



GOVERNMENT OF SHARJAH

AND ITS DEPENDENCIES

THE TRADE - AVIATION & MARINE DEPARTMENT

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G U L F N E W S

GULF FUTURE AGAIN CONFUSED

Prospects of the future shape of the Gulf area turned again most uncertain and confused when hopes of a quick progress towards a federation of the Gulf Emirates received a severe blow by the breaking off in disagreement of the October conference of the Deputy Rulers of the nine states concerned with the proposed Union. Meanwhile, no decision has yet emerged over the future of the British presence in the area, and it is believed that the failure of the meeting of the Deputy Rulers has thrown additional perplexity to the British Government over what to do.

However, because of possible implications and complications, local and international quarters are now looking with great anxiety to decisions that the nine Rulers themselves have to adopt individually over their next steps in relation with the proposed Federation: nobody could predict, as matters now stand, what their decisions would be.

Rulers meeting postponed again

As scheduled, the Deputy Rulers of the nine States met in Abu Dhabi on October 24 to prepare the Supreme Council meeting of their Rulers themselves due on October 26. But the conference of the Deputy Rulers broke down on same October 26 after failing to resolve differences, generally described as "acute", over key clauses in the proposed Constitution for the Federation of the Gulf Emirates. Therefore, the Deputy Rulers were not able to set any date for the conference of the Rulers, and just agreed to submit their differing views to their own Governments and leave the Rulers themselves to decide when and if they should meet and try to resolve them.

Next move on the Federation now rests with the individual Rulers, and it is generally believed that it is not likely that any decision unilaterally to cede from the proposed federation will be taken by any Emirate before the Rulers meet themselves, although foreign interested predictions on timing and possibilities of a meeting widely dissent: Cairo Radio said that the conference of the Rulers has just been postponed "for a short period", but the Teheran daily Kaykan International stated that it has been postponed "indefinitely".

Why the October conference has failed after so many previous postponements (it had already been postponed twice, first from August 22 and then from the middle of September) has still to be officially indicated. British press reports said that it broke down "primarily" because of Bahrain's insistence on its reservations about the proposed structure of the Federation and about the site

of the capital. These reasons had been already anticipated by Cairo Radio on October 23 when it said that Bahrain had reservations on the score of a federal capital being established on the Dubai-Abu Dhabi border and secondly on the representation in the Consultative Assembly being equal rather than proportional.

The Iranian newspaper Kayhan International said that the main reasons for delaying the conference of the Rulers were that Shaikh Rashid, the Ruler of Dubai, had decided "to have nothing to do with it" and had flown to London on October 20 for medical treatment, and that Abu Dhabi "which was supposed to act as host for the meeting, had indicated that it would no longer be interested in doing so".

But it is also generally assessed that the meeting of the Deputy Rulers has been jeopardised by an alleged "ultimatum" delivered by Iran in the first half of October to Britain and to the nine Gulf States, warning that the Iranian Government would not recognise the federation if Iranian claim to the possession of the Tumbs and Abu Musa islands (respectively belonging to Ras Al Khaimah and Sharjah) was not accepted.

British press anticipates the failure

Pessimistic reports published in the British press have preceded the failure of the Abu Dhabi meeting. On October 15, The Financial Times wrote from Dubai under the headline "Iran ultimatum as Gulf federation talks near": "Iran has warned Britain and the nine Gulf states that it will not recognise the federation of Arab emirates if its claim to the Tumbs and Abu Musa islands are not recognised. The Persian position was made clear in diplomatic notes delivered to Britain and the states last week according to highly placed sources here. Teheran's move seems likely to throw into confusion or even prevent the meeting of the supreme council of states which is scheduled to take place in Abu Dhabi on October 26. In the past Abu Musa has been under the jurisdiction of Sharjah, and the Tumbs—two separate islands—have belonged to Ras al Khaimah. Earlier this summer a Persian proposal that the Shah's government should rent the islands was turned down by the two states.

Iran asserted its "right" to the islands in May when Britain took active steps to mediate in the dispute between Sharjah and Umm al Qiwain, another Gulf state, over oil exploration rights off Abu Musa.

The mission of Sir Gawain Bell, who was appointed by the Government to mediate between the two sides, is a long way from fulfilling its objective and no solution is expected to be reached in the immediate future.

