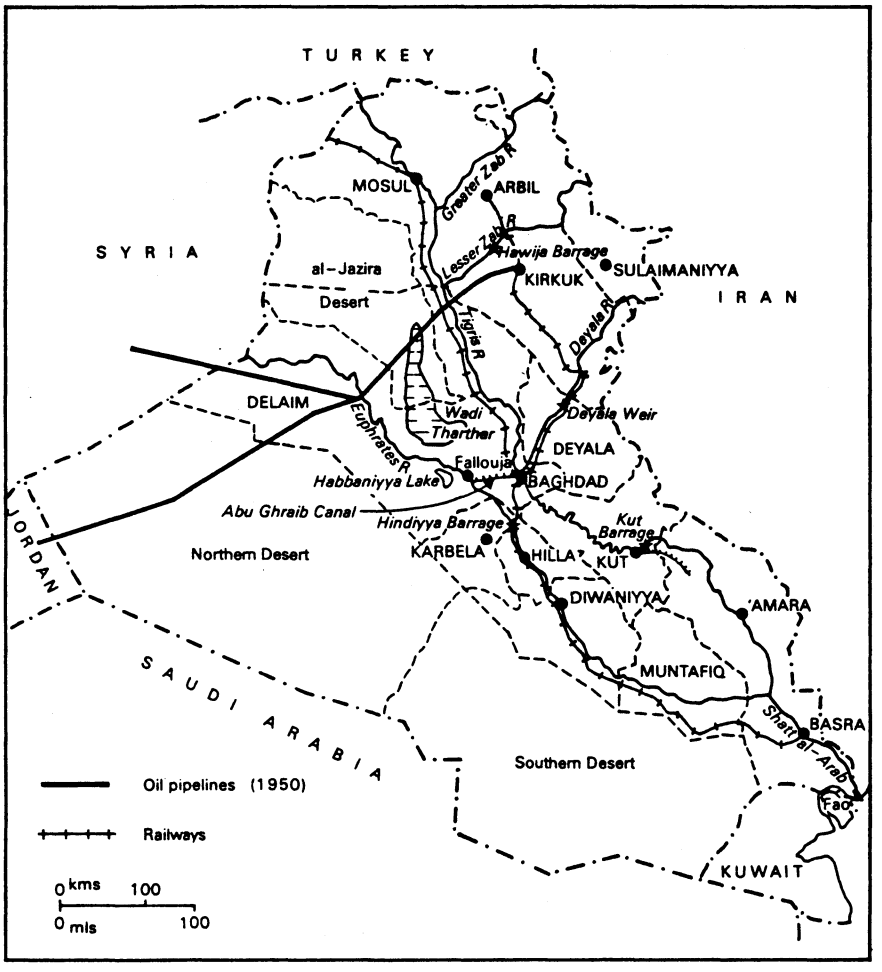
FOOTNOTES

The first reference to any source is given in full; subsequent references are abbreviated; British archival material is notated according to the List of Abbreviations; unless otherwise indicated, the files are at the Public Record Office. American archives are notated according to the number of the microfilm reel on which they appear at the Middle East Centre, Oxford.

LIST OF ABBREVIATIONS

ACR	American Consular Reports
Air	Air Ministry Files, PRO
ANA	American National Archives
BMEO	British Middle East Office
BOD	British Oil Development Company
BPC	Basra Petroleum Company
BT	Board of Trade Files, PRO
CAB	Cabinet Papers, PRO
CO	Colonial Office Files, PRO
DGFP	Documents of German Foreign Policy
DOT	Department of Overseas Trade
ECGD	Export Credits Guarantee Department
FEA	Foreign Economic Administration
FO	Foreign Office (files at PRO)
FRUS	Foreign Relations of the United States
FY	Financial Year
G	Top Secret Papers at PRO
IBRD	International Bank for Reconstruction and Development
IPC	Iraq Petroleum Company
KOC	Khanaquin Oil Company
LAB	Labour Ministry Files, PRO
MESC	Middle East Supply Centre
MEW	Ministry of Economic Warfare
MPC	Mosul Petroleum Company
PRO	Public Record Office
T	Treasury Files, PRO
UKCC	United Kingdom Commercial Corporation

MAP OF IRAQ


TURKEY
SYRIA
IRAN
JORDAN
SAUDI ARABIA
KUWAIT
MOSUL
ARBIL
Greater Zab R.
Lesser Zab R.
Hawija Barrage
SULAIMANIYYA
KIRKUK
al-Jazira
Desert
Tigris R.
Diyala R.
DELAIM
Euphrates R.
Wadi Tharthar
Diyala Weir
DEYALA
Fallouja
BAGHDAD
Habbaniyya Lake
Abu Ghraib Canal
Hindiyya Barrage
Kut Barrage
Northern Desert
KARBELA
HILLA
KUT
DIWANIYYA
AMARA
MUNTAFIQ
Shatt al-Arab
BASRA
Fao
Southern Desert
Oil pipelines (1950)
Railways
0 kms 100
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PREFACE

This book is an economic history of Iraq from October 1932, when it was admitted to the League of Nations as an independent country, until 1950, when comprehensive economic planning and the windfall of oil revenues began.

