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The Suez Company's Concession, 1854-1956: Creating Modern Infrastructure, Destroying the Potential of the Local Economy

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For more than a century, the Suez Canal Company's concession in Egypt was a French preserve, reflecting the role of the concession system there. Supported by favorable legislation, concession was the most widespread European business practice in Egypt. The system provided a way for Egypt to acquire modern infrastructures; the European contribution was a necessity, especially for digging the canal. The effect of the Suez Company is indisputable—the desert of the Suez isthmus was turned into a true economic area with ports, cities, and a labor force, and the region was progressively linked to the rest of the country via a road network. At the same time, however, the concession system denied the country any benefit from the infrastructure it created: the canal had to serve the financial and strategic interests of the company, not those of the local economy. The Suez Company thus embodies all the contradictions of the concession system, providing the country with a modern infrastructure while hindering the development of a national economy.

In the nineteenth century, the incredible expansion of industrial Europe was accompanied by a redefinition of its areas of influence, political as well as economic.[1] National economies changed in scale with the conquest of overseas territories and the whole world—even the most remote regions of Asia and Africa—grew into a global economic market dominated by the rules of European capitalism. Large European companies looked far and wide for economic spaces in which they would find both raw materials and outlets for their surplus products and capital.[2] In order to reduce costs, such activities were followed by the relocation of enterprises to countries

[1] Ronald Robinson and John Gallagher, "The Imperialism of Free Trade," *Economic History Review*, 2d ser., 6 (1953-1954): 1-15.
[2] Alfred D. Chandler, Jr., *Scale and Scope: The Dynamics of Industrial Capitalism* (Cambridge, Mass., 1978).

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devoid of constraining legislation and where the work force was cheap.[3] At the same time, to facilitate their economic expansion, the industrial capitalist states launched systematic colonial conquests.

This globalization of the European economies could not have occurred without a revolution in transportation that altered traveling conditions and shortened distances, and, most important, modified people's vision of the world: now no place was out of reach.[4] Regions that had been left out from development, or even those that were uninhabited, attained international importance—as was the case with the Suez isthmus, a desert that had been crossed only by camel caravans since antiquity. With the digging of the shipping canal, Suez became a major strategic site on the road to India, between the African and Asian continents.[5] Such infrastructural projects were bound to be managed by Europeans, primarily for technical reasons—only Westerners had the necessary tools and skills to carry out the work—but also for economic reasons, because Europeans had the capital indispensable to the development and modernization of these remote areas.[6]

Thus the expansion of European financial and human capital took place within the framework of an "informal empire," dissociated from the areas of official colonization.[7] The concession system was often the means of the economic takeover of these regions. Concession is a contract or a convention whereby a state grants to a private company the management of a public service;[8] in African, Asian, or Middle Eastern countries, European companies took advantage of the weakness of the local states to secure long-lasting monopolies.[9] This practice was encouraged by the absence of prohibitive legislation or by the presence of legislation that favored foreign privileges.[10] Moreover, these concessions, being self-

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[3] Lord Hayley, *The Future of Colonial Peoples* (Oxford, 1944).
[4] Daniel R. Headrick, *The Invisible Weapon: Telecommunications and International Politics (1851-1945)* (Oxford, 1991).
[5] John Marlowe, *The Making of the Suez Canal* (London, 1964); Judd, *The British Imperial Experience from 1765 to the Present* (London, 1996).
[6] Daniel R. Headrick, *The Tools of Empire: Technology and Europe Imperialism in the Nineteenth Century* (Oxford, 1981).
[7] Expression rendered famous by E. R. Fay, in *Cambridge History of the British Empire* (Cambridge, U.K., 1946), 2: 399.
[8] Concession is a French designation similar to the English appellation BOT (Build, Operate, and Transfer). See Claude Bettinger, *La gestion déléguée des services publics dans le monde: concession ou BOT* (Paris, 1997).
[9] For the Suez Company, 99 years. The oil concessions also spread over decades: for example, 75 years for the Iraqi concession of the Turkish Petroleum Company, granted in 1925, and 75 for the Kuwait Oil Company granted in 1934. 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.

contained, looked like real foreign colonies—business logic was mixed with colonial ideology. That is why the concession, in principle supposed to modernize and develop a region, soon became an instrument of colonial domination. The form contributed to the establishment of particular economic structures that had little impact on the local economy, since they mainly benefited European capital interests.[11] A dual economy could then be found in one territory: that of the concession companies, which fitted into the global economy, and that of the national economies, which remained marginal and were doomed to stagnate. It has to be considered, therefore, whether the concession system allowed the integration of an underdeveloped region into the globalization movement, thus contributing to a state's modernization, or whether, on the contrary, concessions led to a country's marginalization from the process of development in the long run.