On the internal front, however, the Abu Musa issue is not likely to jeopardise the meeting. More seriously Bahrain is making difficulties over two points on which there had been agreement among the rulers at the last supreme council meeting at Abu Dhabi last October.

First there is the question of whether the states will be represented equally or in proportion to their numbers in any federal consultative assembly. At the last meeting which eventually broke up in confusion the Bahrain representative formally announced that his Government would let lapse its previous insistence on proportional representation. Now it is understood that Bahrain wants the principle enshrined in the draft of the provisional constitution.

Secondly it had been agreed that the site of the federation's capital should be on the Dubai-Abu Dhabi border. Now Bahrain wants this question reopened according to authoritative sources in Dubai and Qatar.

Last year the rulers never put their binding signatures to the agreement that had been reached but Dubai and Qatar believe Bahrain is defaulting on a moral commitment.

It had been planned that the Abu Dhabi meeting would result in formal acceptance of the draft provisional constitution to which all the other rulers have given their assent in principle—thanks largely to the efforts of Sir William Luce who in July was appointed to coordinate Britain's Gulf policy. The draft provides for a fairly strong central government as opposed to the loose confederation which seemed to be the most the rulers could accept.

Now Sheikh Rashid of Dubai for one is doubtful that the meeting will take place or that Bahrain even wants to be a member at all. Dubai itself could be subject to Iranian pressure at one very sensitive point with the continental shelf median line as yet undecided. This week Mahdi Tajir, the ruler's senior adviser, has been in Teheran for talks about it. The absence of agreed demarcation could affect Dubai's rising oil production from the Fateh field and therefore constitutes a powerful lever in Persian hands".

And the same Financial Times on October 23, at the very eve of the Abu Dhabi meeting, reported an article datelined from Beirut and quoted by the Middle East Correspondent of the newspaper, Richard Johns, which

is reproduced here informatively. The article was entitled "Union in the Gulf, a paternal prod from Britain" and textually said: "A can of worms - was how one close observer recently described to me the Gulf States and their rulers who have been variously trying to help or hinder the formation of the Federation of Arab Emirates for over two and a-half years. They constitute merely a "Union" as a result of the Dubai agreement reached in February 1968.

The next meeting in Abu Dhabi on October 26 could be crucial for the oil-rich grouping of the nine. The Dubai agreement established the Supreme Council of the rulers and also the executive council as its federal arm. The former has met five times since then, while the latter and its committees have had many more sessions. But for the time being the word "federation" is as big a misnomer as the title Holy Roman Empire was in the later days of that institution.

The fact that the nine rulers are meeting at all is a tribute to the energy and drive of Sir William Luce, a former British political resident in the Gulf, who came out of semi-retirement to "co-ordinate" British policy in the region. He has, in fact, drummed into the heads of the rulers the need for a federation and obtained their assent to a provisional constitution.

The vigour of Sir William's approach was in itself a reversal of the diffident policy of the last Government. By all accounts the rulers liked him—perhaps because he reminded them of the firmer, more paternalistic tutelage shown by the British presence formerly.

The constitution, for which he won a consent in principle that will prove variable in practice, is a draft for a strong federation. The Arab word for such an entity is "al ittihad" somewhat vague term which has led to its being qualified as "federali" or "confederali". The document is definitely a "federali" one rather than the "confederali" type which earlier this year seemed the maximum that several rulers could accept.

Last week Sir William was back in the Gulf giving a last push towards federation. Significantly he visited Qatar, as well as Bahrain which is the seat of the political residency. Of the "Big Four" — the viable States of Abu Dhabi, Qatar, Dubai and Bahrain— Qatar is the one that has objected most strongly to Bahrain's reservation about the constitution. After the breakdown of the last Supreme Council meeting in October 1969, when Sheikh Saqr of Ras-Al-Khaimah stormed out of the meeting to be followed by Sheikh Ahmed of Qatar, the latter made it clear that there should not be another gathering of rulers unless prior consultations would make agreement a formality.

A rubber stamping agreement would in any case disguise differences as to how the constitution should work. As it is, however, the attention of Qatar and Dubai has centred on more specific reservations raised by Bahrain which has perhaps been more forthright than the others in giving its real considered opinion.

