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For over a century in Egypt, the Suez Canal Company reflected the role of the concession in European economic expansion overseas. Concession was a European business practice widespread in Egypt; it was an institution inherited from a system of privileges for Europeans since the Middle Ages. It promised a way for Egypt to adopt modern infrastructures and receive needed European help for digging the canal. The results of the Suez Company are indisputable: the desert of the Suez Isthmus became a lively economic region with active ports, growing cities, and an expanding labor force. And the region was linked to the rest of the country by a new road network. At the same time, however, the concession system denied Egypt full benefit of this infrastructure. The canal served the financial and strategic interests of the company, not the interests of the local economy. This outcome embodied all the contradictions of the concession system: on the one hand, concessions were a necessity for modern infrastructure development in Egypt; on the other, they were a hindrance to further national economic development.

In the nineteenth century, the expansion of industrial Europe was accompanied by a redefinition of European areas of influence, political as

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well as economic.[1] National economies changed in size and scale with expansion into overseas territories. Eventually, even the remotest regions of Asia and Africa came under the purview of European capitalism. Large European companies looked far and wide for both raw materials and outlets for their surplus products and capital.[2] The relocation of enterprises to countries with abundant cheap labor and limited state regulation helped to reduce these firms' costs.[3] At the same time, the home nation states of these big industrial firms undertook systematic colonial conquests and brought new regions under military and political domination.

This globalization of the European economy could not have happened without a revolution in transportation.[4] New modes of transportation shortened distances and rapidly changed European peoples' vision of the world. Regions that had been left out of commercial development, or which were sparsely inhabited, suddenly attained an international economic significance. Such was the case with the Suez Isthmus, a desert once only crossed by caravans. With the digging of the Suez Canal, this region became a major strategic crossroads between the African and Asian continents.[5] Like many giant infrastructure projects, the canal, it was assumed, had to be managed by Europeans for technical reasons. Indigenous peoples were thought by European nations to lack the necessary tools and skills to carry out such work. They also lacked sufficient capital to fund such ventures. Most of the money and technical expertise came from the metropolitan capitals of Europe.[6]

This expansion of European financial and human capital networks into colonized areas took place within the framework of an "informal empire," dissociated from official colonization.[7] Concession was often the economic means of this informal takeover of underdeveloped regions. A concession is a contract or a convention whereby a state grants the management of a public service to a private company.[8] In

1. Ronald Robinson and John Gallagher, "The Imperialism of Free Trade," *Economic History Review* 6 (1953–1954): 1–15.

2. Alfred D. Chandler, Jr., *Scale and Scope: The Dynamics of Industrial Capitalism* (Cambridge, Mass., 1978).

3. Lord Hayley, *The Future of Colonial Peoples* (Oxford, U.K., 1944).

4. Daniel R. Headrick, *The Invisible Weapon: Telecommunications and International Politics, 1851–1945* (Oxford, U.K., 1991).

5. John Marlowe, *The Making of the Suez Canal* (London, 1964). Also see Denis Judd, *Empire: The British Imperial Experience from 1765 to the Present* (London, 1996).

6. Daniel R. Headrick, *The Tools of Empire: Technology and European Imperialism in the Nineteenth Century* (Oxford, U.K., 1981).

7. Expression rendered famous by E. R. Fay in the *Cambridge History of the British Empire* (Cambridge, U.K., 1946), 2, 399.

8. Concession is a French designation similar to the Anglo-Saxon appellation of BOT (Built Operate and Transfer). Refer to Claude Bettinger, *La Gestion Déléguée des Services Publics dans le Monde: Concession ou BOT* (Paris, 1997).

African, Asian, and Middle Eastern countries, European firms took advantage of the weakness of local states to secure real, long-lasting monopolies for a variety of projects using concessions.[9] They were encouraged by the absence of legislation, or by legislation that favored foreign privileges.[10] The concession areas were spaces isolated from the rest of the country, where business logic mixed with colonial ideology. In principle, the concession was supposed to help modernize and equip a backward region. But it soon became an instrument of colonial domination and contributed to the setup of economic structures that gave little back to the local economy, while greatly benefiting European investors.[11] A dual economy emerged in concession territories. Concessions fitted underdeveloped nations into a global market of capital flows and technology transfer, but with little growth or development of the host territory itself.

The "Companie Universelle du Canal Maritime de Suez" (hereafter the Suez Company) provides a good case study of the concession system at work.[12] The Suez Company received the concession to build the Suez Canal and was a significant part of the economic history of Egypt for many decades. With its receipt of the canal concession in 1854, the Suez Company quickly became one of the most important European firms operating in the region.[13] Its concession gave it control over a vast area and promised enormous profits.[14] Unintentionally, moreover, the company became a symbol of foreign exploitation and economic imperialism, and was accused of acting as a state within the state and of plundering Egypt. When the Suez Canal was nationalized by Egypt in 1956, the date became one of the most important markers of Egyptian independence. To the Egyptian people, the concession of

9. Ninety-nine years for the Suez Company. The oil concessions also spread over decades. For example, seventy-five years for the Iraqi concession of the Turkish Petroleum Company granted in 1925, and seventy-five years for the Kuwait Oil Company granted in 1934. See Jacques Thobie, *Ali et les 40 Voleurs : Impérialismes et Moyen-Orient de 1914 à Nos Jours* (Paris, 1985).