In researching this study, considerable use was made of the British documents in the Public Record Office and, to a lesser extent, the American Consular Reports from Iraq. Both these sources have been neglected in most of the work done to date on Iraq's economic history. In addition, the research also drew heavily on official Iraqi publications of the 1930s and 1940s (economic laws, statistical abstracts, and annual reports of various economic and financial institutions). Lastly, a very wide range of secondary sources (in English, Arabic, Hebrew and French) was consulted.

Although the writer did not have access to Iraqi archives, it should be emphasized that very few of the primary documents such archives contain deal with the subject of economic policy; most are files of the police or the Ministry of the Interior, and deal primarily (as such files do) with internal politics. But even copies of some of these appear in the Public Record Office.

A further relevant point regarding the sources consulted concerns the quality of their statistics, which in many instances suffer serious inaccuracies and discrepancies. Moreover, many statistics do not exist at all. (For example, calculations of national income were not made until the 1950s.) Despite this obstacle, however, repeated checking and comparing of such statistics as do exist convinced the writer that they adequately indicate the general trend of development in each sector. No figures of the late 1950s or the 1960s were used unless it was thought they accurately reflected the situation in the period under study.

This book is based on a D.Phil. thesis submitted to Oxford University in 1980. Special thanks are due to my thesis supervisor, Dr. Roger Owen, and to Mr. Albert Hourani, for their advice, comments and encouragement. I would also like to thank Connie Wilsack for her help in editing the book, Louise van Heyningen for her technical assistance, and my wife, Taffy, for her tremendous support throughout this work.

J.S.

INTRODUCTION

This study cannot properly be entitled 'Iraq's Economic Policy' because, due to the strong British influence on its governments, Iraq did not have the power to decide its own policy in a free and unrestricted manner. At the same time, it would be equally incorrect to say that economic policy in Iraq was purely British-determined since Iraq was, at least formally, an independent state in the period under study. The neutral term 'Economic Policy in Iraq' has therefore been chosen as the title least likely to distort the subject.

The period 1932–50 was chosen for a number of reasons. In 1932 the British mandate over Iraq was terminated and Iraq officially became independent, while 1950 marks a turning point in Iraq's economic history because after that year the oil boom began, and, with it, a form of comprehensive economic planning. The eighteen-year period between those two dates therefore constitutes a special stage in Iraq's economic history, encompassing the early years of statehood up to the stage of oil prosperity and comprehensive economic planning. It thus represents an interesting subject for the disciplines of economic history and political economy.

Politics and economics were closely related in Iraq during the period under study, and each reacted on the other. One cannot speak of a particular monetary policy, fiscal policy or even development policy. Economic decisions were taken for political reasons or because of economic need, or a combination thereof. In each chapter the study will try to pinpoint the factors which led to the formulation and implementation or abandonment of a certain policy. For example, in the agricultural sector the position of the sheikhs *vis à vis* the government and the British was an important consideration co-existing with the desire to improve Iraq's agricultural conditions; and in the foreign trade sector, British interests were a dominant factor in adopting policies which were sometimes even to Iraq's detriment.

In studying the economy of Iraq, one must remember that in this period Iraq was a quasi-independent or semi-colonial state, and shared many of the characteristics of other states having similar status at that time. Thus, it had many of the features of an 'under-

developed' economy – a predominantly agricultural population, dependence on a few primary commodities, and so forth. Furthermore, the structure of its finances, the relationship between its landlords and politicians, the British–Japanese competition for its markets in the 1930s, its connection with the sterling area, its industrialization process and the nature of its oil concessions – all make Iraq resemble many other non-European countries during this period. (For example, the problems of concentration of land holdings, British–Japanese competition, and the link with the sterling area were all part of Egypt's economic history as well during the same period.) Anglo-American competition, another feature of that period, was to be found throughout the Middle East in the second half of the 1940s, as well as in other parts of the world.