The Companie Universelle du Canal Maritime de Suez (usually called the Suez Canal Company, or CUCMS) is a good example of the contradiction between modernization and colonial logic inherent in the concession system. The Suez Canal Company's concession marked the history of Egypt for a long time. After the firman (decree) of 1854, which granted the right to construct and operate the canal, the company rapidly became the most important European concession in Egypt, both because of the area it controlled (14,714 hectares by 1886) and because of the profits it made.[12] Against its will, it became the symbol of foreign exploitation and economic imperialism in Egypt, accused of being a state within the state and of plundering the country. That is why 1956, the date of the nationalization of the Suez Canal, is the date symbolically retained for Egyptian independence. To the Egyptian people, the Suez Canal Company's concession was the instrument of the dispossession of their economy and of the exploitation of their territory for the benefit of European capital.

On the other hand, the French argued that the company put real effort into Egypt's modernization. The company claimed that it made an essential contribution to the development of the Suez region, from the digging of the canal to the creation of road and rail networks to the

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This system was progressively extended to all foreigners, granting them judicial protection and tax exemption. See Georges Meyer, *L'Egypte contemporaine et les capitulations* (Paris, 1930).

[11] Other examples include tin mining in Malaya and the iron mines in the Congo. These companies participated in the global economy and had little impact on the local economy. See Wong Lin Ken, *The Malayan Tin Industry to 1914* (Tucson, Ariz., 1965), and Jean-Luc Vellut, "Mining in the Belgian Congo," in *History of Africa*, ed. David Birmingham and Phyllis M. Martin, 2 vols. (London, 1983), 2: 126-62. See also Catherine Coquery-Vidovitch, *Le Congo au temps des grandes entreprises concessionnaires, 1898-1930* (Paris, 1972).

[12] Company assessments, Private Archives of the Suez Company, Centre des archives du monde du Travail (CAMT), 199506024-025, Roubaix, France.

planning of the harbors and the three cities on the canal.[13] The administrators of the company also insisted that there was a spin-off of higher-than-average salaries over the whole region. This assessment, however, does not take into consideration such dark areas as the company's lack of investments in Egypt—which is part of the problem of its contribution, or lack thereof, to the productive system of the country—and its refusal to generate a qualified work force and an indigenous technical elite who would be able to operate the canal after the end of the concession. We have to consider the purpose of the concession: was the Suez concession merely a contract between a state and a private firm, aiming at helping the country's modernization, or was it in fact a means of substituting European for native actors?

In order to begin to answer this question, I will retrace how the concession dispossessed the Egyptian state of the canal and put it into the hands of the Europeans, and I will speculate about the causes of the failure of the company's practices.

The Suez Company: An Enterprise in the Service of Foreign Capital in Egypt

At the end of the nineteenth century, the Suez Canal was a new sort of infrastructure: it was the biggest building project of the century; it allowed the opening of new maritime roads and announced a new era of globalization.[14] But in the context of British and French imperialism in the Middle East, globalization meant the domination of developed countries over the economy of undeveloped countries. For British and French interests, Egypt was a key state in the region.

Egypt, the Eldorado of European Capitalism. In the middle of the nineteenth century, Egypt experienced a strong influx of foreign capital, resulting, in part, from the cotton boom that followed the American Civil War.[15] The opening of the Suez Canal reinforced the country's strategic position on the road to India and in the colonial plans of the Europeans. Egypt became a vital commercial and financial arena in which European interests gathered.[16] The viceroy Mohammed Ali (1769-1849) was the first to encourage exchanges between his country and Europe, in order to import the people and technology necessary for Egypt's transformation.

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[13] François Charles-Roux, "Ce qui disparaît avec la Compagnie Universelle du Canal maritime de Suez," *La nouvelle revue française d'outre-mer* (mars 1957): 1-8.

[14] André Siegfried, *Suez, Panama et les routes maritimes mondiales* (Paris, 1948).

[15] E. R. J. Owen, *Cotton and the Egyptian Economy, 1820-1914: A Study in Trade and Development* (Oxford, 1969).

[16] David Landes, *Bankers and Pashas: International Finance and Economic Imperialism in Egypt* (1958; London, 1979).