10. The system of "capitulations" was established in the sixteenth century to grant privileges to European merchants in the trading posts of the Ottoman Empire. This system was progressively extended to all foreigners, granting them judicial protection and tax exemption. See G. Meyer, *L'Egypte Contemporaine et les Capitulations* (Paris, 1930).

11. Other examples include tin mining in Malaya or the iron mines in the Congo. These companies participated in the global economy and had little consequence on the local economy. See Wong Lin Ken, *The Malayan Tin Industry to 1914* (Tucson, Ariz., 1965). Refer also to Catherine Coquery-Vidovitch, *Le Congo au Temps des Grandes Entreprises Concessionnaires, 1898–1930* (Paris, 1972).

12. The Suez Company is also known by the acronym CUCMS for Companie Universelle du Canal Maritime de Suez.

13. The concession of the company was an area of 14,714 hectares in 1886.

14. Company assessments, Private Archives of the Suez Company, Centre des Archives du Monde du Travail, Roubaix, France (hereafter CAMT).

the Suez Company was the instrument of their economic dispossession and the symbol of their exploitation for European benefit.

Such criticisms of the firm and its concession were never fully accepted by the French managers of the Suez Company. On the contrary, defenders of the French operation in Egypt argued that the company had made real efforts to modernize the region. Company executives claimed that they had made an essential contribution to the development of the Suez Isthmus, from the digging of the canal, to the creation of road and rail networks, to the planning of harbors and three cities around the canal territory.[15] Administrators of the company also insisted on the value they added by bringing higher-than-average salaries to the region. Their defense, however, failed to take into account the undeniable limitations of development under the concession system. Apart from the canal and its physical infrastructure, the company did not make significant investments in Egypt and refused to reinvest its profits back into the country. It failed to develop a qualified local workforce or a local elite of technicians who could operate the canal after the end of the concession period. Were these problems and limitations inherent in the nature of the original concession? This is the question this article will address. Did the concession system limit local development, or could it help the modernization of a country like Egypt?

The Suez Company and Foreign Capital in Egypt

There is no doubt that the Suez Canal was an impressive undertaking. It was an infrastructure project on a scale never seen before, the biggest in the world when completed in 1869. It vastly expanded transportation and trade in the area and announced a new era of "globalization."[16] It also gave French and British imperialists a tool of empire, a way to control a key country of the Middle East and extend that control to other parts of Asia.

The canal was built in the context of a nineteenth-century Egypt experiencing a strong wave of foreign capital investment. This flow of money was due, in part, to a cotton boom that followed the rise in staple prices and to the decrease in world supply of cotton during and after the American Civil War.[17] The opening of the Suez Canal reinforced Egypt's

15. François Charles-Roux, "Ce qui disparaît avec la Compagnie Universelle du Canal maritime de Suez," *La Nouvelle Revue Française d'Outre-Mer* (March 1957): 1–8.

16. André Siegfried, *Suez, Panama, et les Routes Maritimes Mondiales* (Paris, 1948).

17. Edward Roger John Owen, *Cotton and the Egyptian Economy, 1820–1914: A Study in Trade and Development* (Oxford, U.K., 1969).

strategic position on the road to India. In the minds of colonial planners, Egypt became a place of keen interest, with new potential for commercial opportunities and profits.[18] To Egyptians as well, the canal seemed to offer new opportunities for further economic development. The viceroy of Egypt, Mohammed Ali, encouraged exchanges between his country and Europe during his reign from 1805 to 1848. He sought to import the human skills and techniques necessary to transform his country into a modern economy. European investments took the form of limited liability companies, which benefited from favorable policies such as exemption from taxes and protection from interfering local legislation. Ali's proinvestment sentiment was shared wholeheartedly by Europeans, who presented internationalism and commerce as assets that would allow underdeveloped countries to achieve "civilization."[19]

In 1858, four years after obtaining the concession for the canal, the Suez Company became, along with the Bank of Egypt, the first limited liability joint-stock company of Egypt. The company was governed by the French limited liability company principles, according to Article 16 of the 1856 Edict, since the limited liability company had yet to be defined in Egypt. It was made clear, though, that the company was subject to Egyptian law, on account of its nationality. With the 1875 Egyptian judicial reform, however, nationality became dual rather than indigenous, and conflicts with locals came under joint courts.[20] The matter became even more complicated with the Constantinople Conference of 1888, which established the neutrality of the canal and the international value of the services rendered by the company.[21] The Suez Company now claimed a new identity, saying this time that it was "international." These distinctions are important since ambiguities as to the nationality of the company stood at the heart of the controversies opposing it in Egypt during the concession period. If the company was Egyptian, then it would be subject to the laws of that country. If it was international, it had no obligation to the Egyptian government, greatly increasing the firm's freedom of action.

Forming a French Preserve on Egyptian Soil

"The canal belongs to Egypt and not Egypt to the canal" was the maxim repeated over and over again by the viceroys Saïd (1854–1863)

18. David Landes, *Bankers and Pashas. International Finance and Economic Imperialism in Egypt* (London, 1979).

19. Lord Cromer, *Modern Egypt* (London, 1908).

20. *Les juridictions mixtes d'Egypte. Le livre d'or. Cinquantenaire des tribunaux mixtes* (Alexandrie, 1926).