First there is the question of proportional representation in the consultative assembly which it is planned should be established after a provisional period of four years.

At the ill-fated Abu Dhabi meeting last year one of the points in the communiqué upon which the rulers verbally agreed was that the States should be equally represented. But now with its sovereignty recognised by Iran the Bahrain Government is very concerned that there should be a promise of popular participation reflecting actual numbers. Without it, federation would not be acceptable to the Bahraini people, says Sheikh Khalifa Bin Sulman, President of the Council.

One could easily point out that Bahrain accounts for over half of the indigenous population of the nine States and that its government has only recently given serious thought to finding a way of formally consulting its politically conscious people. In fact, the concern that they should be given a say seems genuine. On the other hand, there is much to support the Bahraini belief that the other rulers do not wish to see any democratic principle enshrined in the constitution even if it is a provisional one.

The second contentious point concerns the location of the capital. Here again Bahrain is accused of defaulting on a commitment, though as far as both issues are concerned Sheikh Khalifa Bin Sulman stressed that last October's communiqué was never signed. It was agreed that the location should be on the Abu Dhabi-Dubai border. At the time Bahrain gave its consent to this clause with great reservation and had inserted the proviso that a commission of experts should determine "the most suitable site on these borders". Now it would like the same procedure to be undertaken without the inquiry being confined to that area.

Bahrain has other worries, too. One is over the allocation of Ministerial posts. At Abu Dhabi last year it was agreed that each State should submit three names to the Supreme Council for selection. But it seems that the smaller States are still standing out for their right to have Cabinet representation even though such as Fujairah and Umm Al Qiwain might not be able to find anyone suitable.

Bahrain says that it wants a federation in which it can play a full and active part. If it does not materialise soon, Sheikh Isa and his Government, confident of Bahrain's ability to go it alone, may opt out. Indeed, the

re are strong views in Bahrain that the State should opt out in any case, especially as the future now looks increasingly bright.

The importance attached by Dubai and Qatar to the two contentious issues could also be taken as a sign of those States' ambivalence towards a strong constitution - whatever their ruler's legal advisers may say about the commitment of the two towards the constitution draft.

Sheikh Rashid of Dubai is in the "confederalist" camp, probably willing to give a central authority little more than power over defence and foreign policy. His main concern is his entrepôt trade. Two weeks ago he agreed with the other three on the principle of customs union, but in practice this would probably only be acceptable if Dubai was able to function like the Tangiers of old.

Qatar has always remained somewhat enigmatic despite the fact that Sheikh Khalifa Al Thani, the deputy ruler and premier designate of the Federation has been foremost in pursuing a strong union. The Qatar Peninsula is an introspective place and its people have relatively little in common with the Omanis to the east. They also have little love for Bahrain.

Abu Dhabi continues to be the most uncomplicated of the four and the one with most to gain in the political sense. Above all, Sheikh Zaid, would gain from a federation from which Bahrain had withdrawn, then, Abu Dhabi would be the dominant member. Sheikh Zaid would probably have to pay rather more than half the cost of the Federation but, apart from being its president, would have power of the purse strings as a result. This summer Abu Dhabi, Qatar, Bahrain and Dubai agreed to a World Bank proposal that a central government should be financed by 10 per cent of the oil revenue of each - which at 1970 rates would make Abu Dhabi responsible for just over half an estimated Lst. 17.5 m.

In the past year the big four have shown apparent determination to take less notice of the whims of the smaller States. The most uncertain of them is still Ras Al Khaima whose ruler's walk-out from the Abu Dhabi gathering 12 months ago may well have been at Iran's behest.

It seems clear that early this summer Ras Al Khaima was on the point of "renting" the Tumb Islands to Iran and might have even concluded an agreement. The Iraq Government, therefore, always resentful of Iran's influence in the Gulf, began to subject the pliable Sheikh Saqr with persuasions and blandishments - even to the extent of recently airfreighting him some arms, according to an informed source. Several of the rulers see his State as a potentially dangerous springboard for subversion.

The dispute over oil exploration rights off Abu Musa triggered off by Sharjah's extension of its territorial rights remains the biggest inter-emirate squabble. But in itself it probably could not destroy the Abu Dhabi meeting if it were not for Teheran's assertion of its interest in the islands. It is understood that the British Government would never have halted the drilling operation of Umm Al-Qiwain's concessionaire if it had not been for Teheran's intervention.