Egypt then entered an era of economic and cultural prosperity. European investments took the form of limited liability companies, which particularly benefited from a very favorable situation: they were tax-exempt and free from any kind of legal constraints. On their side, the Europeans welcomed the opening of Egypt to their capital and presented internationalism and commerce as assets allowing underdeveloped countries to attain *civilization*.[17]

From the 1880s onward, limited liability companies developed quickly in Egypt, while at the same time a legal arsenal was elaborated. In 1899, the first law on limited liability companies was promulgated, subjecting the creation of such companies to the prior approval of the council of ministers. But it was only during the "Liberal Age" (1922-1952)[18] that legislation was filled out, with greater and greater insistence on the Egyptian nationality of the companies.[19] The capital of these companies, which was constituted from groups, family associations, and others, removed limited liability companies from their original role of mobilizing public savings for business and production. In fact, most of the time, the only role of these companies was to attract capital from abroad. The Suez Company is quite a good example of the drift of limited liability companies. Although it was under Egyptian law, its entire capital came from Europe, and that capital remained foreign to Egypt, since it was not reinserted into the Egyptian production system. Only at the very end of the era did the company invest in Egypt, and then only under political pressure.

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 French limited liability company principles, according to Article 16 of the 1856 firman (an elaboration of the 1854 document), since the form was not yet defined in Egypt. It was made clear that the company, as an Egyptian company, was subject to Egyptian law. With the 1875 judicial reform, however, this nationality became dual rather than indigenous, since conflicts with locals came under joint courts.[20] The matter became even more complicated with the Constantinople conference, which established the neutrality of the canal and the international value of the service

[17] Lord Cromer, *Modern Egypt* (London, 1908).
[18] The "Liberal Age"—from Egyptian independence to the Anglo-Egyptian Treaty—was characterized by the establishment of a parliamentary regime on the Western model. See Afaf Lufti Sayyd Marsot, *Egypt's Liberal Experiment* (Berkeley, Calif., 1977).
[19] 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.
[20] *Les juridictions mixtes d'Egypte: Le livre d'or: Cinquantenaire des tribunaux mixtes* (Alexandrie, 1926).

rendered by the company.[21] The company now claimed a new nationality, saying this time that it was "international." Precision here is important, because ambiguities about the nationality of the company stood at the heart of the controversies opposing it to the Egyptian government for the entire duration of the concession. If the company was Egyptian, it would be subject to the laws of the country. If it was international, it became free from any obligation toward the Egyptian government, a status that would greatly increase its freedom of action.

The Forming of 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 khedives Saïd and Ismaïl, who tried to avoid the colonial domination that derived from the canal's strategic position. It was clear to them that the Suez Company had to be an Egyptian company, at the service of Egypt. And yet, throughout its history, the company remained foreign to the country, in terms of both its directors and its beneficiaries. The company prided itself on being cosmopolitan because its board of directors contained members of about a dozen different nationalities; but this cosmopolitism was exclusively European. Only after the Second World War were Egyptian administrators allowed to participate.[22] The right to appoint the director, given to the Egyptian government in the firman of 1854, fell into voluntary oblivion as soon as Ferdinand de Lesseps withdrew, as did the provision for consultation with Egypt by the company about toll rights.[23]

In 1875 the company was made up of foreign capital only. In 1858 the company possessed a capital of two million francs, comprising 400, 000 shares of 500 French francs each. 176,602 shares, representing 44 percent of the total, were purchased by the khedive Ismaïl, which secured for Egypt 31 percent of the income. In addition, according to Article 5 of the concession, the khedive, being the licensing authority, had a right to 15 percent of the total disposable income. But the relative arrangements linking the interests of the khedive to those of the company soon disappeared. In November 1875, Benjamin Disraeli bought the Egyptian shares in the name of the British government for four 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 30,000 francs annual wage, a sum

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[21] Douglas D. Farnie, *East and West of Suez: The Suez Canal in History, 1854-1956* (Oxford, 1969).
[22] *Activité du conseil d'administration depuis la fondation de la CUCMS*, Private Archives of the Suez Company, CAMT, 199500600833.
[23] Boutros Boutros-Ghali and Youssef Chala, *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).

fixed for forty-eight years by the firman of 1856 and prolonged to seventy-eight years in 1893. Thus, at the beginning of the 1880s, the company was rid of almost all its obligations toward Egypt. It was under the financial control of France and Great Britain, the owners, respectively, of 56 and 44 percent of the shares and of the majority of the seats on the board of directors. From 1883 to 1914, the Suez Canal Company had no reason to deal with the Egyptian government at all.

