Egypt

The rich collection that we offer today mainly covers the dynasty of Muhammed Ali Pasha, founder of "Modern Egypt" (1805-1952) which was largely influenced by the 2 largest European powers, France and Great Britain. Thereafter, the era of growing economic growth and liberalism would be halted for around 30 years by the nationalisations of Nasser.

In countless wars Muhammed Ali Pasha had proven to be too expansionist for the European powers in the Middle East. The Egyptian-Ottoman war did not only result into a victory of Egypt over the Ottomans in Syria, but also urged the British who in turn defeated the Egypt army (1840). This heralded the mainly British hegemony in Egypt until the nationalisation of the Suez Canal in 1956. Formally, Egypt got a hereditary Pashalik within the family of Muhammed Ali. Factually, it would however be ruled by the British and French whom in business life would be assisted by some assimilated, judicially-protected minorities as Jews (Menashe, Cattui) or Ottoman-Levantine aliens (Suarès).

Fortunately, the Pasha was not only belligerent but also engaged the French specialist Jumel for the purpose of developing new industries. Jumel initiated the cultivation of a new cotton growth of longer and finer staple which was largely grown in the Delta, owing to its satisfactory results. Jumel also introduced it to French mills known by his name, whereby Egyptian cotton generally is called Jumel in France until the present day. In 1822, Mohammed Ali bought a roller gin but preferred to rely on peasants because the manual labour appeared to be cheaper. Up to 1860, 87% of the crop would be ginned by the old manual, time-consuming, inefficient methods with automatic ginneries only taking up 1/8 of the crop. As a consequence, the cotton crop only grew slowly between 1822 (169.2 Cantar (1 Cantar = 95 pounds) and 1849 (198.1 Cantar). In this early period, Egypt also succeeded in developing a textile industry: in 1830, around 30 factories for spun cotton existed. After the defeat of Muhammed Ali, the Egyptian textile industry was brought to an end: all factories were closed down and the cotton would be exclusively exported, mainly to Great Britain.

Muhammed and his successors did not hesitate to spend enormous sums of money from Europan banks which often had their seat or affiliate in Egypt.

Next to the wars, much money was invested in further modernisation of the cotton industry and a bettter infrastructure such as railways (connection **Alexandria-Cairo**) and the construction of the **Suez Canal**, opened in 1869. During the American Civil War, the pasha could still rely on the vastly inflated cotton prices (from $11.1 in 1850-59 to $27.5 in 1860-69). Afterwards he did not succeed in finding alternative resources, as the poverty-struck population was not able to pay huge taxes. It was under the then Khedive Ismail the Magnificent (1863-1879) that the country was plunged into receivership and a system of dual control was installed. One of the European banks that played a capital role in the Khedive's bankruptcy was "**Herman Oppenheimer & Co**", represented by Karl Heinrich Beyerle, the co-founder of the later "**Credit foncier Egyptien**" (1880).

After the bankruptcy, the judicial sytem became extremely favourable for foreigners who would be judged by mixed, international courts. But the largest economic opportunity followed from the international control of the Khedive's property. The Suez shares were sold to the British government for £4 million, the French **Banque franco-egyptienne** (°1870) was absorbed by the Banque internationale de Paris and the Khedive's conglomerate "**Daira Sanieh"** was in 1898 sold to an international consortium led by the influential British Jewish banker Sir Ernest Cassel for £6.4 million. This conglomerate comprised several sugar plantations, railway infrastructure, sugar mills, warehouses and even entire towns.

The four new owners (Cassel, sugar king Cronier and the aliens Cattui and Suarès) of the Daira Sanieh also established the exclusively British **"National Bank of Egypt"** (1898) with a capital of £1 million. Initiated by the British proconsul, this exclusively British institution would not only finance large development projects but also held the exclusive right to issue bank notes. Privatisation of the Daira created 300.000 new wealthy landowners and spawned the mammoth projects of 2 Nile reservoirs, at Aswan and Qena, which increased the agricultural land acreage and provided cheap electricity. All these factors boosted the value of the consortium's land so sharply, that when the agricultural property was sold on the market, the revenues exceeded the outstanding proportion of the consortium's loan.

The increase of land acreage and the irrigation system doubled the cotton harvests and cotton production rose from 2 644 Cantar in 1882 to 6 379 in 1909. Following the absence of a national textile industry, up to 93% of all cotton was exported. Most of the ginning factories were owned by the British, just as the few rare spinning & weaving factories such as **"The Egyptian Cotton Mills Co of Cairo"(1899)** and **"The Anglo-Egyptian Spinning and Weaving Co" .** The latter would be liquidated in 1907 and refloated by German merchants of Alexandria in 1912 under **"The Filature Nationale d'Egypte"** .

Thanks to the cotton, Egypt also became known in the financial world. In Alexandria, the first cotton transaction took place, according to the sources, either in 1861 or 1865 ("The Cotton Trade Journal", p.184). It would however take until 1881 to set up a body that regulated cotton trading (**Association cotonnière d'Alexandrie**), which appeared to be necessary after a market party had asked for physical delivery of the cotton, which is of course quite unusual in a real futures market.