Now the Iranian attitude is vital to the fate of the rulers' meeting, especially because of its influence with Qatar and Dubai. A note sent the week before last to Britain and the Gulf States warned that Teheran would not recognise the Federation if Iran's "rights" to or in, the islands were not accepted. It is believed that Iran would settle for something less than jurisdiction over them - the main concern is probably to show who is boss and to ensure the islands will be militarily neutralised. If radical regimes came to power along the Trucial Coast it would be easy to occupy them.

Britain has apparently been working hard for an understanding with the Shah on this issue, as it did over Bahrain. Reaching one should not prove impossible because Persia like Britain, Saudi Arabia and Kuwait has an interest in stability on the Gulf's southern littoral. Reassuringly the RAF and the Iranian Air Force have been holding joint exercises, under CENTO auspices, over the islands at stake. But knowledge of this would not stop the worms from squirming in Abu Dhabi"

British policy

Meanwhile, the British Government continued to be reticent on the issue of the withdrawal of British forces from the Gulf and it was generally believed that it was correct the previous assertion that no final decision has yet been taken on what to do, and that Britain has still many issues to study before deciding.

Sir William Luce, Britain's special envoy to co-ordinate the policy in the area, who concluded a five-week tour on September and who has given a report to the British Foreign Secretary Alec Douglas-Home, returned in the Gulf on October 13 for further discussion in Bahrain, Qatar and Kuwait. He was back to London on October 19 but no details of his talks have been revealed.

On October 10, Prime Minister Edward Heath said in his closing speech at a Conservative Party Conference that "we are now engaged in working out best to contribute to the Gulf's stability".

At same conference, Sir Alec plaudits by affirming in the debate on overseas affairs that the Conservative Government, while putting partnership in Europe at the top of the list of British interests, had no intention of dropping out east of Suez. He said it was safe, whether in the Mediterranean now or in the Indian Ocean, to leave the communists as undisputed masters of all military activity in an area where vital British interests lay. Sir Alec said that one of the most unsettling decisions of the past (Labour) Government was the abrupt announcement of British withdrawal from the Persian Gulf. This had left the Conservative Government with a difficult and complex problem. They were now, as they promised at the elections, in consultation with all the leaders and rulers on matters basic to their future well-being - a political structure which would best enable that area to stand on its own and hold its own and a security system best designed to guarantee for them internal order and external security. "Sir William Luce, whom he had invited to be his special representative there, had just made his first report. Progress was being made. Some critics have asked why Britain should retain commitments east of Suez. This Government, he declared, has no intention of dropping out".

Also at the Conservative Conference, Mr. J.S. Thom, Grenwich, said that in view of the uncertainty and dismay caused in the Persian Gulf as a result of the Labour Government's policy, the Gulf States would probably prefer the withdrawal to be completed as planned. Bases for troops were usually the focal points for extreme elements. The 12,000 Russian troops in Egypt were hated: they were reminders of Russian domination".

On October 28, Lord Carrington, Secretary of State for Defence, who was making a statement in the House of Lords about defence, announcing, inter alia, continued British military presence in the Malaysia and Singapore area, said that "we are continuing discussions with leaders in the Gulf and other interested countries on how Britain can best contribute to the maintenance of peace and stability in the area".

Lord Bahnel, Minister of State for Defence, who repeated in the Commons the statement made in the Lords by Lord Carrington, replied: "No" at a question placed by Mr. Thomson, Lab., asking the Minister if the Government had decided to accept Labour's withdrawal plans from the Gulf. Mr. Thomson question said: "I ask the Minister to tell us more frankly about the Persian Gulf and give firm defence targets here. He said no decisions had been taken about the Persian Gulf. Does this mean the Government has decided to accept Labour's withdrawal plans?".