21. Douglas D. Farnie, *East and West of Suez*: *The Suez Canal in History, 1854–1956* (Oxford, 1969).

and Ismaïl (1863–1879), who tried to avoid colonial domination by France, which relied on the strategic position of the canal. It was clear to the viceroys that the Suez Company had to be an Egyptian company and had to serve Egypt. Yet all through its history the company remained foreign, primarily because of its directors and because of its beneficiaries. The company prided itself on being cosmopolitan, with a Board of Directors from some dozen different nationalities, though all European. Only after World War II were Egyptian administrators allowed to participate.[22] The right to appoint the director, though formally given to the Egyptian government in the Edict of 1856, similarly fell into European hands. Original concession provisions, such as consultation with Egypt about toll rights, also fell into disuse.[23]

Financially as well, the company was foreign. In 1858 the company's capital stood at 200 million francs, made up of 400,000 shares of 500 francs each. Viceroy Ismaïl purchased 176,602 shares, or 44 percent of the total. According to Article 5 of the concession, the viceroy, being the licensing authority, had a right to 15 percent of total disposable income. But the arrangements that linked the interests of the viceroy to those of the company soon disappeared. In November 1875, British Prime Minister Benjamin Disraeli bought the Egyptian shares in the name of the British government for 4 million pounds, and in 1880, the right to 15 percent of the income was yielded to the Crédit Foncier de France for 22 million francs.[24] Egypt was left with only the benefits of the common domain and a 30,000 francs annual payment, a sum fixed for forty-eight years by the Edict of 1856 and extended to seventy-eight years in 1893. Thus, at the beginning of the 1880s, the company was rid of almost all of its financial obligations toward Egypt. It was under the financial control of France and Great Britain, the owners of 56 and 44 percent of the shares, respectively, and holders of the majority of seats on the Board of Directors. In the period from 1883 to 1914, the Suez Company did not really have any reason to deal with the Egyptian government.

As the flagship of French influence in Egypt, the Suez Company stood proud against the British, who had been colonial masters of the country since 1882. Even though the British were substantial shareholders of the company, they were extremely distrustful of this

22. Activité du Conseil d'Administration Depuis la Fondation de la CUCMS, Private Archives of the Suez Company, CAMT, 199500600633.

23. Boutros Boutros-Ghali and Youssef Chlala, *Le Canal de Suez, 1856–1957* (Alexandrie, 1958).

24. Samir Saul, *La France et l'Egypte de 1882 à 1914: Intérêts Économiques et Implications Politiques* (Paris, 1997).

mini-French state in the middle of their empire.[25] The company was run by great names of the French colonial elite, which gave the concession the air of a French colony. This was readily apparent when Ernest Renan, a member of the French Academy, congratulated Ferdinand de Lesseps, builder of the canal, for his civilizing work, work worthy of the great French colonial mission.[26] Suez Company presidents following de Lesseps belonged to associations working for the colonial future of France: the Prince d'Arenberg, for example, was president of the Union Coloniale, and Celestin Jonnard, after working for the company, became governor of Algeria. As a consequence, a French colonial ideology pervaded the company. The image of the company as a "state within a state," however, also had the effect of mobilizing Egyptian public opinion against the Suez Company.[27] As the colonial nature of the French business enterprise grew, the canal and its operating company seemed more remote than ever from local Egyptian interests.

Portrait of a Colonial Company: Structure and Strategy

Formally, then, the Suez Company developed in ways that rendered it remote from the interests of Egypt and gave it the appearance of a true colonial enterprise. But how exactly did the company operate and behave? What was the connection between its formal structure, its place in its environment, and its strategy, structure, and operations? Organizational theorists have long argued that the environment shapes a company's operations in significant ways.[28] To fully understand the impact of the Suez Company on Egypt, the connection between the firm's environment, its commercial strategy, and its structure must be established. It is especially important to know whether the firm was responsive to its local environment, or whether its structure was too rigid and impervious to adapt to the needs of its host country.

25. The British authorities in Egypt adopted a hostile attitude about prolonging the Suez Company's concession. Archives of the French Foreign Office, Paris, France, Correspondance Politique et Commerciale, Egypte, Canal de Suez, 37–39.

26. *Discours de Réception de Ferdinand de Lesseps* [printed speech], Séance de l'Académie Française du 23 Avril, 1885 (Paris, 1885).

27. Expression popularized in a speech given by Gamal Abdel Nasser in Alexandria on July 26, 1956.

28. Alfred D. Chandler, Jr., *The Visible Hand: The Managerial Revolution in American Business* (Cambridge, Mass., 1978). Also see Henry Mintzberg, *The Structuring of Organizations: A Synthesis of the Research* (Englewood Cliffs, N.J., 1979).

The Classic Structure of a Nineteenth-Century French Company

The structure of the Suez Company was set by statutes, approved by the viceroy of Egypt, Saïd Pacha, on January 5, 1856. The four main organizational elements of the firm were the Annual General Meeting of Shareholders, the Board of Directors, the Management Committee, and the Superior Agency (see Figure 1).

The Annual General Meeting of Shareholders welcomed any person who owned more than twenty-five shares. The nomination of administrators, approval of accounts, and fixing of the dividends each required a two-thirds majority vote of shareholders at the annual meeting. Other topics taken up at the annual meeting were new concessions, modification of the statutes, and loans.

