

History of Islam

An encyclopedia of Islamic history

Egypt and the Suez Canal

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Egypt is where the two giant continents of Asia and Africa meet. South of the Jordan valley the landscape of West Asia changes to the harsh desert of the Sinai. Dust storms rise up in the desert, blowing their way through the wasteland, making it difficult for man or beast to survive. At Suez, this harsh land meets up with the equally harsh eastern desert in Egypt. It is barely a hundred miles, as the crow flies, from the shores of the Mediterranean to the mouth of the Gulf of Suez. Yet, these few miles have separated not just two bodies of water, the Mediterranean and the Indian Ocean, but two distinct historical regions. The Mediterranean region has its own distinct history as does the Indian Ocean region, which jets into the Gulf of Suez through the Red Sea. South of Suez, the Sinai becomes a rugged terrain, rising into the lofty Al Ajmali Mountains. This was the land through which Prophet Moses wandered for forty years, and it was the land where God spoke to man.

The civilizations of the Mediterranean and those of the Indian Ocean have interacted and traded with each other through the centuries. Egypt, sitting astride two continents, radiated its influence westwards into North Africa, south into the Sudan, east into the Red Sea basin, and north into the Syrian highlands. With its strategic position, it commanded the trade routes to North Africa, Europe and Asia. Goods from the Mediterranean basin were unloaded at Alexandria, transported by land to Suez, and ferried again by sea to the littoral regions of the Indian Ocean, including Yemen, Persia, India, Indonesia and China. The rulers of Egypt, since the time of the Pharaohs, had pondered the possibility of connecting the two regions by digging a canal across the Suez area. The sheer magnitude of the task was overwhelming, and the dream remained unfulfilled until recent times when the use of machinery increased the ability of man to subdue nature.

With the European discovery of trade routes to the Indian Ocean around the Cape of Good Hope, the strategic importance of Egypt increased. Specifically, in the 18th century, as France and England fought for influence and colonies in the Indian subcontinent, Egypt acquired added importance. Napoleon landed in Egypt in 1798, ostensibly to free the Egyptians from despotic rule, but his eyes were further east, on India. The French contingent easily defeated the Turkish-Egyptian garrison under Murad Bey at the Battle of the Pyramids and occupied Cairo. Egypt was a province of the Ottoman Empire. In response to the French invasion, the Ottoman Sultan Selim III declared war on France. Britain, which was at war with France, supported the Ottomans. Napoleon was bottled up in Cairo and his fleet was defeated by the British at the Battle of the Nile. Napoleon's grand plan was to strike at India through Syria and Iraq. With this in view he started correspondence with Tippu Sultan of Mysore (India) and the Sultan of Oman. However, his attempts to punch through Ottoman lines in Syria were frustrated when

Turkish forces held their line at the Battle of Heliopolis (1800). Meanwhile, the British had successfully stormed Srirangapatam (1799), capital of Mysore, and Tippu had died in battle. Frustrated, Napoleon retreated to France, leaving behind him a large number of scholars, administrators and French chefs.

British strategic interest in Egypt grew in proportion to the consolidation of the British Empire in India. The British tried both diplomacy and war to gain a foothold on the Nile. However, its initial attempts met with failure. After the withdrawal of Napoleon, the Ottomans returned, and with the Treaty of El Arish, the British were forced to withdraw their naval contingents from the Nile. In 1805, Mohammed Ali, an ambitious and capable Albanian in the Ottoman garrison in Egypt, rose to become the Turkish Governor. He instituted reforms in the Egyptian administration and built up the Ottoman-Egyptian garrison into one of the finest fighting machines in the Mediterranean. When the British attempted to capture Alexandria in 1807, Muhammed Ali successfully beat back the assault. To counter British ambitions, Muhammed Ali cultivated the French, and used their services in the continued modernization of Egypt.

As long as Muhammed Ali was the Ottoman Viceroy, British ambitions in Egypt were kept at bay. However, Egypt could not remain isolated from the expanding European colonial juggernaut. Napoleon's invasion had shown the military vulnerability of the Ottomans. Throughout the first half of the 19th century, the Mediterranean was the focus of rivalry between the competing interests of the European powers. The interests of Britain, France, Russia and Austria-Hungary converged in the dismantling of the Ottoman Empire, but collided as to who would pick up the pieces once the Ottomans had left. The British had their paramount interest in Egypt as the gateway to the British Indian Empire and the Indian Ocean. The Empire of Austria-Hungary was interested in the Balkans and kept up its steady pressure south of the Danube. The French occupied Algeria in 1830 and had ambitions in Morocco and Tunisia. The Russians were devouring Ottoman territories in the Caucasus and the Black Sea region. Their geopolitical goal was the occupation of Istanbul and the control of the Bosphorus Straits so that their navy would have access to warm waters. A projection of Russian power into the Mediterranean would threaten French and British ambitions in North Africa and West Asia. So, they cooperated in containing Russia even while they themselves nibbled at the Ottoman Empire from the south. Greece was encouraged to secede from the Ottoman Empire (1820), but when the Ottomans decided to challenge European naval supremacy in the eastern Mediterranean, war ensued. Britain, France and Russia formed an alliance and their combined navies defeated the Ottomans in an engagement off the coast of Cyprus (1827). Thereafter, the Mediterranean became a European naval preserve.