The economy of Iraq also had certain distinctive features, of course. The potential of its oil reserves was becoming increasingly evident and its agriculture, unlike Egypt's, had tremendous possibilities in that there were virtually no obvious constraints on the expansion of the cultivable area. These advantages, together with the abundance of water and dearth of population, made Iraq very different from many other developing countries.

Iraq of the 1930s and 1940s is also an interesting case study in neo-colonialism. Having secured its own position and interests there during the mandate period, Britain proceeded to a policy aimed at maintaining and enhancing its gains without the need for either military occupation or a mandate. This policy was lucidly described by Sir John Glubb as 'control by influence': 'this is an art in itself, quite different from Colonial administration.'[1] Once again, Iraq was but one of many countries within the British sphere of influence where this form of indirect control prevailed.[2] In Iraq's case, this new 'art' largely depended on the presence of British officials serving as 'advisers' to the Iraqi government and on the continuation of political alliances between the British and certain groups of Iraqis (e.g. politicians like Nuri as-Said on the one hand and tribal leaders on the other). By such means, and as long as British interests were not infringed upon, Britain did not have to resort to direct intervention in Iraqi affairs. (The events of 1941, as will be shown later, were exceptional in this respect.)

The Iraqi political élite – as in most other ex-colonial countries, a group of a hundred or so eminent personages – were for their part well aware that their being in power depended greatly on their alliance with and support for the British. Most of this élite came from the same social background, and had once been Sharifian[3] officers. They shared many experiences and knew each other well,

and some were even closely related – although this of course did not prevent strong and continuous competition among them.[4]

While it can accurately be said that the government controlled Parliament and there was no real democracy in Iraq, the government was nevertheless not without constraints upon its activities. Because of the strong competition among politicians, it was highly sensitive to criticism in Parliament or the press. Any failure on the political or economic front rendered it vulnerable, and this point should be borne in mind throughout the study.

Before proceeding to the main body of the study, a brief review of some of Iraq's basic demographic features will provide useful general background information to the more detailed reviews of the various sectors of the economy given in the relevant chapters.

During the period under study, Iraq was administratively subdivided into fourteen *liwas*, covering an area of 235,733 square kilometres (equivalent to 94 million *mesharas*), in addition to its three desert areas (known as the North Desert, the South Desert and the al-Jazirah Desert) which together comprised an area of 208,709 square kilometres – the total area of the country therefore being 444,442 square kilometres.[5]

Prior to 1947, when the first official census of Iraq's population was taken, a number of estimates were published by the Census Department (established in early 1926) and in various economic and agricultural surveys. In both 1930 and 1932 the population was put at about 2.83 million;[6] in 1935, 3.35 million;[7] in 1944, 4.25 million;[8] and in 1947, 4.82 million.[9] A study by the Food and Agriculture Organization (FAO) in 1959 concluded that the 1947 census underestimated the population, and a more correct figure would be 5.28 million.[10]

The annual rate of population increase was estimated at 1.7% between 1905 and 1919, 1.5% between 1919 and 1935, and 2.4% between 1935 and 1947. As one commentator has written, 'It is therefore clear that it was only during the period since 1935 that Iraq's population began to grow at a rate markedly higher than at any other time from the middle of the nineteenth century onwards ...'[11]

Most of Iraq's population was rural. In 1930 only 25% was urban, while 68% was rural and 7% nomadic. By 1947, 37% were classified as urban, as against 59% rural and 5% nomadic.[12] The increase in urbanization during the period 1930–47, which was in no small measure due to a mass exodus from distressed rural areas to the cities, had an important impact on the economy, as will be discussed in the chapter on agriculture.

According to the 1947 census, the economically active population (49.5% of the total) consisted of 22.5% male-active and 27% female-active. The data on the occupations of this economically active population are, however, inaccurate and ambiguous. Because the term 'occupation' was confused with 'industrial employment', what the 1947 census shows is in fact the number of workers employed in various industries. Moreover, the figures underestimate the proportion of working women (mainly in agriculture). However, based on the census and Hasan's article, one can say that in 1947 some 57–60% of the total active population were working in the agricultural sector.[13] A further 30–35% were engaged in commerce, public and domestic services, transport, and other administrative and professional services. The smallest sector was industry: only some 5–7% of the active population were employed in manufacturing industries, oil and handicrafts.[14]

Illiteracy was very widespread, only 8.5% being literate in 1947. Similarly, health conditions were very poor; even by as late as 1950 there were only 5,000 hospital beds, and an average of two doctors for every 10,000 people.[15]

The social and economic structure briefly reviewed above exhibits many of the characteristics of a developing country. This impression is further sustained by the fact that Iraq had a very young population (about half being under the age of twenty) and a very low average annual per capita income ($48 in 1939 and $85 in 1949, as against $100 for Syria and $125 for Lebanon in the latter year).[16]

When Iraq became independent on 3 October 1932, the managers of its economy inherited an undeveloped country with extremely low living standards. Though there had been important achievements during the mandate period preceding independence, mainly in the spheres of infrastructure and health, many of the shortcomings of the 1930s and 1940s also had their roots in those years of British occupation: a legacy of financial burdens, an inequitable land policy, and unfavourable trade agreements and oil concessions.