In 1903 the **"Bourse and banking company of Egypt Ltd" (1903)** was established in Cairo, with a seat in the Manuk building. Just in time, as in 1903 the number of limited liability companies had reached 79 with an aggregate capital of £29 million. In 1927, **Immeuble de la Bourse du Caire** was established to finance the move to a new building.

Next to cotton, sugar also produced a large number of stock-quoted companies. In 1850, Egypt had already imported high productivity sugar-cane seeds from the Far East and Khedive Ismail had encouraged the establishment of 16 factories in Upper Egypt to produce raw sugar for export to Europe. In 1881, the first factory to refine sugar was established in Al Hawemdia city by the name **"The Egyptian Refining Company"**. In 1892, sugar production became the single largest industrial employer when Ernest Cronier established the **"Société générale des Sucreries et de la Raffinerie d'Egypte",** managed singlehandedly by the Belgian Henri Naus. The owners of the Sugar company were also the principal shareholders of the agricultural concerns that operated and managed Upper Egypt's vast sugar plantations, among which the **Kom Ombo Company** (1904), also well-known for the issue of its own bank notes in 1919.

The industrial growth also required a further development of infratructure. Large efforts were already made by Khedive Abbas I, who had signed in 1850 an agreement with Robert Stephenson to build a 209 km railway from Alexandria to Cairo. This became the first railway in the Ottoman empire as well as Africa and the Middle East. The section between Kafr-el-Zayyat and Cairo was completed in 1856, followed by an extension from Cairo to Suez in 1858. 10 years before the Suez Canal, the railway completed the first modern transport link between the Mediterranean and the Indian Ocean. After the bankruptcy of Khedive Ismail, the national railways were put under control of the Egyptian Railway Administration with strong British and French influence.

Although by 1914 the Egyptian state railway owned most of the railways, private investors built some smaller (secondary) railways/tramlines. These supported the urban development by development companies of new suburbs such as among others: Heliopolis (by Empain), Dokki (SA **Immobilière des**

Terrains de Gizah & Rodah), Maadi region (**Egyptian Delta Land & Investment Company**) , Garden City and **Koubbeh gardens**.

The oldest private railway company, the **"Alexandria & Ramleh Railway Company"** (°1862), registered in England in 1883, operated a regular train service between Alexandria and San Stefano in Ramleh, peaking at 24 trains per day. Ramleh was known as a sea-side resort at the Mediterrenean, very attractive for the rich thanks to the casinos and hotels. Later on, **Tramways d'Alexandrie (1897)** was established by the Belgian senator Otlet to take over the Ramleh railway. This company first flourished, but then suffered from the discussions about the preferred supplier of technical material: the Belgian **Traction** or British **Thomson-Houston**? Some authors state that this led to the provoked bankruptcy of the allied land development bank **"Banque industrielle d'Egypte" (1899),** when an Italian partner refused to bring up cash for a capital increase. Finally, Tramways d'Alexandrie would become a mere holding company of which the majority shareholders were as British as the operated line and suppliers of technical equipment.

In Cairo, private railways were also intended to facilitate land development. South of Cairo, the Judeo-British owned **Delta Light Railways (°1897)** bought the Suarès-owned Cairo-Helwan railway in order to link the developed area of Maadi. This did not discourage Baron Empain who founded his **Cairo Electric Railways & Heliopolis Oases Company** (1906) to construct a railway north-east of Cairo connecting it with a new sun city ("Heliopolis") . Alongside the Boulac bridge Empain's **Tramways du Caire** (°1895) bisected the Island of Zamalek and linked it with the older Pyramids tramway line.

At the same time, the development of infrastructure and suburbs initiated the rise of the hotel industry. The Swiss Charles Baehler became a real hotel tycoon, holding interests in the most important hotel companies. **"The Shepheard's and Egyptian Hotels Company" (1897)** owned in Cairo the **Semiramis Hotel** and Shepheard's hotel, but also – outside Egypt – the King David hotel in Jerusalem. **Les Grands Hotels d'Egypte**, first established as the **George Nungowich Hotels Co (1899)**, owned 5 hotels among which a Continental-Savoy hotel and Hotel Casino San Stefano, which benefited from the excellent Alexandria-Ramleh connection.

All this economic activity led in 1907 to a flourishing bourse wich reached an intermediate high with 228 quoted companies and a combined capital of £91 million. Soon after, the bourse suffered from the international financial crisis as well as the death of the renowned banker Raphaël Suarès. Long before this crash, economic growth in Egypt already started to fall around the turn of the century due to the lower agricultural productivity. Annual GDP growth fell back from 2.33% in 1886-1898 to -0.17% in 1898-1912, following a reduction in agricultural GDP growth from 3.17% to -0.67% (economic history, p.5). The downward evolution of the production and productivity of the cotton crop explains everything: whereas total production doubled between 1883-1899 from 3.1 to 5.96 million Cantar, it only grew with 20% to 7.3 million cantar end 1914 to even start a decline to 5.3 million Cantar in 1919 (cotton industry, p.13). Main culprit was the lower productivity which fell from 5.46 end 1899 to 3.58 Cantar/acre end 1914. The irrigation and the following increase of land acreage also had adverse side effects: next to increasing insect attacks, the soil became less fertile because of salination of the water and lower level of soil for the roots of the plants.