The Suez Company also played the role of a flagship of French influence over Egypt, standing proud against the British, who were the masters of the country. The latter, even though they were the second shareholders of the company, were extremely distrustful of this mini-French state in the middle of their empire, lodged between Egypt and Palestine and controlling Britain's road to India.[25] Moreover, the company was presided over by great names of the French colonial faction, which gave to the concession the air of a French colony. Ernest Renan, in the French Academy, congratulated Ferdinand de Lesseps for his civilizing work, worthy of the great French colonial mission.[26] The next presidents belonged to associations working for the colonial future of France: the Prince d'Arenberg, for example, was president of the *Union coloniale*, and Charles Jonnard, after working for the company, became governor of Algeria. As a consequence, colonial ideology progressively invaded the company and was tightly linked to its business logic. For this reason, Egyptian public opinion viewed the company as foreign and believed that it brought wealth only to Europe and did not care about the fate of the country. The "state within the state" was then at its apex.[27]

Portrait of a Colonial Company: Structure and Strategy

Specialists on organizations insist on the importance of environment to the way a company operates.[28] The links among the environment of the company, its commercial strategy, and its structure must be established. Alfred D. Chandler, Jr.'s thesis rests on the paradigm of built and organized orders, which invites us to study a company as an institution, endowed with its own internal logic and legitimacy. In looking at the Suez Company, it is interesting to wonder whether this logic was carried out at

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[25] The British authorities in Egypt adopted an ambiguous attitude about the prolongation of the Suez Company's concession and appear rather hostile. 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. Séance de l'Académie française du 23 avril 1885* (Paris, 1885).

[27] Expression popularized by the speech of Gamal Abdel Nasser in Alexandria, on July 26, 1956, in which he declared the company nationalized.

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

odds with the logic of the host country, and whether the company created an institution too rigid and impervious to permit adaptation to the evolution of the country.

The Classic Structure of a Nineteenth-Century French Company. A brief exposition of the decision-making structure of the Suez Company is essential to understand the way it operated in Egypt. The structure of the company was organized according to statutes approved by the viceroy of Egypt on January 5, 1856. Its four main elements were the annual general meeting of shareholders, the board of directors, the management committee, and the superior agency.

The annual general meeting of shareholders welcomed any person who owned more than twenty-five shares. Its approval by a two-thirds majority was necessary for the nomination of the administrators, the approval of the accounts, and the fixing of the dividend. The shareholders also came to a decision on such questions as new concessions, the modification of the statutes, and loans.

The board of directors was made up of thirty-two members nominated by the annual general meeting of shareholders for eight-year terms. It met at least once a month, and annually it elected the company's president and three vice-presidents and nominated the other officers.[29] Its main role was to rule on the propositions of the management committee, as well as on nomination, investment, tariff, and budget issues.

The management committee consisted of the president of the board of directors, the 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, in constant contact with the Egyptian services.

Finally, the superior agency linked the Parisian direction with the Egyptian services. It was entrusted with the good management of the company's activities in Egypt.

The statutes of the company indicate that Egypt was the host country of the company's executive branch.[30] In fact, the real executive branch always remained in Paris, and the Egyptian services were left to implement the decisions taken in Paris. The separation between the Parisian executive branch and activities taking place entirely on Egyptian soil was an essential element of the company's organization. The Egyptian services were closely watched by the executive branch, despite the hindrance of geographical distance, though it cannot be doubted that the separation between the executive branch and the place of activity was an obstacle. When Jacques Georges-Picot, former finance administrator,

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[29] The presidents of the company were: Ferdinand de Lesseps, 1858-1894; Jules Guichard, 1894-1913; the Prince d'Arenberg, 1896-1913; Charles Jonnard, 1913-1927; the Marquis de Vogué, 1927-1948; and François Charles-Roux, 1948-1956.
[30] *Statuts*, Compagnie Universelle du Canal Maritime de Suez (Paris, 1924).

joined the company in 1937, he wondered about the lack of communication between France and Egypt.[31] This problem is an essential element in understanding the failure of the company to adapt to events in Egypt. The executive branch was too out of touch with the country, and the traditions of the company made relations between the place of decision and the place of activity too rigid. The top officials of the company made their careers either in France or in Egypt, a training that did not encourage empirical 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 strategy in the company's twilight years.[32] The company thus manifested a great desire to centralize and to control a reality that, for the most part, escaped its control.