This study seeks to understand Iraq's economic history during the first eighteen years of its independence by examining policy in each sector of the economy and analysing the factors which caused Iraq, with its glorious past and impressive potential, to end the first half of the twentieth century with the majority of its people still living in poverty.

The first chapter examines British interests in Iraq, which played so crucial a role in shaping economic policy there. The second chapter concentrates on the Iraqi side of the equation, examining government attitudes towards economic policy and the mechanisms

for its implementation. The third chapter looks at Iraq's finances: its budgets, its tax system and aspects of its financial policy. The fourth chapter discusses various facets of agricultural policy by exploring the triangular relationship among the Iraqi government, the British government and the landlords. The fifth chapter analyses foreign trade policy by examining the trade structure and various factors affecting commercial policy. The sixth and last chapter reviews the most important developments in Iraq's industry, oil and labour policies.

NOTES

1. Memorandum by J.B. Glubb, Officer Commander of the Arab Legion 1943. FO 371/34975, E 5925/2551/65.
2. For a general discussion of colonial development policy see: Stephen Constantine, *The Making of British Colonial Development Policy 1914–1940* (London, 1984).
3. 'Sharifian' refers to those who were associated with the Sharif of Mecca's revolt in the Hejaz against Ottoman rule.
4. See David Pool, 'From Elite to Class: The Transformation of Iraqi Political Leadership' in Abbas Kelidar, *The Integration of Modern Iraq* (London, 1979), pp.64–75. See also Hanna Batatu, *The Old Social Classes and the Revolutionary Movements of Iraq* (Princeton, 1978), pp.319–61.
5. Government of Iraq, Principal Bureau of Statistics, *Report on the Agricultural and Livestock Census of Iraq 1952–1953* (Baghdad, 1954), vol. i, p.15.
6. Ernest Dowson, *An Inquiry into Land Tenure and Related Questions* (Letchworth, 1931), p.12; *The Stateman's Year-Book 1935* (London, 1935), p.1033.
7. *The Iraq Directory 1936* (Baghdad, 1936), pp.481–506.
8. Statement of Director General of Census, FO 371/45338, E 2084/2084/93.
9. Government of Iraq, Directorate General of Census, *Census of Iraq 1947*, 3 parts (Baghdad, 1954), p.*h*.
10. Food and Agriculture Organization, Mediterranean Development Project, *Iraq*, Country Report (Rome, 1959), appendix ii, pp.1–2.
11. Mohammad Salman Hasan, 'Growth and Structure of Iraq's Population', *Bulletin of the Oxford University Institute of Statistics* xx (1958), p.340.
12. FAO, *Iraq*, p.7.
13. A similar percentage was suggested by Hashim Jawad, *The Social Structure of Iraq* (Baghdad, 1945), p.18.
14. *1947 Census*, Hasan, op. cit., p.348.
15. FAO, *Iraq*, p.9.
16. United Nations, *Final Report of the United Nations Economic Survey Mission for the Middle East* (UN 1949), part i, p.43.

1

BRITISH INTERESTS IN IRAQ

The importance of British interests as a factor influencing economic policy, and indeed all aspects of life in Iraq during the 1930s and 1940s, will become clearly evident in subsequent chapters. It is the purpose of this first chapter, however, to define just what those interests were and to examine the factors impinging upon them and the agents by which they were served.

We will trace the development of Anglo-Iraqi relations from 1930 to 1950, concentrating on the period preceding independence and other important turning points, such as the events of 1940–1 and the negotiations for, and cancellation of, the Portsmouth Treaty. We will also discuss the organizations responsible for shaping and implementing British economic policy in Iraq, such as the Middle East Supply Centre (MESC) and the British Middle East Office (BMEO).

Besides these organizations, which were established during and because of World War II, the main body responsible for protecting and advancing British interests in Iraq after it became independent comprised those British subjects employed by the Iraqi government as 'advisers'. Their role in Iraq's economic life and their relationship with the British and Iraqi governments will be examined at length.