The Suez Company Board of Directors was composed of thirty-two members nominated at the Annual General Meeting of Shareholders. These directors served for eight years and met at least once a month. Every year, the Board of Directors elected a president and three vice-presidents.[29] The Board's main role was to rule on proposals

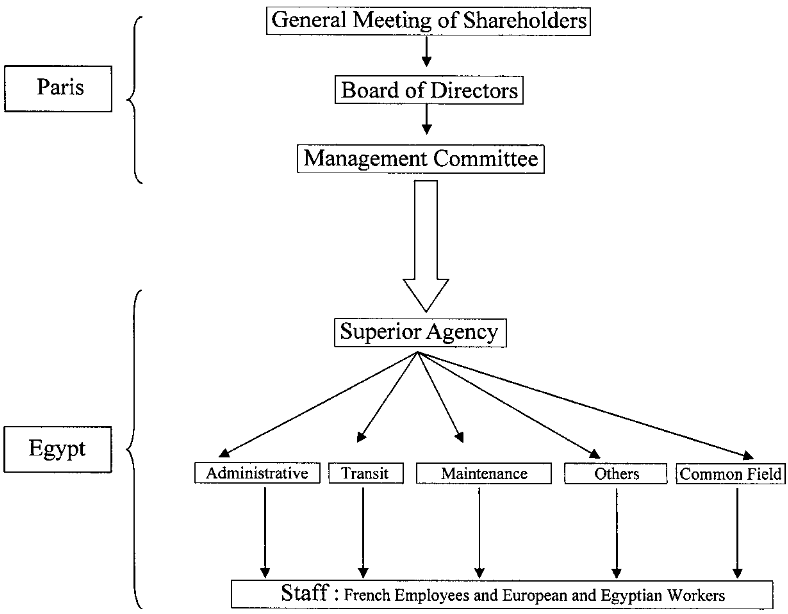

Figure 1 Organizational Chart of the Suez Company from 1890 to 1948. Constructed from Suez Company Archives.

29. The presidents of the company were Ferdinand de Lesseps, 1858–1894; Jules Guichard, 1894–1913; the prince d'Arenberg, 1896–1913; Celestin Jonnard, 1913–1927; the marquis de Vogué, 1927–1948, and François Charles-Roux, 1948–1956.

from the Management Committee, as well as handle nominations, approve investments, fix tariffs, and review budgets.

The Management Committee consisted of the president of the Board of Directors, the top company manager, and four administrators. It met at least once a week, and the number of its permanent members could vary. It was the true managing organ of the company and was in constant contact with the Superior Agency in Egypt.

Finally, the Superior Agency managed the Egyptian departments under the control of the Parisian directors. The Egyptian departments were in charge of all the company's activity in Egypt, including the improvement and the operation of the canal. In 1948 the Superior Agency lost its role of coordination and simply administrated the company in Egypt.

The Suez Company's structure consisted of the Paris executive branch in control of an organizational hierarchy, with lines of authority running to the various heads of services in Egypt, and to an operational staff. This scheme corresponded with the classic organization of French companies in the late nineteenth century, according to Henri Fayol's model.[30] Fayol proposed a rational management structure following four main principles: anticipation, organization, coordination, and control. Suez applied this rational management form. Organization and coordination were essential for managing the scattered services and for controlling a company whose direction was in France and whose operations were far away in Egypt. This was the same organization used in French railway companies, where, interestingly, most engineers of Suez had begun their careers.

The company distinguished between its service-rendering mission (operating and controlling navigation) and its industrial activities (maintenance and improvement of the canal). As far as the coordination of tasks was concerned, the company was characterized by a separation between the leadership in Paris and the operations in Egypt. But direct supervision and a standardization of tasks allowed the metropolitan leadership to have tight control over operations.[31] This was the classic scheme for a colonial administration. Direct supervision of the company from Paris, however, was hard to implement in practice. Development of standardized processes helped to overcome some of these difficulties. Recruitment of personnel, organization of offices, and division of tasks and posts were strictly regulated by the executive branch in Paris. The tasks were divided and distributed among section heads, foremen, assistant foremen, shop foremen, first section heads, and second section heads. In these regards, the Suez Company was

30. Henri Fayol, *L'Administration Industrielle et Générale* (Paris, 1918).
31. See Mintzberg, *The Structuring of Organizations*.

quite an ordinary nineteenth-century French firm, similar to railway companies, with tasks clearly defined and using an organizational structure that assigned everyone a specific role inside the company.[32]

Over time, direct control decreased in the Suez Company's formal organizational structure. At first, the president-manager, Ferdinand de Lesseps, who knew Egypt well and was an operations man, exerted great control over the activities of the Egyptian services. Since he was head of the Management Committee and of the Board of Directors at the same time, he could manage the company in an almost authoritarian way. After the Panama scandal of May 1891, however, in which de Lesseps was accused of financial misdeeds, the managing and presidential functions were separated.[33] Real managing power now belonged to the head of the Management Committee, though his decisions were still subject to approval by the president.