The perspective of Henry Mintzberg on company structure is impressive in its clarity.[33] In the separation of tasks, the Suez Company distinguished between its service-rendering mission (operating and controlling navigation) and its industrial activities (maintenance and improvement of the canal). In the coordination of tasks, the company was characterized by the separation between direction in Paris and activity in Egypt. Among the coordinating mechanisms considered by Mintzberg, the operations of the Suez Company correspond to a structure of direct supervision and standardization of processes. It is true that this is the classic scheme for a colonial situation: the direct supervision of Paris is an important but hard to implement principle, which explains the development of standardized processes and qualifications. Recruitment, offices, and the division of tasks were very strictly controlled and regulated by the executive branch. Tasks were divided and distributed among section heads, foremen, assistant foremen, shop foremen, first section heads, and second section heads. From this point of view, the Suez Company was quite an ordinary nineteenth-century French company, similar to railway companies, with tasks clearly defined and an organization that gave everyone a specific role inside the company.[34]

Such a scheme leaves little room for "mutual adjustment," an expression that refers to the self-regulation of services. The overseas activity of the company and the heterogeneity of its work force suggest that its structure should be centralized and its organization hierarchical. The

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[31] 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 œuvre 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).
[32] Jacques George-Picot, notes et correspondances diverses, Private Archives of Suez Company, CAMT, 19950600716-19950600718.
[33] Mintzberg, *The Structuring of Organizations*.
[34] François Caron, *Histoire de l'exploitation d'un grand réseau: la compagnie des chemins de fer du Nord, 1846-1937* (Paris, 1973).

first 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 the head of both the management committee and the board of directors, he could manage the policy of the company in an almost authoritarian way. After the Panama scandal, the system was modified to separate the managing and presidential functions.[35] In a situation of split services, the real managing power belonged to the head of the management committee, even though his decisions were subject to the approval of the president.

The structure of the company can therefore be described as one with the Paris executive branch at the top of the hierarchy, a hierarchical line made up of the various heads of services in Egypt, and an operational center, the staff. Mintzberg's "technostructure" is too modern a concept for the Suez Company, since analytical, planning, and controlling tasks were in the hands of either the executive branch or the heads of services. This scheme corresponds with the classic organization of the French companies of the late nineteenth century, according to Henri Fayol's model.[36]

A Strategy Subject to Political Vagaries. The strategy of the Suez Canal Company clearly evolved with the political events shaking Egypt. The growth of profits from ship traffic was the constant objective. As long as the country was calm, the Suez Canal 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 retain its freedom of action in the face of attacks from the Egyptian government. During the company's last fifteen years of activity, from 1940 to 1956, popular unrest and nationalist protest were so strong that the main issue for the company was that of its very survival in the country. In order to understand this change of prospects, one can resort to the notion of internal and external coalitions, which shed light on who had influence on the company's decision making.[37] The internal coalition was made up of the executive branch in Paris, the hierarchical middlemen in Egypt (top administrative officer and section heads), the staff, and their unions. The external coalition was made up of shareholders, customers (ship-owners), the licensing authority (Egypt), and Egyptian public opinion (mainly as represented in the press).

In the internal coalition, the weight of top jobs and French employees remained predominant well into the mid-1930s. It was particularly visible in the company's official publications, which were keen

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[35] For the scandal surrounding the financing of the Panama Canal Company in May 1891, see Jean Bouvier, *Les deux scandales de Panama* (Paris, 1964).
[36] Henri Fayol, *L'administration industrielle et générale* (Paris, 1918).
[37] Notions borrowed from Henry Mintzberg, *Power in and around Organizations* (Englewood Cliffs, N.J., 1983).

to stress the privileged situation and advantages enjoyed by company employees: good wages, holidays, and high standards of living. But the turn of the 1930s witnessed the birth of powerful unions, of virulent nationalist associations, and of increasingly well-organized Islamic groups, like the Muslim Brothers, created in 1928 in Ismaïlia, the symbol-city of the Suez Company.[38] Egyptian demands concentrated on the end of wage discrimination between foreigners and locals and especially on increasing the part of Egyptian workers within the company's staff. The Egyptian staff and their unions became increasingly vocal, and eventually they brought about a change in the company's policies and financial strategy in the last fifteen years of its existence: a greater part of the budget was granted to them, and a policy of public relations was devoted to the Egyptian staff—both indicating a radical break with the company's traditional policies.[39] The company's official publications also changed their tune: the statue of Ferdinand de Lesseps on the front page was replaced by that of King Farouk, and emphasis was laid on the company's social policies in favor of its Egyptian workers and on the company's contribution to the economic growth of the country.[40]

Concerning the external coalition, the company's traditional line of conduct was to favor the shareholders and ship-owners, while securing the support of the British government. With the construction of an independent Egypt after the 1936 Anglo-Egyptian Treaty, the weight of the state and public opinion became predominant, though the company took a long time to modify its old ways. By the end of the 1940s, the company understood the necessity of sharing its prosperity with Egypt if the company wanted to continue to carry on its activities in the country. The external means of influence used by Egypt multiplied: first, the formal constraints of a new legal and fiscal system, then the entry of Egyptian administrators into the company's management processes, which represented direct control over the company. Moreover, the departments of the ministry in charge of the "Suez question" demanded a total openness of the company's accounts and actions.[41] The creation of such

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

[39] Brochure on American enterprises, Private Archives of Suez Company, CAMT, 1995060 0834.