The final part of this chapter deals with Anglo-American relations and American economic policy in the Middle East, showing how America's appearance in the region posed an implicit threat to Britain's position and led to a change in British economic policy towards Iraq during the 1940s.

ANGLO-IRAQI RELATIONS

Britain's interest in Mesopotamia before the twentieth century was strategic: to protect its route to India and Indian trade. With the beginning of this century, however, this interest was augmented by an additional factor: oil.

As the probability of Turkey's entering World War I increased, British policy-makers decided to safeguard British interests.[1] The campaign was launched in October 1914, and by 1919, after four centuries of Ottoman rule, the British occupation of Iraq was complete. For the next two years, Iraq was administered from Baghdad by a civil commissioner.

In April 1920 the San Remo conference assigned the mandates of Iraq and Palestine to Britain, and those of Syria and Lebanon to France. On 3 May it was officially announced in Baghdad that Britain had accepted the mandate for Iraq, stress being laid in the announcement on the fact that the object of the mandate was the development of independent institutions; and in October 1920 British military rule came to an end with the arrival of the first High Commissioner, Sir Percy Cox.[2]

During the period 1921–30, Iraq under the mandate was economically and politically little different from other countries under colonial rule. As regards government expenditure, for example, Iraq was similar to India, Cyprus, Trans-Jordan, Palestine and Syria in the sense that, as in these countries, 'there was no extensive colonization from the ruling European country, so that public services were oriented primarily towards the local population'.[3] In all these countries the government spent an average of 28.5% on general administration (in Iraq, during the period 1921–30, 34.6%). The combined share of administration and public security was about 60% (in Iraq 69%), while only 13.2% was devoted to development (in Iraq 7.7%).[4]

From a political point of view, the period 1921–30 witnessed the building of government organizations in Iraq, based mainly on the Indian model; and the creation of partnerships between the British and certain local groups, such as landlords, which were intended to protect British interests.[5]

By such measures Britain consolidated its own position to such an extent that by the end of the 1920s Britain concluded that it could secure its interests in Iraq even without the mandatory government. 'Control by influence', it was decided, was more advantageous than direct control, as it reduced local antagonism to British interests and saved expense. Thus, in the summer of 1929, Iraq was notified that the British government was prepared to support its candidature for admission to the League of Nations as an independent state.

Negotiations between the two countries began in April 1930 and concluded with the signing of a treaty in June of the same year. The resulting Anglo-Iraqi Treaty of Alliance formed the basis of their bilateral relations for more than two decades. It was to enter into

force after Iraq's admission to the League of Nations and last for twenty-five years (Article 11), replacing all previous agreements between the two countries (Article 7).

The treaty and its annex granted Britain certain non-reciprocal rights and powers in Iraq. The British were entitled to maintain military forces in Iraq, as well as naval and air bases. The British diplomatic representative was to have the rank of ambassador and be the permanent senior diplomatic representative in the country. Iraq was obliged to give preference to British subjects in choosing military and civilian advisers, and to give preference to Britain as the country in which members of Iraq's armed forces received their military education. Finally, Iraq undertook, should Britain become involved in a war, to furnish it full facilities and assistance on Iraqi territory, including the use of railways, rivers, ports, airfields and so forth.[6] An American official reviewing Anglo-Iraqi relations commented thus on the treaty: 'It cannot be considered as a type of agreement which one sovereign nation is accustomed to enter with another.'[7]

From 1930 onwards the British did everything possible to secure Iraq's entry into the League of Nations, because of the importance of this step to Anglo-Iraqi relations.[8] The optimistic report, *Progress of Iraq 1920–1931*, presented to the League was one example of how the British tried to convince the League that their mandate had achieved great success in Iraq.[9]

The year 1931 witnessed a significant consolidation of Britain's position in Iraq: an important oil concession was granted to the Iraq Petroleum Company (IPC), a British-dominated firm; a currency law was promulgated stipulating that the Currency Board should sit in London; and agricultural laws were enacted which strengthened the landlords, Britain's local allies.