Iranians views

In a review of various factors affecting the proposed Federation of Arab Emirates in the Gulf region, the Teheran daily Kayhan International, on September 29, made clear that it shares the opinion that Britain will withdraw its military presence from the area next year: "With Britain now almost certain to announce she will be withdrawing her troops from the Gulf before the end of 1971, much feverish activity is likely to take place soon in the Emirates . . ." it said. "Naturally enough, the larger Emirates, notably Bahrain and Qatar, want a closely-knit Federation with a powerful central government and unified administration . . . Wealthy Abu Dhabi is, equally naturally, far from enthusiastic about a union which could be dominated by Bahrain and Qatar. Its ambitious and able Emir, Shaikh Zayid, would prefer to have a union of the seven Trucial States alone. In that case he would be able to dominate . . .". The paper continued: "Most of the Emirs have been on holiday for the past four months. Now they are beginning to return home, one after another, only to be confronted by their oil problems . . . The "few months of quiet diplomacy" called for by the British Foreign Secretary, Sir Alec Douglas-Home, are coming to a quiet end without having recorded much diplomatic action. Everyone in the region, as well as in London, seems to be waiting for the outcome of the October conference before a fresh of diplomatic manoeuvres is launched".

Meanwhile the Shah, addressing the opening of Parliament on October 6, said that Iran would step up her military might to protect her interests and to "cope with any regional event independently". The Shah said free passage and navigation in the Gulf was vital for Iran as long as a single drop of oil remained and as long as free international trade and shipping existed. The Shah added Iran had no territorial designs in the Gulf and would not tolerate others replacing the British after their withdrawal next year.

The Shah also said that Iran was prepared to settle peacefully her dispute with Iraq over the Shatt-El-Arab River on their borders according to International Law and regulations. He added that this was despite the fact that "some leaders of one of our neighbours" (implying Iraq), who had only 19 miles of coastline in the Gulf, described Iran, with 1,300 kilometres (812 miles) of coastline, as being "alien" in the Gulf. The Shatt-El-Arab Treaty between Iran and Iraq was imposed on Iran during the "era of imperialism" in 1937 and would not be acceptable to Iran, the Shah said.

ECONOMIC AND CUSTOMS UNION RECOMMENDED

A sub-committee of the projected Federation, charged with preparing the framework of a customs union between the members of the Federation, met in Abu Dhabi from October 5 to 18 to discuss the issue.

Bahrain, Abu Dhabi, Qatar and Dubai were represented in the sub-committee.

According to Cairo Radio, the meeting resulted in recommendation of amendments to an article in the draft constitution of the Federation, calling for an economic and customs union between the nine states, to be achieved in a series of graduated steps.

NEW BRITISH POLITICAL RESIDENT IN THE GULF

Mr. Geoffrey Arthur, who was appointed last July as British Political Resident in the Gulf in succession to Sir Stewart Crawford, arrived in Bahrain to take up his office on October 3. He was received by the Ruler, Shaikh Isa, and has started a series of visits to Qatar, the Trucial States and Oman.

OMANI DEVELOPMENTS

The Sultanate of Oman plans to apply for membership of the Arab League and the United Nations, according to an interview with the Omani Prime Minister Tareq Ben Taimour published in Sharjah newspaper. In the interview the Omani Premier said his government was now giving priority to essentials such as education, health and communications. A number of Ministers for these vital departments had been appointed and a number of Ministerial portfolios would be filled shortly. He said his government was trying to lay the foundations for democracy in the country. In the first phase a National Assembly would be set up, and a special committee would be appointed to draw up a permanent Constitution.

The Premier said that the army was now known officially as the National Army of Oman and its function was not to serve an individual but to serve the country. The army would be equipped with modern weapons and a number of young Omanis would shortly be sent abroad for military training as officers. On foreign policy, Premier Tareq said a delegation would be sent to tell Arab countries for the purpose of strengthening brotherly relations.

He described his country's relations with the Gulf emirates as good, but these would be strengthened further.

The Omani Government planned to open up three Information Offices abroad, but the Premier did not specify their locations.

Meanwhile, British press reports from Muscat said on October 27 that reinforced troops of the Sultan of Oman are preparing to take the offensive in a new attempt to crush the five-year-old revolt. Operating from support bases in neighbouring South Yemen, the rebels have gradually asserted control over a large part of Oman's southernmost province of Dhofar, and have virtually isolated its capital of Salalah.

One of the world's "forgotten conflicts" began in Dhofar province in 1965 with a series of small armed attacks. The rebel's long list of grievances included demands for self-government, and social and economic benefits. The size and scope of the revolt has since increased.