[40] *Le canal maritime de suez: Note, tableaux et planches*, CUCMS (Paris, 1908, 1937, and 1950). The last one was translated into Arabic and English.

[41]From autumn 1947, the Ministry for Commerce and Industry started making sure its legislation was enforced with the creation of the Office for Societies (Maslahat el-Sarikat). On September 2, 1952, the same ministry established a department in charge of controlling the Suez Canal Company's activities. On October 7, this control was reinforced by the creation within the same ministry of an office in charge of checking the due performance of conventions linking the company to Egypt. Moreover, in September 1954 the ministry proposed a

departments illustrates that the management of the canal was controlled by the state apparatus well before its nationalization. The nationalist and unionist groups were also indirect but very influential sources of pressure. Many unions with a nationalist or Islamic connotation were created in the 1930s and challenged the company's most powerful workers' union, the Phoenix.[42] The press too played a big part in the agitation, since it maintained constant pressure on the company, notably with a propaganda campaign organized as early as 1952 on the illegitimacy of the company in Egypt.[43]

But an analysis of the first attempts at modernization of the company in 1948 shows a real time lag between the urgency to modernize and the first achievements. Despite external pressures and warnings, the company maintained very traditional modes of operation, taking no account of the specificity of the Egyptian situation. Postwar reforms mainly concerned the company's internal organization, and those were inspired by the model of large American companies, a model that was asserting itself in Europe at the same time.[44] But this internal reorganization, however efficient, in fact took a step further away from the political realities in Egypt. In 1948 the Egyptian services were directly linked to the executive branch in Paris, which became totally independent as the superior agency lost its role of overall management of the services in Egypt. Thus the Parisian point of view was privileged, and instead of promoting greater integration of the company within Egypt, the Paris board of directors controlled the operations more and more directly. Moreover, despite the warnings of its section heads, the company never managed to filter into the political and economic networks of Cairo and Alexandria. The company grew isolated and remained more than ever a French preserve, keeping apart from the national economy.

The Concession System: The Key to Modernization or a Hindrance to the National Economy?

Egyptian public opinion progressively understood that infrastructure was a sort of skeleton for the country and that the Suez Canal was its spinal

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scheme for creating a body analogous to the consultative committee, which would comprise representatives from the different ministries having an interest in the canal, the commissioner, and Egyptian administrators.

[42] Archives of the French Embassy in Cairo, Centre des Archives des Postes (CADN), Nantes, France, 511.

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

[44] 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).

cord. It was the key to a strong independent economy. People understood that the concession system denied the country any benefit from this infrastructure: the canal had to serve European financial and strategic interests, not the local economy.

The Confrontation between Concession and National Construction. With the political situation in the middle of the twentieth century, the denunciation of imperialism was growing. In Egypt, the Suez Canal became the instrument of a policy of economic nationalism. And two conceptions of the canal clashed: for the Europeans it was part of an international infrastructure, the first of a new kind, heralding the real globalization of transportation. For the Egyptians, it was a national good, absolutely necessary for the building of a new and independent economy. The Egyptians drew a clear line between colonization and concession, and they appeared very early to be sensitive to the return of the canal to national management. All the negotiations conducted in the 1930s on the principle of the Egyptianization of the canal's staff and the training of skilled agents demonstrate 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 that denounced the imperialist exploitation of the continent by Westerners. The whole of the Middle East launched 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 great natural resource—petroleum—and demanded the nationalization of the oil concessions well before 1951.[45] Likewise, Mahatma Gandhi's campaigns in India created a considerable stir in Egypt, and nationalist groups called for the boycotting of foreign goods according to the Indian nationalist strategy.[46]

The law was the only means to compel concessionary companies to participate in the national economy. As early as 1920, Egypt had undertaken a revision of its legislation. The war accelerated this movement, which the Europeans interpreted as an aggression against their interests. Labor laws and laws subjecting foreign companies to taxes on profits were passed. The 1947 Act on Limited Liability Companies was perceived as a real earthquake in foreign business circles. The Egyptianization of those companies was the most contested principle in this act. Thus the 1947 act was a new step toward an economic nationalism and the appropriation of the productive apparatus.[47]

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[45] Richard Cottam, *Nationalism in Iran* (Pittsburgh, Pa., 1979).