On 3 October 1932 Iraq was admitted to membership in the League of Nations as an independent state. There was, however, little excitement among Iraqis at the termination of the mandate because, in Sluglett's words:

> those in Iraq who understood the realities of the situation, and who were not members of the very small circle to whom power was actually entrusted, realised that there was little to be jubilant about. The real extent of British influence had not been perceptibly limited: while Britain could no longer overtly interfere in internal affairs, the 1930 Treaty had left her a considerable latitude in matters of defence and of administration, through the retention of senior British officials at key posts in important Ministries.[10]

These 'senior British officials' were also the British government's main source of information about events in Iraq, and access to

information was a high Foreign Office priority during 1932. At first the secretary of state for India suggested that the British ambassador officially call upon the British advisers for information, but London realized that such an arrangement would be most awkward for the advisers, and would expose Britain to strong Iraqi and international criticism.[11] An informal arrangement was therefore reached with King Faisal and Iraq's prime minister, according to which the British ambassador would from time to time receive information from the adviser to the Ministry of the Interior (then Sir Kinahan Cornwallis), in his capacity as the most senior adviser.[12]

This arrangement worked to the British government's satisfaction; and after Iraq's independence the British ambassador obtained King Faisal's blessing for the continuation of close contacts between the British Embassy and the advisers: the king undertook that 'orders should be given privately to advisers that there should be no change in this respect'.[13]

The death of King Faisal in 1933 and the accession of King Ghazi to the throne did not significantly affect Britain's predominance in Iraq, nor did the various *coups d'état* between 1936 and 1938 or the death of King Ghazi in a motor accident in April 1939.[14] Secure in their position, the British continued their policy of giving the Iraqis more power in administering their own affairs, while continuing to influence them through the advisers. A good illustration of this policy was the 1936 agreement transferring ownership of the Iraqi State Railways to the Iraqi government, while leaving all the key positions in British hands.[15] Indeed, virtually no decline in British influence in Iraq was discernible until 1939. At the same time, it should be emphasized that even after independence most Iraqis (outside government circles) continued to resent British influence in their country, and the local press, whenever it had the chance, attacked British predominance in Iraq's political and economic life. This resentment, however, was not exclusively anti-British, for no foreign influence was viewed kindly during this period.[16]

On 5 September 1939, two days after Britain's declaration of war on Germany, Iraq broke off diplomatic relations with Germany and assured Britain of its co-operation. These two acts aroused criticism in nationalist Iraqi circles 'who had hoped that a German victory would free Palestine and Syria from British and French control'.[17] A week later a state of emergency was declared, and a decree was issued with regard to the organization of the country's economic life.

With the formation of the Rashid 'Ali government on 31 March 1940 and the fall of France in June 1940, anti-British feelings were

strengthened. Iraqi politicians began to capitalize on anti-British feelings to gain political prestige.[18] Meanwhile, Iraqi politicians and officers were holding talks with Nazi Germany through Italy's representative in Baghdad. German documents from this period show that by the end of 1940 the Rashid 'Ali government had begun asking the Italians and the Germans for both military and propaganda support.[19]

British officials pressed Iraq to break off relations with Italy, take a more active pro-British stand and suppress German propaganda, but to no avail.[20] When the US informed Iraq of its full endorsement of British policy and urged it to take a more co-operative attitude in its relations with the British, this too proved fruitless.[21] At the same time, the Iraqis informally communicated to the British ambassador their readiness to alter their policy if three conditions were fulfilled: that Syria be granted complete independence; that there be immediate implementation of the White Paper on Palestine; and that Britain promptly furnish Iraq with sufficient quantities of arms.[22]

The gap between the two countries continued to widen, and the resignation of Rashid 'Ali's government on 30 January 1941 was therefore met with great relief in London. Britain's foreign minister, Anthony Eden, sent his congratulations to Ambassador Basil Newton: 'Resignation of Prime Minister [Rashid 'Ali] is highly satisfactory and I much appreciate the part Your Excellency has played in matter.'[23]

The new government set up by Taha al-Hashimi was no more responsive to British demands, however, and in any event Rashid 'Ali returned to power in April. At this point the new British ambassador in Baghdad, Sir Kinahan Cornwallis, favoured military measures to restore Iraq to a pro-British policy, though he was aware that the necessary forces could not be spared.[24] Relations continued to deteriorate: the Iraqis forbade Cornwallis to communicate in cypher, searched the British embassy, and forced the staff to haul down its Union Jack.[25]

Meanwhile Iraq pressed Germany for military aid;[26] and while the Germans held exhaustive discussions to decide what military aid to give, how to deliver it and what its impact would be,[27] the climax in anti-British feelings was reached: Iraq refused disembarkation rights to British forces at Basra, and hostilities erupted between the two countries with the landing of British forces at Basra on 29 April 1941.[28] The Germans did not provide significant military aid, and the British were able to recapture Iraq thirty days later – twenty-one years after their first occupation had terminated.