Nevertheless, in several important ways, Paris retained direct control over the Egyptian departments. Although company statutes indicated that Egypt was the host country of the company's executive branch, in fact the real executive branch remained in Paris all the time.[34] The Egyptian departments had to merely implement decisions made in Paris. This separation between a Parisian executive branch and activities taking place entirely on Egyptian soil was an essential element of the organization of the company. Subsequently, the executive branch closely watched the Egyptian departments, in spite of the hindrance of geographical distance. When Jacques Georges-Picot, former finance administrator, joined the company in 1937, he worried about the lack of communication between France and Egypt.[35] This separation of the executive functions from Egypt was an essential element in the difficulties the company experienced as the political situation changed in Egypt. The executive branch was unfamiliar with the country, and the traditions of the company made relations between the place of decision and the place of activity too rigid. Top officials of the Suez Company made their careers either in France or in Egypt, which did not encourage a deep knowledge of the company in Egypt. This system, which was set up at the end of the nineteenth century, remained unchanged until President François Charles-Roux and Jacques Georges-Picot decided on a change of

32. François Caron, *Histoire de l'Exploitation d'un Grand Réseau: La Compagnie des Chemins de Fer du Nord, 1846–1937* (Paris, 1973).

33. Jean Bouvier, *Les Deux Scandales de Panama* (Paris, 1964).

34. Statutes, *Compagnie Universelle du Canal Maritime de Suez* (Paris, 1924).

35. Jacques Georges-Picot became executive director in 1953. He wrote about his experience in the company in two books: *La Véritable Crise de Suez: Fin d'une Grande Oeuvre du XIXème Siècle* (Paris, 1975), and *Souvenirs d'une Longue Carrière de la rue de Rivoli à la Compagnie de Suez, 1920–1971* (Paris, 1993).

strategy in the twilight years of the company in the 1950s, encouraging the mobility of careers between France and Egypt.[36]

A Strategy Subject to Political Vagaries

The strategy of the Suez Company evolved with the political events shaking Egypt. So long as the country was calm, the company did not care much about Egypt. But following the 1936 Anglo-Egyptian Treaty, the political climate deteriorated and became quite dangerous for the company, whose top priority was now to keep its freedom of action against attacks from the Egyptian government. During the company's last sixteen years of activity, from 1940 to 1956, popular unrest and nationalist protest were so strong that the main issue for the firm was its very survival in the country. The 1936 treaty provided for the concentration of the British troops along the Suez canal. It associated the Suez Company, in the eyes of Egyptians, with the occupying forces. After World War II, violent student demonstrations denounced the treaty, and the Egyptian political community rejected it in 1951, driving the country into guerilla war and sabotage acts against the British army. In 1952 the Free Officers took power during the Twenty-Third of July Revolution, which only worsened the situation.[37] Gamal Abdel Nasser launched into negotiations with the British, leading to the 1954 treaty, providing for the withdrawal of British forces the following year. The canal suffered greatly during this struggle between the Egyptians and the British, forcing the company to adapt to a difficult situation.

Notions of internal and external coalitions can shed light on who had influence on the company's decision making in this period.[38] The internal coalition was made up of the executive branch in Paris, the hierarchical middlemen in Egypt (top administrative officer and section heads), and the staff and their unions. The external coalition was made up of shareholders, customers (ship owners), British authorities, the licensing authority (Egypt), and Egyptian public opinion (mainly the press).

In the internal coalition, power at the top positions held by the French remained predominant well into the mid-1930s. This was particularly visible in the official publications of the company, which were keen to stress the privileged situation and advantages enjoyed by French employees, such as high wages, holidays, and a

36. Jacques George-Picot, Notes et Correspondances Diverses, Private Archives of the Suez Company, CAMT, 19950600716–19950600718.

37. *Free officers* is the name given to the officers who made the revolution of 1952, the most famous of whom were Nasser and General Neguib.

38. On notions of internal and external coalitions see Henry Mintzberg, *Power In and Around Organizations* (Englewood Cliffs, N.J., 1983).

good standard of living. But the turn of the 1930s witnessed the birth of powerful unions, of virulent nationalist associations, and of small but organized Islamic groups.[39] Egyptians sought the end of wage discrimination between foreigners and locals, especially the discrimination against Egyptian workers in the company's staff. Complaints by Egyptian staff and their unions grew louder and louder, and eventually brought about a change in the company's policies and financial strategy. In 1937, for example, the company granted Egyptian laborers a greater portion of the staff expenditures. Public relations took greater cognizance of the sensitivities of the Egyptian staff. These were radical breaks with the company's traditional policies.[40] The picture of a statue of Ferdinand de Lesseps on the front page of its publications was replaced by that of King Farouk, and emphasis was laid on the company's social policy in favor of its Egyptian workers and on the company's contribution to the economic growth of the country.[41]

The traditional line of conduct of the company was to favor shareholders and ship owners, while securing the support of the British government. Ever since Britain first occupied Egypt in 1882, relations between the British government and the Suez Company had been ambiguous and discreet. In 1883 the British government had negotiated the entry of its administrators into the company, along with the opening of an office in London. The British government's influence in the company was limited to the interests of its ship owners, the main users of the canal. But Britain did not want to give too much power to a French company in Egyptian policy. That was why Britain remained aloof from negotiations between the company and the Egyptian government. For its part, the company facilitated the renting of its buildings for use by the British troops settled in the canal zone, but remained entirely sovereign as far as its internal management was concerned.