In the year 1845, Egypt technically remained an Ottoman province although Mohammed Ali Pasha, through a series of diplomatic and military moves, had won increasing concessions from the Porte in Istanbul making the province autonomous. Notwithstanding the circumnavigation of Africa, and the diversion of Indian Ocean trade through the Cape of Good Hope, Egypt was still an important trading center between the Mediterranean region and South Asia. The Nile Delta produced a large amount of grain so that Egypt could feed its own population and generate a net surplus for the other regions of the Ottoman Empire. Mohammed Ali introduced the cultivation of cotton, sugar and tobacco, which brought cash into the treasury. Cairo was an important cultural center, as the former seat of the Abbasid Caliphate, and as a transit point for *hajjis* from North and Central Africa.

Things changed when Muhammed Ali Pasha died, and Abbas I became the Governor (1849). Alarmed at French ambitions in North Africa, Abbas I cultivated the British as a counterweight to French encroachments. Britain was only too willing to oblige. The British East India Company had, by 1845, consolidated its Indian Empire. The Sikhs in the Punjab were defeated, and British horizons had

expanded beyond the Indus River to the Northwest Frontier and Afghan territories. Russian advances in Central Asia had caused an alarm in India, and the British wished to create a buffer state in Afghanistan. Preservation of the Indian Empire, and safeguarding the Indian Ocean trade, were the driving forces behind British diplomacy in the 19th century. To show their appreciation for the overtures of Abbas I, the British offered to build a railroad from Alexandria to Cairo, an offer that was gladly accepted. Construction of this railroad began in 1851 and was completed in 1854. By mutual agreement, it was then extended to Suez. Goods could now be transported by sea from the Indian Ocean up the Red Sea through the Gulf of Suez, unloaded at the port city of Suez, transported by train to Alexandria, reloaded on ships and transported to London and Liverpool. Britain had now won through diplomacy what it could not win through war, namely, the capability to transport merchandise to and from its Indian Empire, through the Egyptian railroads.

The French were upset at this advantage gained by Britain while it was they who had worked so hard since the time of Napoleon Bonaparte to cultivate influence in Egypt. Their opportunity came when Sait Pasha became the Viceroy of Egypt (1854). The French Engineer Ferdinand de Lesseps had cultivated the friendship of successive Egyptian governors, and in 1854 made a diplomatic coup when he won a concession from Ibrahim Pasha to construct the Suez Canal. It was to be a joint enterprise with shares in the Suez Canal Company held by the Egyptian governor and de Lesseps. The French were to supply machinery while the Pasha guaranteed an unlimited supply of conscripted Egyptian labor.

It is at this point that the story of the Suez Canal and the colonization of Egypt begin. Even while Sait Pasha and de Lesseps made their agreement, and celebrated it with tea parties in Cairo, international events were overtaking those in Egypt. Continued and uncompromising Russian pressure on the Ottomans had led to the Crimean War (1853-1856). The task of defending the Empire against relentless European encroachments had exhausted the Ottoman treasury. The Porte in Istanbul was forced to take its first public loan from European bankers in 1854 at an enormous discount. The debt continued to mount in succeeding years through accrued interest and additional loans. The noose was about to tighten on the Ottoman Empire. By 1875, Ottoman public debts were in excess of 200 million British pounds. At an interest of 6% per annum these debts required more than 12 million pounds per year to service them. This amount was almost 50% of all Ottoman revenues. The burden of debt made it more difficult to modernize the Empire through the *Tanzeemat* reforms. The inexorable process of economic centralization in favor of the European bankers had begun, leading to an equally inexorable process of political and economic contraction of the Ottomans.

The merchant-barons of Europe were now armed with a silent weapon, credit, whose power was far greater than that of the mightiest cannon in Napoleon's armory. They could walk in, take over entire nations, and dismantle empires, sometimes without even firing a single shot.

Ottoman financial troubles spilled over to Egypt, since Egypt was as yet an Ottoman province. The Egyptian Pasha could not pay the expense for the continued excavation of the Suez Canal. Work that had started in 1857 proceeded intermittently with frequent work stoppages. In 1863, Ismail Pasha succeeded Sait Pasha as the governor of Egypt. Educated, but vain and foolish, Ismail was the man who pushed Egypt into the arms of the European bankers. The European banks offered a loan to Egypt for the completion of the canal against a collateral of Egyptian long fiber cotton. Demand for Egyptian cotton was high because the Civil War in America (1861-1865) had cut off the supply of American cotton to world markets. The loan was pushed through; the Canal was completed, and was opened in 1869 with much fanfare by Queen Eugenie of France. But as it turned out, the celebrations were premature.