After WWI, during the interbellum, the country resumed with a yearly growth of 0.54% mainly thanks to the agricultural growth. As an illustration: in the cotton culture productivity recovered from 3.58 Cantar/acre end 1919 to 5.5 end 1937 (cotton, p.17) resulting into an increase of production to 10.87 million Cantar. Cotton also illustrated the focus shift towards a more consumer-orientated economy. Perhaps this was also encouraged by the slightly greater political freedom as in 1915 Egypt became a British protectorate and achieved full independence in 1922 as a kingdom under the rule of Muhammad Ali's dynasty, lasting until 1952.

Banks became more orientated towards smaller land owners. They included **Crédit agricole d'Egypte (1931)** which focussed on small agricultural landowners and the **Land Bank of Egypt (1905)** for mortgages to real estate owners. Next to this, there was also a shift in ownership from foreigners to Egyptians. The **Misr Bank** (°1920) brought a real breakthrough for the infant Egyptian nationalism, thanks to its exclusive Egyptian ownership and investments.

In the cotton culture, the bank contributed to the revival of the more value-added textile industry. It first established **"Misr Spinning and Weaving Company" (1920)** at Elmehalla EL-Kubra. The mill started with 22 000 spindles and 484 weaving looms and concentrated mainly on coarse counts. The first piece of cloth was produced in 1930. The company is nowadays the largest textile mill in Egypt and probably the largest integrated textile mill in one location throughout the world. A sister company "Misr Fine Spinning & Weaving Company" was established few years later at Kafr-EL-Dawar, near Alexandria, and extremely well-equipped technically for the production of medium and fine counts. In 1938, **"Misr-Beida Dyers"** company was established.

The growing middle class also required breweries and department stores: men needed beer and women wanted to shop. Incorporated in Belgium, home to the world-famous Stella Artois, the first producers of the Egyptian Stella opened shop in May 1898 under the name of the **Crown Brewery Company of Cairo** (°1897). In order to avoid confusion with its older Alexandria sibling, the directors quickly decided to change the name into **"Société anonyme Brasserie des Pyramides" (Pyramids Brewery, ° 1899)**. The initial capital of FF 1,5 million was shortly increased in 1904 to FF 2 million due to high start-up costs. Thanks to careful investments and the combination of Belgian know-how and equipment, Stella stood up to famous imported brand names including Bremen's Burton Beck & Co and even the widespread Guinness stout. It would take several mergers and acquisitions (the first in 1909 and the last on Christmas Day 1922) before the emerging **Bomonti & Pyramids Beer Company (°1922)** could call itself Egypt's leading brewery. After WWII Egyptian influence first increased in the board of directors, then by a name change ("al Ahram") to end up with a full nationalisation in 1962 and simultaneous loss of the beer's taste.

Although some retail stores were rather exclusive such as the Jewish **Chemla, Cicurel and Ades**, others were also open to the less fortunate, lower middle-class. Most renowned are the Sednaoui brothers (**Selim et Samaan Sednaoui SA**, 1907) who kept their distance from the other department stores in the more confined Place Khazindar in Cairo. Their device/motto was that every woman should be treated as a lady as their good shopping experience could influence other (more wealthy) women's shopping habits. Consumers were atrracted by vanguard sales actions such as low-end sales and "shop-till-you-drop" actions.

Nasser's seizure of power in 1952 and the following Pan-Arab socialist policy, dramatically changed Egypt's economy. First the Suez Canal was nationalized under the pretext of the funding of the construction of the Aswan High Dam. Simultaneous Israeli, British and French attacks were boycotted by the Americans who saw them as impediments to their commercial expansion in the Middle East. Egypt's retaliatory actions included the nationalization of all British and French assets. By the end of 1956, nationalization of all Egyptian firms followed. Together with a huge land reform at the benefit of the poor (until 1956, 6% of population owned 65% of the land), this resulted in around 76% of Egypt's GDP being transferred from the country's rich to the state or millions of small owners.

Nasser's successors, Sadat (1971-1981) and Mubarak(1981-2011), adopted a rising accommodating approach towards capitalism with early privatisations in the 1980s.

This culminated in the 1990s with an Egyptian Government restructuring and economic reform programme contributing to the revival of the Egyptian stock market. A major change in the organisation of the Cairo and Alexandria stock exchanges took place in January 1997 with the election of a new board of directors and the establishment of a number of board committees. By the end of November 1998, there were 833 listed companies on the Egyptian Stock Exchange, ranking fifth worldwide with a market capitalisation of approximately L.E. 71.3 billion (up from 627 companies listed in 1991 with a market capitalisation of L.E. 8.8 billion).

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