With an independent Egypt after the 1936 Anglo-Egyptian Treaty, state and public opinion grew in importance, although it took the company a long time to modify its old ways. By the end of the 1940s, however, the company understood that it was essential for Egypt to share in the economic benefits if the company wanted to continue to operate in the country. The external means of influence used by Egypt on the firm multiplied. First, there were formal constraints,

39. Joel Beinin and Zachary Lockman, *Workers on the Nile: Nationalism, Communism, Islam, and the Egyptian Working Class, 1882–1954* (Princeton, N.J. 1988).

40. Brochure on American Enterprises, Private Archives of the Suez Company, CAMT, 1995060 0834.

41. *Le Canal Maritime de Suez. Note, Tableaux et Planches*, CUCMS, (Paris, three eds., 1908, 1937, and 1950).

including requirements that the Suez Company submit to a new legal and financial system, introduced in 1939. After January 26 of that year, the company was subject to an annual 7 percent tax on profits. Egyptian administrators also took a greater role in management. Departments of the Egyptian ministry in charge of the so-called Suez question demanded total openness of the company's accounts and records. Beginning in the autumn of 1947, the Ministry for Commerce and Industry started enforcing legislation with the creation of the Office for Societies. On September 2, 1952, the same ministry established a department in charge of the Suez Company's activities. On October 7, this control was reinforced by the creation within the Ministry for Commerce and Industry of a department for checking company compliance with agreements between the company and the Egyptian government.[42] Moreover, in September 1954, the ministry proposed a scheme for creating a body analogous to the existing Consultative Committee, which would comprise representatives from the different ministries having an interest in the canal, the commissioner, and Egyptian administrators.[43]

The creation of such departments shows that management of the canal was influenced by the Egyptian state apparatus well before its nationalization. Nationalist and unionist groups applied indirect but very influential pressures. Many nationalist or Islamic unions were created in the 1930s and challenged the company workers' most powerful union, the Phoenix.[44] The most violent was the Muslim Brothers, created in 1928 in Ismaïlia, the symbol-city of the Suez Company. The press too played a big part in the agitation, since it maintained constant pressure on the company, most notably with a propaganda campaign organized in 1952, contesting the legitimacy of the company in Egypt.[45]

Despite these new forms of external pressure and clear warnings of local discontent, the Suez Company actually changed its mode of operation very little. It took little account of the depth and specificity

42. During the twentieth century the company had several agreements with the government. These included agreements about the railroad between Ismaïlia and Port-Saïd (1 Feb. 1902), about company accounts and prices (18 May 1936), about the Egyptian staff in the company and also a special agreement concerning the application of the 1947 Act on Limited Liability Companies (7 March 1949). Private Archives of the Suez Company, CAMT.

43. Activité du Conseil d'Administration depuis la Fondation de la Compagnie, Egypte, Private Archives of the Suez Company, CAMT, 1995060 0633.

44. Archives of the French Embassy in Cairo, Centre des Archives Diplomatiques de Nantes (CADN), France, 511.

45. The most virulent journalist against the company was Mustafa Hefanoui, but Wafdist newspapers, and the group of the Muslim Brothers were particularly violent against the company. Analysis of Egyptian Press, Private Archives of the Suez Company, CAMT, 1995060 1087.

of the new demands coming from a more nationalistic Egyptian environment after World War II. Postwar reforms mainly concerned the internal organization of the company, and were inspired by the model of big American firms, a model asserting itself in Europe at the same time.[46] But this internal reorganization, however efficient, took the company a step further away from the political realities of the country. In 1948 the Egyptian departments were directly linked to the Paris executive branch. They became totally independent of local control and influence. At the same time, the Superior Agency lost its role in overall management of the departments in Egypt. Thus the Parisian point of view was privileged. Instead of favoring greater integration of the company with the country, the Paris Board of Directors exerted greater direct control over local operations. Despite warnings by the section heads, the company never managed to enter the political and economic networks of Cairo and Alexandria. It grew isolated and remained more than ever a French preserve, keeping apart from the national economy.

The Confrontation between Concession and National Construction

The Egyptian public came to understand that infrastructure was a sort of skeleton for the country and that the Suez Canal was its spinal cord. The canal was seen as the key to having a strong independent economy. But Egyptian public opinion also came to believe that the concession system denied the country any benefit from this infrastructure. The canal seemed to be serving the financial and strategic interests of France and the stockholders, not the local economy. From Orabi Pacha's Revolution in 1882 to the nationalization of the canal in 1956, Egyptians had manifested a strong hostility against foreign administration of the Suez Canal. The negotiations in 1910 and 1928 to prolong the concession were accompanied by extremely violent press campaigns and involved even the assassination of the Egyptian Prime Minister Boutros Ghali in 1910.