Military officers in Oman claim that Chinese advisers are active with the guerrillas inside Dhofar province. They say that the rebels wear a red star on their jungle hats and carry Mao Tse-tung's Red Book translated into Arabic.

The hard core rebel force is now estimated at 700, with upwards of 1,000 supporting militia. Their arms are reported to include communist-made automatic rifles. They are said to have received these before the Sultan's forces acquired heavy machine guns and 81 mm. mortars.

A new battalion of troops is being recruited for the 4,000 strong Government forces. Helicopters are being brought into action for the first time, and the number of supply aircraft is being increased to facilitate the rapid redeployment of troops. Even so, the Sultan's Army faces a difficult task in terrain ideal for guerrilla warfare.

OMAN CONTACTS WITH IRAN AND QATAR

The Iranian Ambassador, to Kuwait, Dr. Gulam Reza Tajibaqsh, visited on October the Sultanate of Oman where he met Sultan Qabus at the southern town of Salalah. This was the first formal contact between Oman and Iran for many years.

The Ambassador delivered to Sultan Qabus a letter of the Shah of Iran replying in cordial terms to a previous message of the Sultan.

In his letter, the Shah said that relations between Oman and Iran were "unfortunately weakened at the beginning of the 19th Century and gradually disappeared altogether". It continued: "Our geographical proximity and common religion necessitate the forging of friendly ties between Iran and Oman, especially in view of the impending developments in the Gulf region".

ABU DHABI STUDENTS OFFICE IN U.A.R.

The United Arab Republic has agreed to an Abu Dhabi proposal to set up an office in Egypt to handle the affairs of Abu Dhabi students and medical patients in Egypt. A request for permission to open the office was officially made by Sheikh Hamdan Bin Mohammad, President of Development headquarters, in a letter to the Egyptian Ministers of Education and Health. The Egyptian Ministers welcomed the proposal and offered full co-operating and assistance. The Abu Dhabi Government already has government offices in Sharjah and Oman.

ABU DHABI AND ARAB INSTITUTE FOR POSTS

A two-man Abu Dhabi delegation signed in Damascus the working plan for the development of the Higher Arab Institute for Posts. The two men are Assistant Director of Electricity, Sayyed Shabib Bin Mohammed Al Dhahiri, and the Assistant Director of Posts, Sayyed Nasser Jawad.

ITALIAN TRADE MISSION TO VISIT DUBAI

A 20 men trade mission promoted by the Italian Foreign Trade Institute (ICE) will visit Dubai in the second half of next January, in a tour of Middle East countries including also Kuwait and Iran.

SOMALI TRADE MISSION IN GULF STATES

A Somalian trade delegation led by Sayyed Mohammed Hashi, Counsellor at the Somalian Embassy in Jeddah, has visited many Gulf states including Sharjah, Abu Dhabi, Dubai, Qatar, Bahrain and Kuwait. The delegates, who also visited Saudi Arabia, discussed with trade officials of the visited countries methods of augmenting economic and trade relations between Somaliland and the states of the area.

In particular, the Somali delegation discussed in Qatar the export of sheep to this state during the month of Ramadan.

TRADE MISSIONS FROM CANADA, NEW ZEALAND AND U.K. IN THE GULF

Trade delegations from Canada, New Zealand and the Dundee Chamber of Commerce, visited the Gulf states throughout October to study the possibilities of increasing their trade relations with the states of the area.

The Canadian mission was led by the Commercial Counsellor in the Canadian Embassy in Beirut.

The 11 men delegation from Dundee represented firms dealing in products ranging from telecommunications equipment to consumer goods.

QATAR PETROCHEMICAL COMPANY

The Board of Directors of the Qatar Petrochemical Company held its fifth meeting in new premises opened in Doha on October 13. Members from Britain and Norway attended the meeting. The 70-million dollar (Lst. 30 million) Company is a joint Qatari, British and Norwegian venture.

NATURAL GAS PLANT FOR QATAR

Oilgram News Service of New York said on October 28 that reports that IPC group's Qatar Petroleum has signed agreement with Qatar Government to build a 36 million dollars 20,000 barrels per day gas liquefaction plant were unfounded. "At most there have been preliminary suggestions, but nothing more than that", the press source said.