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

[47] The analysis of this act is developed in Alleaume, "La production d'une économie nationale," 1-16.

This act was at the center of violent debates and negotiations for two years. It contained two essential points: the plurality of remunerated public functions and the Egyptianization of the companies. Article 4 stated that 40 percent of the administrators on the board of directors had to be Egyptians; that 75 percent of managers' posts and 90 percent of workers' posts were reserved for Egyptians, representing 65 percent and 80 percent of the wage bill, respectively, according to Article 5. Article 6 provided that 51 percent of the share capital be given to locals.

In addition, the 1949 Civil Code widened the scope of the criteria for the subjection of companies to the Egyptian juridical system, the criterion of the registered office being complemented by that of the main place of company activity; the 1954 act added to those the place of constitution of the company.[48] Foreign business circles started bandying words like discrimination and hindrance to freedom of trade.

The Suez Company, in order to avoid being subject to this legislation, pleaded its international role and status. The Egyptians considered this argument fatal for their country: it was indeed under this excuse—protecting the canal, the international canal—that the British took hold of the country. Moreover, the Egyptians saw in the company's argumentation a way to refuse to hand over the management of the canal to Egypt at the end of the concession. They also pondered the example of the nationalization of the oil companies in Iran in 1951: for want of local technicians, the Iranians had to replace British technicians with Americans. Technical dependence had prevented the Iranians from really taking their natural resources back into their own hands.[49] The Egyptians wanted to avoid such a scenario at all costs, and the government accordingly 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 his book, *The Tentacles of Progress: Technology Transfer in the Age of Imperialism,* Daniel R. Headrick focuses on technology transfers between industrialized and developing countries. He particularly concentrates on the question of access to new technologies for native populations and on the question of the cultural diffusion of technology. In many cases he notes a clear-cut division between technology transfers and their diffusion, for diffusion occurs through the education and training of local populations. Hence the question: what was the strategy of Westerners, or more largely, of developed countries? Did technology transfers serve the great philanthropic cause of Progress, as Saint-Simonians devoutly wished, or did they create long-lasting processes of dependence, securing for

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[48] Private Archives of the Suez Company, Relations with the Egyptian Government, CAMT, 1995060 1664.

[49] James A. Bill and W. Roger Louis, eds., *Musadiqq, Iranian Nationalism and Oil* (Austin, Texas, 1988).

developed countries economic—hence 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 an assessment of the concession. The company invested very little in Egypt and served only the interests of foreign shareholders. But did it allow the training of skilled technicians?

Since the time of Mohammed Ali Egypt has had quite a number of engineering schools, where French engineers trained in the state-run colleges played a major role**.** Throughout the nineteenth century, there had been a genuine diffusion of knowledge and techniques within the Egyptian population. But the 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. The Suez Company from its very beginning employed only European engineers. Up to the 1936 treaty, the Egyptian staff was almost exclusively composed of unskilled workers. Still, Egypt's real stake for the future rested with the training of elite agents and technicians who would be able to run the canal once it was handed over to Egypt. The period of Egyptianization of the staff was a preparatory period for the transition: 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 thus pressured the company into employing Egyptian nationals with quotas for high-ranking jobs. The company's management, however, simply thought the Egyptians, even trained, incapable of running the canal on their own.[50] Thus they evaded the issue and did very little to prepare for the transition. This error of judgment was obviously the source of perpetual conflict with the Egyptian government, who accused the company of deliberately ousting nationals from high-ranking jobs and of trying to free itself from its responsibilities toward Egypt. These discussions highlighted the general disagreements about the objectives of the concession.

It is true that the discrepancy in training between European and Egyptian staff was an element working against the recruitment of the latter. It was difficult to find Egyptians whose training corresponded to the job requirements for skilled workers and high technical posts. The company never developed a training program for its skilled staff, preferring to recruit agents trained in Europe or Greeks or Italians whose parents worked in Egypt. If in many ways the Suez Company represented "a total enterprise" in the area of the canal, close to the model of Schneider in France,[51] the greatest difference with that model is this absence of training of a work force. The company did not even go as far as

[50] François Charles-Roux, correspondance, Private Archives of the Suez Company, CAMT, 19950600976-77.

[51] Agnès d'Angio, *Schneider & Cie et les travaux publics: 1895-1948* (Paris, 1995).

authorizing the auto-reproduction of a skilled work force. It did establish training for apprentices within its general workshops, a training reserved for the sons of the company's workers, but those generally were the sons of Italians or Greeks, and their number was extremely limited: fewer than ten persons a year passed the competitive examination leading to a post with the company.