The reasons for Iraq's support of the Axis and the question of whether British military intervention was necessary are outside the scope of this study.[29] What is, however, important for us to consider is the impact of these events on British influence in Iraq. Basically, anti-British feelings did not subside after the reoccupation. (Certain Iraqi circles undoubtedly supported the Axis not out of sympathy to Germany and its ideas but rather as a result of antipathy to Britain.) Jamil al-Midfa'i, Iraq's prime minister between June and October 1941, followed a policy of compromise between British demands (e.g. severing relations with Italy) and nationalistic trends (e.g. not prosecuting members of Rashid 'Ali's government). By then, however, the British had enough power to demand more drastic changes in their favour. Nuri as-Said, their main ally, formed a new government in October 1941, and for the next two and a half years Iraq was, more or less, under British control.

British policy in Iraq (and throughout the Middle East) changed considerably during the war period, and the British mechanism in Iraq gained significantly in power. Moreover, Britain was quite satisfied with Nuri as-Said's government, which not only complied with its demands (e.g. declared war on Germany in January 1943), but even went to the extent of confining anti-British officials and other Iraqis to a detention camp established at Fao.[30]

With the relaxation of emergency restrictions at the end of the war, British influence was reduced but by no means lost entirely. New issues, such as Iraq's membership in the sterling area and the situation in Palestine, now came to dominate Anglo-Iraqi relations. The major issue in the political relationship, however, was the revision of the 1930 Treaty of Alliance. Towards the end of the war, the Iraqi press began calling on Britain 'to remove the last vestige of imperfection in Iraq's independence'.[31] The government formed by Tawfiq as-Suwaydi in February 1946 set up a committee to study the treaty's revision,[32] and the subsequent fall of Suwaydi's government three months later did not alter this trend of thought among Iraqi politicians.[33] British officials began reporting 'slight signs of increased anti-British feeling', expressed in sharp press attacks on British advisers.[34] Between March and July 1946, Baghdad witnessed many anti-British demonstrations, and the events in Palestine did nothing to help pacify the mood in the country. Probably as a result of this pressure, the British government decided, as a gesture of goodwill, to raise the status of the Iraqi mission in London to that of an Embassy; at the same time it informed the Iraqi government that it would no longer claim special precedence for the British ambassador in Baghdad.[35] Iraqi pressure

continued, however, and throughout 1947, Iraqi governments and political parties still put revision of the treaty first in their programmes – if only because, apart from Palestine, it was the only issue for which they could count 'on the whole-hearted support of all politically minded elements in the country'.[36]

The British began to perceive the significant changes taking place in the Middle East. The Middle East (Official) Committee, in its examination of the situation, noted the gradual realization by the Arabs of the relative decline of Britain's military and financial power; the withdrawal of British forces from the area;[37] the continued rise of nationalist feelings; the increase in America's interest in the area; and the USSR's intention to increase its influence in the region.[38] Faced with these trends, Britain agreed to begin negotiations on the revision of the 1930 treaty. Foreign Secretary Ernest Bevin, writing to Sir Stafford Cripps, minister for economic affairs, in an effort to lobby for the new decision, said:

> The significance of Iraq for Great Britain is clearly growing, particularly in the light of the situation in Egypt. Egypt is a broken reed ... Iraq on the other hand is a country capable of enormous development and increase of population ... I am in fact convinced that we must now seek to make Iraq the keystone of our Middle East policy.[39]

Secret and informal talks began with the Iraqi government and the regent of Iraq (during his visit to London in August 1947).[40] Meetings continued in Baghdad, and in December 1947 an Iraqi mission headed by Prime Minister Salih Jabr proceeded to Portsmouth where Bevin was spending his holiday.[41] On 10 January 1948 a new treaty was initialled,[42] with the formal signing taking place five days later.

The Portsmouth Treaty thus replaced the 1930 Treaty of Alliance. It provided that 'Iraq and Britain would have a relationship of strong allies based on equality and complete independence'. Whilst its annex recognized the importance of British air bases in Iraq as 'an essential element in the defence of Iraq itself and of international security', Britain's use of them, in the event of war or threat of war, would be dependent on Iraq's invitation. A Joint Defence Board was established to discuss matters of defence, and Iraq pledged that it would continue to employ British subjects as military instructors and send Iraqis to Britain for military training.[43] In addition to the published treaty and its annex, a series of secret letters between Bevin and Jabr emphasized Iraq's willingness to put the air bases and all other military facilities at Britain's disposal whenever needed, and to pay compensation to British employees of the Iraqi State Railways (the 1936 agreement had stipulated that the

important administrative and technical positions be filled by British subjects) and to Iraqi employees of the Royal Air Force.[44]