Previously, the Middle East Economic Digest of London had reported from Doha on October 21 that an initial agreement has been signed between the Qatar Government and the Qatar Petroleum Company for the construction of the plant. The report said that the bulk of the output would be exported to Japan, but 150 million cubic feet of gas would be reserved daily for Qatar's cement and petrochemicals factories and for the production of electricity and distilled water. The Qatar Petroleum Company is owned by a consortium in which British Petroleum and Shell each have a 23 3/4 per cent share. The other members are the Compagnie Francaise des Petroles and the Near East Development Corporation, which is made up of Standard Oil and Mobil Oil.

NEW ALUMINIUM SMELTER POSSIBLE IN BAHRAIN

The Financial Times of London said that the Kaiser Aluminium and Chemicals of U.S. is interested in building a second smelter plant in Bahrain in association with other producers and users. The execution of the project

would depend on world demand for aluminium, but if implemented it would eventually produce between 300,000 and 400,000 tons a year. The output of the plant at present being built by Aluminium Bahrain (ALBA) is estimated at 90,000 tons a year.

NO JAPANESE DECISION YET FOR OIL VENTURE IN BAHRAIN

Recent reports of imminent acceptance by five Japanese oil companies of an offer of joint offshore exploration rights by Bahrain were "premature", according to an official Bahraini spokesman quoted by the Beirut Daily Star on October 29. The draft of any agreement would have to be approved by the Japanese Government before it could be implemented, and certainly none had yet been signed, the source stated.

The five Japanese companies involved include Teikoku Oil, Abu Dhabi Oil, Alaska Oil, Kawasaki Heavy Industry and Kawasaki Steel. They were reported on October 23 to have accepted an offer from Bahrain of joint exploration rights in an offshore area covering 3,500 square kilometres. According to reports from Tokyo, published in the Financial Times of London, Bahrain has asked for a down payment of 1.5 million dollars, and for another one million when oil is found together with 12.5 per cent of the posted price if output reaches 50,000 barrels per day and 16.5 per cent if it rises to 200,000 barrels per day. The concession should last 35 years.

MODERN HOTEL PLANNED IN OMAN

A modern 50-bedroom hotel is soon to be built at a cost of Lst. 500,000 in the business quarter of Muscat by the Hotel Management & Trading Company, formed by C.E. (Dino) Carantinos and A.S. (Joe) Xenakis, already well known as hoteliers in Abu Dhabi and Dubai. Prefabrication techniques should enable the hotel to open by March 1971, but the company's establishment must await promulgation of a new company law.

HOTEL EXTENSION IN BAHRAIN

In the Bahrain Hotels Company's report for the year ended 31 March 1970, which has just been issued, the Chairman, Ahmed Ali Kanoo, states that the business done by the Gulf Hotel has enabled the board to recommend payment of a 3 per cent dividend. He adds that it has been decided to extend both wings of the hotel to provide 120 more bedrooms, a coffee shop and a recreation room. The work is scheduled for completion by early 1972.

FURTHER DEVELOPMENT PLANS IN OMAN

The British organisation John R. Harris has been contracted to prepare plans for a new town, to house some 20,000 inhabitants, near Mutrah, and that Sir William Halcrow & Partners are acting as consultants in a project to provide three additional berths for the new Mutrah port. A new civil airport at Azaiba, about 20 miles north of Mutrah, is also planned.

F.A.O. GULF SURVEY

A three-man research team from the United Nations Food & Agriculture Organisation (FAO) has arrived in Dubai to carry out an oceanographic survey in the coastal waters of the Trucial States. Initial discussions are being held with experts manning the research ship, Majid, already operating in the area.

INVESTMENT WELCOMED IN BAHRAIN

Shaikh Khalifa bin Sulman Khalifa, President of the State Council, emphasised in a recent interview with the monthly commercial review Al-Aswaq al-Arabiya that the Bahraini Government welcomes investment by Arab and foreign interests and is eager to encourage outside participation in its development programme.

NEW PAKISTANI BRANCH BANK IN BAHRAIN

The United Bank, a Pakistani enterprise, has opened a second branch in Bahrain. Its president, Agha Abedi, and the managers of its nine other branches in the Gulf region were present at the opening, which State Council President Shaikh Khalifa described as "yet another indication of the trend towards the better in Bahrain's economy".