The industrial school in Port Said proposed to the Suez Company a cooperative effort to encourage the recruitment of young Egyptian workers, but the company showed very little enthusiasm for this initiative. Consequently, the company was unprepared when it was faced with the obligation to hire Egyptian staff. The recruitment of pilots especially was problematic: the training demanded by the company held applicants to very exacting criteria, and pilots had the reputation of constituting an elite corps within the staff. Egypt kept asking for more Egyptian pilots, while denying visas to many European pilots. The company saw this attitude as a threat to its activities and dreaded a real shortage of skilled workers. Table 1 presents changes in the nationality of the staff employed from 1936 to 1955.[52] The percentages represent the part of each category in relation to the total work force within the category. The table reveals that the measures to promote Egyptianization were less effective concerning captain-pilots, who were in charge of navigation, and foremen and assistant-foremen, who had posts of authority and organization in the workshops. The 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, and that did not occur until June 1956.

Despite these obstacles, Egyptian pilots and technicians proved completely able to run the canal in 1956—to the amazement of all. In a way, the Suez Company's activities were profitable to the country, since the once-desert area had been turned into an economic zone naturally integrated into the national economy. Yet it must be acknowledged that this occurred only because of the constant pressure exerted on the company by the government and public opinion in the 1940s and 1950s. The company's contribution to the country is indisputable: at the end of the nineteenth century, the concession system was the only way that the Suez Canal could have been built in Egypt. Concession may thus have been a transitional solution to supply the country with basic infrastructure on its way to modernization. But in holding up the training of local tech-

[52] Note about the Egyptianization of the staff, Private Archives of the Suez Company, CAMT, 1995060 1704.

TABLE 1

Egyptian and Non-Egyptian staff of the Suez Company, 1936-1955

	1936	March 1949	January 1955
Employees			
Egyptian	13 (3%)	141 (32%)	262 (50%)
Non-Egyptian	371	306	260
Doctors			
Egyptian	-	3 (28%)	9 (53%)
Non-Egyptian	10	8	8
Captain-pilots			
Egyptian	-	10 (7%)	28 (15%)
Non-Egyptian	106	131	154
Marine agents and staff			
Egyptian	-	3 (11%)	22 (42%)
Non-Egyptian	22	25	30
Foremen and assistant foremen			
Egyptian	1 (2.9%)	1 (3%)	3 (5%)
Non-Egyptian	34	34	59

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

nicians, the company made the country dependent on European competence and prevented Egypt from attaining autonomous economic functioning. Only the pressure exerted by the government put an end to the situation. The issue of local staff training reveals that the logic of the concession system is one of substitution and replacement, and in no way one of aid for development and modernization.

On July 26, 1956, General Gamal Abdel-Nasser announced the nationalization of the Suez Canal Company, after the refusal of the Americans and of the International Bank for Reconstruction and Development to finance the Aswan Dam. After the nationalization of oil companies in Iran, Egypt abruptly took back the essential element of its economy, which resulted in tripartite Anglo-French-Israeli military action. After the failure of this military campaign, the Suez Company, having received very substantial compensation from the Egyptian government, became a financial company, the Suez.[53] The Suez Canal was taken over by the state and has remained an important asset of the Egyptian national economy through the present day.[54]

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[53] Hubert Bonin, *Suez, du Canal à la finance* (Paris, 1987).

[54] See *Annual Reports* of the Suez Canal Authority, Arab Republic of Egypt, Cairo.

The study of the Suez Canal in Egypt leads us to agree with Daniel R. Headrick's conclusions: admittedly, an important number of technologies were beneficial to local populations: road network infrastructures, housing, hygiene, and electricity. However, the concession experience represents a transfer of technology more geographical than cultural. Investments were made in physical, not in human, capital. Thus the concession system appears less as a globalization of European capitalism than as a tainted form of capitalism, not serving the national economy, but on the contrary harming it to favor European capital, widening the gap between the economic structures of rich and poor countries.[55] The analysis of the concession system takes on particular importance in the current debate on the responsibilities of colonial practices in the economic arena.

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[55] 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 Paul Bairoch, *Révolution industrielle et sous-développement* (Paris, 1974); see also Anthony G. Hopkins, *Two Essays on Underdevelopment: From Modernisation to Underdevelopment: Colonial Economies in Africa* (Genève, 1979); Michael Havinden and David Meredith, *Colonialism and Development: Britain and Its Tropical Colonies, 1850-1960* (London, 1993).