The inauguration of the Canal was to become the opening gambit in the colonization of Egypt. The American Civil War ended in 1865, and the bottom fell out of the world cotton market. The price of Egyptian cotton dropped 400% between 1865 and 1869. Quite oblivious of the mounting financial crisis, Ismail Pasha accepted from Ottoman Sultan Abdel Aziz (1861-1875) the burden of guarding the Ottoman harbors in Eritrea on the Red Sea. In addition, to gain the hereditary title of *Khedive*, the Pasha agreed to pay additional tribute to the Sultan. In 1875, the Pasha even attempted an unsuccessful invasion of Ethiopia. These misadventures, together with Ismail's extravagant life style and his attempts to accelerate the modernization of Egypt, made Egypt bankrupt. Ismail tried increased taxation and public borrowings but these proved insufficient to meet the expenditures. In desperation, in 1875, Ismail Pasha sold off his shares in the Suez Canal Company to the British in partial payment of his debts. Even this desperate measure proved insufficient, and the mounting financial crisis forced Ismail to suspend all payments on foreign debt. The European bankers brought the matter before the mixed courts in Alexandria for arbitration. The courts ruled in favor of the bankers, forced Ismail to give up some of his personal assets, and to accept a Commission on Egyptian Public Debt with the power to confiscate revenues from tobacco, railroads and excise taxes. Egyptian finances were put under two controllers appointed by Britain and France. The emasculation of Egypt was complete.

England and France tried to leverage their hold on Egypt to strangle the Ottoman Empire. In 1882, they orchestrated an "International Conference" in Istanbul where they offered to relieve Egypt of its debt burden provided the Ottoman Sultan accepted the liability for these loans. Istanbul was already in debt up to its neck. In 1881, the European powers had set up the Ottoman Public Debt Administration, and in return for a reduction of debt from 191 million British pounds to 106 million pounds, had obtained concessions from Istanbul to attach specific revenues for debt servicing. The burden of the Egyptian debt would have completely overwhelmed the Ottomans. Sultan Abdul Hamid (1876-1908) wisely declined to take the bait, giving the Empire a new lease for a few more decades. The attempt to use Egypt as a bait to occupy the Ottoman Empire was not given up until 1885, when Sir Drummond Wolff was sent to Istanbul to transfer Egyptian control back to the Ottomans, provided the Sultan accepted the liability for the Egyptian debt. This attempt, too, ended in failure, thanks to the foresight of Sultan Abdul Hamid.

Financial control inevitably leads to political control. In 1878, the Europeans forced an "International Ministry" on Cairo headed by an Armenian, Nubar Pasha, with British oversight over the ministry of finance and French oversight over the ministry of public works. Resentment against foreign intervention built up and there was a mutiny in the Egyptian armed forces in 1879. A national movement sprang up, led by a political party, Hizb al Watan. It became the dominant political force in the Assembly of Delegates, an institution that had been established by Muhammed Ali Pasha as part of his reform processes earlier in the century. In response to the Egyptian outcry, the Europeans tightened the noose and made demands for the immediate liquidation of their loans. When Ismail Pasha demurred and attempted to replace the foreigners in the ministry with Egyptians, he was forced to abdicate in favor of his incompetent son, Tawfiq Pasha. To placate the Europeans, Tawfiq dissolved the Assembly of Delegates and attempted to rule by decree. Protests and street demonstrations erupted in Cairo and Alexandria against this arbitrary exercise of power.

Unable to control the political process, the Europeans made their military move. In 1882, a combined British and French naval force appeared at Alexandria. When this show of force proved insufficient, the British, acting alone without French participation, bombarded Alexandria into submission. From there the British force moved on Cairo. The nationalist forces put up a stiff resistance but were defeated at the Battle of Tel el Kabir (1882). Cairo was in British hands.

Control of Egypt meant control of the Nile River. Using Egypt as their base, the British moved up the Nile to occupy the Sudan and Khartoum. Sudanese resistance to British penetration was led by the Mahdi (1884), but it was crushed by superior British firepower. Egypt remained under British occupation until 1912 when it became a British Protectorate. An Anglo-French consortium was set up to control and run the Suez Canal, and it continued to operate until Gamal Abdel Nasser nationalized the Canal in 1956.

The construction of the Suez Canal and the colonization of Egypt bring out the sharp contrast in the horizons of the Sultans and emirs of Muslim lands and the merchants and bankers of Europe. The Sultans and emirs operated in the past and had no idea of the changed global paradigm in which Europe operated. With the exception of Tippu Sultan of Mysore (d. 1799) their vision was limited to their own environment and their own kingdoms. They were unaware of global currents that were shaping the destinies of nations. Certainly, they proved themselves incompetent in the fields of international economics and finance. By contrast, the Europeans had a global reach. They understood the economic and political interplay between developments in one part of the world and another. When Ismail Pasha committed himself to a loan for the construction of the Suez Canal, he overlooked the fact that the inflated prices for Egyptian cotton were a consequence of the Civil War in America. The Civil War would end one day and the inflated prices would surely collapse. Neither could he comprehend that the credit system that he was submitting to would ultimately devour his country. Europe had entered the post-mercantile era, and was run by bankers armed with the credit mechanism whose global reach knew no national boundaries. The Sultans and emirs were still operating in the age of the soldier-kings. It would take another hundred years before the Muslim world would wake up and make a serious attempt to understand the west and the internal mechanics of its institutions.

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