As Third World nations denounced imperialism, in Egypt and elsewhere, the Suez Canal became an issue of economic nationalism. Two conceptions of the canal clashed. For Europeans it was an international infrastructure, the first of its kind, heralding the globalization of transportation and commerce. For Egyptians, it was a

46. Dominique Barjot, ed., *Catching Up With America: Productivity Missions and the Diffusions of American Economy and Technological Influence after the Second World War* (Paris, 2002).

national asset, absolutely necessary for building a new independent economy. Egyptians drew a clear line from concession to colonization, and demanded return of the canal to national management. Negotiations in the 1930s on the principle of the Egyptianization of the staff and the training of skilled agents show that the concession system was perceived as a temporary system inherited from a bygone era, whose breakdown had to be accelerated. Such claims corresponded to a period of virulent economic nationalism and strong denunciations of imperialist exploitation by Westerners. The whole of the Middle East launched into movements of national liberation, often accompanied by a determination to control their own economic wealth. The Iranian people loudly protested against the British exploitation of their natural resources, chiefly petroleum, and demanded nationalization of oil concessions well before 1951 when nationalization finally took place.[47] Likewise, Gandhi's campaigns in India created a considerable stir in Egypt, and nationalist groups called for the boycotting of foreign goods, following the Indian nationalist strategy.[48]

Law was used in Egypt to compel concessionary companies to participate in the national economy. The 1947 Act on Limited Liability Companies promoted Egyptianization of foreign companies. This was a new step toward economic nationalism and appropriation of the productive apparatus.[49] The 1947 act was at the center of violent debates and negotiations for two years. It contained two essential points. First, article 4 stated that 40 percent of the administrators in the Board of Directors had to be Egyptians, and that 75 percent of employees' posts and 90 percent of workers' posts were reserved for Egyptians (this would represent 65 percent and 80 percent of the wage bill, respectively, according to article 5). Second, article 6 provided that 51 percent of the capital stock be given to locals.[50] In foreign business circles words like *discrimination* and *hindrance of free trade* were bandied about in reaction to these provisions.

The Suez Company, to circumvent this legislation, pleaded its international role and status. Egyptians rejected the argument outright, since it meant a clear compromise of national sovereignty. It was indeed under this pretext, protecting the international canal, that the

47. Richard Cottam, *Nationalism in Iran* (Pittsburgh, Pa., 1979).

48. Refer to the writings of the Egyptian nationalist Sâlama Mûsâ, *Gandhî wa l-haraka al-hindiyya* [Ghandi and the Indian Movement], (Cairo, 1932).

49. The analysis of this act is developed in Ghislaine Alleaume, "La Production d'une Économie Nationale: Remarques sur L'histoire des Sociétés Anonymes par Actions en Egypte de 1856 à 1956," *Annales Islamologiques* 31 (1997): 1–16.

50. Private Archives of the Suez Company, Relations with the Egyptian Government, CAMT, 1995060 1664.

British took hold of the country. Egyptians saw in the company's arguments little more than a way to refuse to hand over management of the canal to Egypt at the end of the concession period. They also pondered the example of the nationalization of the oil companies in Iran in 1951. For want of local technicians, Iranians had to replace British technicians with American ones. Technical dependence had prevented the Iranians from taking their natural resources back into their own hands.[51] Egyptians wanted to avoid such a scenario at all costs. Accordingly, the government focused on the issue of the training of Egyptian technicians, understanding that the future of Egypt was at stake.

Training the Staff: Toward Technical Independence

In *The Tentacles of Progress: Technology Transfer in the Age of Imperialism*, *1850–1940*, (1988), Daniel R. Headrick focuses on technology transfers between industrialized countries and developing countries. He particularly concentrates on the question of access to new technologies for native populations, and on their diffusion. In many cases he notes a clear-cut division between technology transfer and diffusion, for diffusion takes place only through the education and training of local populations. Did technology transfer serve the great philanthropic cause of "Progress," as Saint-Simonians devoutly wished, or did it create long-lasting processes of dependence, securing for developed countries economic and political domination over developing countries? On a smaller scale the same question is relevant for the Suez Company. The technical capacity of Egyptians to manage the canal after the end of the Suez Company is an essential element in assessing the concession. The company rarely invested in Egypt, and served only the interests of foreign shareholders. But did it allow the training of skilled technicians?

Since Mohamed Ali founded the Egyptian *Polytechnique* School in 1844, there have been quite a number of engineering schools in Egypt, where French engineers, trained in the state-run colleges of France, played a major role. As a result, all through the nineteenth century there was a genuine diffusion of knowledge and technique throughout the Egyptian population. But British domination in 1882 put an end to that and marked the start of a decline in the training and education of the local population. Likewise, the Suez Company did not make many efforts as far as training and education were concerned. From its very beginning, the company employed only European engineers. Until the 1936 treaty, the Egyptian staff was almost exclusively

51. James A. Bill and William M. Roger Louis, eds., *Musaddiq, Iranian Nationalism and Oil* (Austin, Texas, 1988).

composed of unskilled workers. Still, Egypt's real stake for the future rested with the training of elite agents and technicians, people who would be able to run the canal once it was handed over to Egypt.

This Egyptianization of the staff was a crucial precondition for the transition to Egyptian control. Egyptians should hold high positions within the company in order to prepare them to run it in the future. From the Egyptian viewpoint the company had to pass on its knowledge and experience to its agents, without restrictions. The government therefore pressured the company into employing Egyptian nationals and providing quotas for high-ranking jobs. Nevertheless, company management did not bother to prepare for the transition, for it simply thought Egyptians, even when trained, were incapable of running the canal on their own.[52] The Suez Company thus evaded the problem. This error of judgment was obviously a source of irritation for the Egyptian government, which accused the company of willingly ousting nationals from high-ranking jobs and of trying to free itself from its responsibilities toward Egypt. Disagreements about the objectives of the concession were brought to light.