Tension broke out also in Canada where War Measures Act was enforced in Quebec with a British diplomat, James Cross, and the Quebec Labour Minister Pierre Laporte have been kidnapped by French separatists of the Front de Liberation du Quebec. Nothing was known of the fate of Mr. Cross while Minister Laporte was assassinated. After these events, M. Pierre Trudeau, the Canadian Prime Minister, placed the whole country under emergency law and rushed 1,000 paratroopers to Montreal to deal with what he called an "apprehended insurrection".

Another kidnap featured the month when the commander of Ecuador's Air Force, General Cesar Rohn Sandoval, was seized on October 27 by unidentified men. Subsequently, General Sandoval was able to free himself. The Ecuadorian Government declared martial law and rounded up political opponents. The number of persons arrested was not known.

The spectre of civil war hung also over Bolivia early in the month when President general Alfredo Ovando Candia resigned and took refuge in the Argentina Embassy. General Juan Jose Torres was hoisted to the Presidency by a coalition of the armed forces and militant workers. Torres pledged himself to a policy of "Revolutionary Nationalism" which would defend the interests of Bolivia against extremism at home and imperialism abroad.

Further riots broke out in Reggio Calabria, Italy, over the problem of the regional capital of Calabria. The town was disrupted by a state of guerrilla war which however ended when the Italian Government decided to reconsider its choice of Catanzaro as the capital of the region.

In Sicily, a local well-known journalist, Mauro De Mauro, was kidnapped early in the month: police searches were unsuccessful and it was widely believed that the journalist was a victim of sicilian "mafia", probably because he discovered some important information on drugs smuggling or on the mysterious death of Enrico Mattei, the chairman of the Italian oil corporation ENI, years ago.

In Frankfurt, West Germany, Krim Belkacem, former leader of the Algerian National Liberation Front, was found strangled in a chamber of a local hotel. The West Germany police named an Algerian and two Moroccans wanted in connexion with this murder. Belkacem had been sentenced to death in his absence in July 1969 by a revolutionary court in Oran, Algeria, for allegedly attempting to overthrow the Algerian Government.

150 people have been reported dead following a cholera break in Turkey last October.

OIL PRICES AND FREIGHT RATES RISING

Oil prices sharply rose throughout the month in the European markets following increases in the posted prices and taxation rates of crude oil in Libya and following higher shipping rates caused by disruption to Mediterranean supplies particularly following the continued interruption of the Tapline.

The oil tanker charter market was featured by confusion while freights sharply rose at record levels.

The Far Eastern, British, European and Japanese conferences decided to rise their freight rates by 15 per cent within July 1971. Other big conferences are expected to follow.

WALL STREET EASIER

The Industrial Average Index of the New York Stock Exchange eased at 755.55 on October 30 against 760.68 on September 30.

LATEST NEWS FROM THE GULF

REASONS FOR THE POSTPONEMENT OF THE MEETING OF GULF RULERS FOR THE FEDERATION

According to the Middle East Economic Digest, the reasons for the cancellation and indefinite postponement of the meeting, fixed for October 26, of the Rulers of the nine Gulf states involved in the projected Federation of Arab Emirates have been detailed as follows: "At the conference of Deputy Rulers in Abu Dhabi on October 24, Bahrain raised two issues which made further discussion essential before a meeting of the Supreme Federal Council could be called with any hope of general agreement. Sir William Luce had obtained the agreement in principle of Bahrain, Qatar, Dubai and Abu Dhabi to a draft federal constitution with more than 140 clauses during his recent tours in the area. This was considered sufficient to secure its acceptance by the five smaller Emirates, Sharjah, Ras-Al-Khaimah, Fujairah, Umm al-Qaiwain and Ajman. At the Deputy Ruler's conference, however, Bahrain insisted that seats in the proposed federal assembly should be allotted, after a provisional four-year period, on a basis of proportional representation. As Bahrain's population of more than 200,000 forms almost half that of the entire Federation, this would give a dominant position, and the suggestion was opposed by the other Emirates. Bahrain also met with opposition when it questioned the creation of a permanent federal capital on the Abu Dhabi-Dubai border, already agreed in broad terms. The smaller Emirates were reported to have rejected a proposal that the four biggest should have powers to veto resolutions in the Supreme Federal Council, and to have called for an equal say by all nine states in policy-making".