Although from the Iraqi point of view the 1948 treaty was certainly an improvement on the 1930 treaty, it was nevertheless met by fierce popular opposition. The mass insurrection against the Portsmouth Treaty became known as *Al-Wathbah* ('The leap'). It is clear now that the regent, Abd al-Ilah, and the small circle of Iraqis who ruled Iraq (such as Nuri as-Said) underestimated national sentiments, and the continual demonstrations led Prime Minister Salih Jabr (the first Shi'ite to occupy this high office) to resign.[45] The new government, led by Mohammad as-Sadr, informed Britain on 4 February that the Portsmouth Treaty was rejected by Iraq's Council of Ministers since it was 'far from realising the wishes of the Iraqi Nation'.[46] Anglo-Iraqi relations thus continued to be based on the original 1930 treaty until April 1955, when it was replaced by a special agreement in accordance with the Baghdad Pact.

It should be noted that the Portsmouth Treaty was abrogated not because of its contents but rather due to the circumstances surrounding its signature: the atmosphere of secrecy, and the fact that no Arabic translation of the text was prepared, aroused suspicions in nationalist circles in Iraq about the government's intentions.[47] The atmosphere of distrust was undoubtedly exacerbated by the financial crisis developing in Iraq in 1948, and by the events in Palestine (with the outbreak of war there, Iraq was put under martial law).[48]

British influence in Iraq reached a new nadir with Britain's embargo on arms supplies to all participants in the Palestine war. Even so, although 'it was practically impossible for H.M.'s Government to obtain a favourable decision on the smallest point',[49] Britain's position in Iraq did not deteriorate to the 1941 level. As after the 1941 events, Nuri as-Said was again called upon (in January 1949) to form a government with a very pro-British policy. Revision of the 1930 treaty now became a secondary issue to most Iraqi politicians, as their interest turned to lifting the arms embargo and negotiating a new agreement with the oil companies, and by 1950 Anglo-Iraqi relations were beginning to regain their former strength. In 1955 they reached a new peak with the creation of the Baghdad Pact.

BRITISH ECONOMIC POLICY IN IRAQ

The 1930 Treaty of Alliance, as shown above, concentrated on military and political issues. Though this emphasis might seem

surprising in view of Britain's important commercial interests in Iraq, it was not accidental:

> The omission from the Treaty of Alliance of all mention of commercial relations was intentional. It was considered that such mention would be likely to excite in foreign circles suspicion that His Majesty's Government were using their position as mandatory to secure a privileged position for British trade in Iraq after the termination of the mandatory regime. It was hoped to conclude a separate commercial treaty on the usual lines ...[50]

However, the idea of a separate commercial treaty lapsed after the League of Nations required Iraq, as a condition for termination of the mandate, to guarantee most-favoured-nation treatment to all members.[51]

Most British officials in Baghdad and London considered the economic benefits accruing to Britain as a result of the 1930 treaty to be substantial indeed. When in 1934 some British circles suggested a reassessment of Britain's position in Iraq, the British ambassador in Baghdad, Sir Francis Humphrys, argued that any revision of the 1930 treaty or reduction in Britain's involvement in Iraq would be a grave mistake. He sent a detailed report describing the ways in which Britain was benefiting from Iraq, concluding:

> We have sunk millions in this country in less propitious times and are just beginning to obtain a return on our expenditure. It is not a question of throwing good money after bad, but of consolidating, at a relatively trifling cost, a hard-won position of pre-eminence on one of the world's important highways.[52]

The minority of officials in London who objected to the 1930 treaty argued that it would lead to a loss of British popularity in Iraq, which in turn would harm British interests there. This minority, however, as represented by G. W. Rendel of the Eastern Department at the Foreign Office, did not want to change the treaty in order to strengthen Iraqi independence but rather, on the contrary, to stem the rising tide of nationalism, which they viewed as a plague. In Rendel's words:

> Personally, I have long felt increasingly doubtful as to the wisdom of the policy embodied in the 1930 Treaty – though it has always been strongly defended by Sir F. Humphrys, the Colonial Office and the Air Ministry, and (to a diminishing extent) by the War Office and Admiralty. Our determination to retain what one may perhaps call a military finger in the Iraqi pie seems to me to have acted as a kind of irritant and stimulus to the more extreme form of oriental nationalism (a disease which is strongly prevalent in Iraq ...)[53]

Thus, the 1930 treaty constituted not only the basis for serving