Company officials argued that, because local staff lacked the training of the Europeans, it was not possible to recruit significant numbers of Egyptians for skilled work and technical positions. It was difficult to find Egyptians whose training corresponded to these jobs. The Suez Company never fully developed a policy of training for its skilled staff, preferring to recruit people trained in Europe. If in many ways the Suez Company represented "a total enterprise" in the area of the canal, it failed to extend its control to the training of its workforce.[53] The small amount of training that existed was for apprentices within its general workshops, and this training was always reserved for the sons of company workers, especially the sons of Italian or Greek workers. Even this number was extremely limited; fewer than ten people a year passed the competitive examination leading to a post with the company. As Table 1 shows, the measures of Egyptianization were less effective concerning captain-pilots in charge of navigation, and foremen and assistant foremen who had posts of authority and organization in the workshops. Access to key posts for Egyptians was indeed filtered and slowed down by company management. The highest post given to an Egyptian was that of principal agent in charge of transit, but it was late in coming, given in June 1956.[54]

52. François Charles-Roux, correspondances, Private Archives of the Suez Company, CAMT, 19950600976- 19950600977.

53. This is close to the model of a French firm in Agnès d'Angio, *Schneider & Cie et les Travaux Publics, 1895–1948* (Paris, 1995).

54. Note about the Egyptianization of the staff, Private Archives of the Suez Company CAMT, 1995060 1704.

Table 1 Egyptian and Non-Egyptian Staff Employed from 1936 to 1955

	1936	March 1949	January 1955
Employees			
Egyptian	13 (3.4%)	141 (31.5%)	262 (50.2%)
Non-Egyptian	371	306	260
Doctors			
Egyptian	—	3 (27.3%)	9 (52.9%)
Non-Egyptian	10	8	8
Captains-pilots			
Egyptian	—	10 (7.1%)	28 (15.4%)
Non-Egyptian	106	131	154
Marine agents and staff			
Egyptian	—	3 (10.7%)	22 (42.3%)
Non-Egyptian	22	25	30
Foremen/assistant foreman			
Egyptian	1 (2.9%)	1 (2.9%)	3 (4.8%)
Non-Egyptian	34	34	39

Note: The percentages represent the part of such category in relation to the total workforce of the category.

Source: Note on Egyptianization of the Staff, archives of the CUCMS, CAMT, 1995060 1704.

Nonetheless, Egyptian pilots and technicians proved perfectly able to run the canal in 1956. From one perspective, the activity of the Suez Company was profitable to the country, since the once desert area had been turned into an economic zone integrated into the national economy. Yet it must also be acknowledged that this was possible only because of the constant pressure exerted on the company by the Egyptian government and public opinion in the 1940s and 1950s. The contribution of the company to the country is indisputable; at the end of the nineteenth century, the concession system was the only way for Egypt to be equipped with the Suez Canal. Concession may thus have been a way to modernization through basic equipment and infrastructure, but in holding up the training of local technicians the company made the country dependent on its expertise and prevented Egypt from attaining economic independence. Only the pressure exerted by the government put an end to this situation. The issue of local staff training reveals that the logic of the concession system was one of substitution and replacement, and not one of aid for autonomous national development and modernization.

On July 26, 1956, Gamal Abdel Nasser announced the nationalization of the Suez Company, after the refusal of the Americans and of the International Bank for Reconstruction and Development (IBRD) to finance the Assuan Dam. Following the nationalization of oil companies in Iran, Egypt took back an essential element of its economy, which resulted in the tripartite Anglo-Franco-Israeli campaign to invade Egypt. After the failure of this military campaign, the Suez Company, having received a significant compensation of 28.3 million Egyptian pounds (34 billion francs) from the Egyptian government, became a financial company named the *Suez*.[55] Shareholders received 27 percent of this compensation and got back all the money they had invested. The Suez Canal was taken over by the state and, except for its closing in 1967 for six years because of the Israeli-Arab conflict, it has remained an important asset of the Egyptian national economy to the present. After tourism, the Suez Canal remains Egypt's second largest source of foreign currency.[56]

This study of the Suez Canal in Egypt supports Daniel R. Headrick's conclusions. Many new technologies brought by Europeans were beneficial to local populations, especially road networks, housing, water and sewerage systems, and electricity. However, the concession experience shows that the transfer of these technologies did not lead to their cultural diffusion. Investments were made in physical, but not human, capital. Thus the concession system appears less as an instrument for the spread of global capitalism to all nations, and more as a tainted form of "colonial" capitalism. The concession did not serve the national economy, but, on the contrary, favored European capital, widening the gap between the economic structures of rich and poor countries.[57]

55. Hubert Bonin, *Suez, du Canal à la Finance* (Paris, 1987).

56. See *Annual Reports of the Suez Canal Authority*, Arab Republic of Egypt. Cairo.

57. The issue of the impact of the Western economy on the rest of the world was raised by the historian and economist Paul Bairoch, as early as the 1970s. See Bairoch *Révolution Industrielle et Sous-Développement* (Paris, 1974). Also refer to Antony G. Hopkins, *Two Essays on Underdevelopment: From Modernisation to Underdevelopment* (Genève, 1979); and Michael Havinden and David Meredith, *Colonialism and Development: Britain and Its Tropical Colonies 1850–1960* (London, 1993).

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