

The Reciprocal Relation between Stock Exchange and Politics in Egypt (1883-1945)

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Abstract

There is a direct relationship between the stock exchange and politics, so the Egyptian stock exchange during the period from 1883 to 1945 influenced by the English policy in Egypt, as well as the influence of the various political events. The most important of these events were the World War I and World War II.

Introduction:

There is a direct relationship between the stock exchange and politics, in a sense that the degree of political stability in a period leads to good functioning of the stock exchange, on the other hand, the degree of political instability leads to a negative influence on the activity of the stock exchange and its various transactions. The general political orientation leads the stock exchange to follow the same direction of this policy, and the change of political orientation leads to a change of these activities.

During the study period, the Egyptian Stock Exchange passed by a number of different political variables, whether at the domestic level as a result of the British occupation of Egypt, or at the external level due to the dependency of Egypt in that period to Britain, and the influence it was subject to due to the results of the First and Second World Wars. All these events had a clear influence on the Egyptian Stock Exchange and its various activities, in terms of the amount and transactions of its economic activities in the field of cotton trade or the securities transactions of various stocks and bonds.

Therefore, I will tackle the English policy in Egypt and its influence on the Stock Exchange, as well as the influence of the various political events during the study period on the Stock Exchange. The most important of these events were the World War I and World War II.

English policy in Egypt and its influence on the stock exchange:

After the defeat of Orabi revolution, Egypt began a new stage of political life, represented by the English occupation in 1882. At first, England claimed its existence would be a temporary stage, and spread such claim to the world public opinion, and has declared its evacuation from the Egyptian land would be imminent. But such declarations were far from reality; to the contrary, it has taken political attitudes that gave it full political and economic control to serve its interests in Egypt¹.

I will discuss such attitudes that have had a direct or indirect influence on the Egyptian Stock Exchange and its transactions.

The first of these economic political attitudes were the expansion in the cultivation of cotton, the interest given to agricultural activity, the negligence of industry and care in trade, so that it could control the export of cotton crop to its factories in England to be used in cotton textile. In addition to the spread of agricultural trade activities represented in cotton trade and related projects complementary to this activity by the establishment of stock exchange companies, which led to the spread of companies specialized in cotton trade, transport and land reclamation. Besides the various companies in the field of mortgage , commercial and real estate banks, and the increase of activities of the two Cotton Exchanges in Alexandria in that period².

To achieve this objective, the Egyptian economy has been transformed into a subordinate single-specialization economy through which the Egyptian Stock Exchange has emerged, especially the Cotton Exchange³. Egypt followed the economic policy set by England, which led to an increase in the demand of land, resulting in the increase of cultivated areas and the size and distribution of agricultural property, and the growth of the Egyptian class owning vast areas of land⁴. This

(¹) Latifa Mohammed Salm: *Egypt in the First World War*, (Cairo, Egyptian General Book Authority, 1984), p11. Also see Ahmed El Shalq, *Modern Egypt develops chapters of political and social history*, (Cairo,2010),p 209

* Orabi revolution: a revolution led by Ahmed Orabi in the period 1879-1882 against Khedive Tawfiq and the foreign intervention in Egypt.

See, Zaid Fahmy, *Ordinary Egyptians creating the modern nation through popular culture*, Stanford University press, 2011. Tark Osman, *Egypt on the Brink*, Yale University press, 2010. Hamdi.M.M.; *Statistical Survey of the development of Capital investment in Egypt since 1880*, London, PHD, Thesis, p67.

(²)Galal Amin: *The story of the Egyptian economy from the era of Mohammed Ali to the era of Mubarak*, (Edition1, Cairo, Dar Elshrouk, 2012), p40.

(³) Anas Mustafa Kamel: *Jewish Capitalism in Egypt*, (Mariet for publishing and Information, 1999), p.109

(⁴) Ahmed Elshalq, *Ibid*, p215.

situation led to an economic prosperity for the upper class of owners due to the interest in agriculture and rise of cotton prices which opened the way for the establishment of mortgage companies and various agricultural land companies⁵.

Egypt has been transformed into an agricultural country producing cotton as a raw material. Then the role of occupation and the various foreign communities in turn began the sale and purchase operations, and the full control of cotton trade in the Egyptian market, whether through the price of cotton and speculation in the stock exchange, or the stage of selling and exporting it abroad, especially to England that got the largest share of these exports. About 45% of the exports value of the Egyptian cotton was exported to England, while the rest to other countries such as France, Russia, Germany, Netherlands, Spain, Austria, Japan, America, in different proportions⁶.

Foreign trade statistics indicate the extent of dependence on cotton exports. Egyptian exports of cotton have reached to 81% of the total Egyptian exports during the period from 1885 to 1889, and 87% of the total exports during the period from 1900 to 1904, and hit its maximum from 1910 to 1914, by a rate of 93%. The following table shows the status of cotton in the Egyptian exports during the first period of occupation, which reflects this trend and specialization in the export of cotton⁷:

Year	Exports of cotton and seed in thousand pounds	Total exports in thousand pounds	Percentage of cotton exports to the total exports
1885-1889	8.900	11.043	81%
1890- 1894	10.190	12.913	80%
1895 -1899	11.104	13.308	83%
1900- 1904	15.994	18.235	87%
1905-1909	21.971	24.129	91%
1910-1914	29.498	31.662	93%

(⁵) Mohamed Fahmy Lehita, *Egypt economic history in modern ages*, (Cairo, 1938), p590. A.E. Crouchley, *The economic development of modern Egypt*, first published, LONGMAN, Green and (Co.I.TD, Great Britian, 1938, p66-68

(⁶) Mahmued Khatr : *The Stock exchange and sale of cotton*,(Cairo, Abu El Hool Press, 1914), p7.

(⁷) M.E.Abdel.Salam and Mohammed A.M ElSayed Negm, "*The Egyptian Cotton, Current constraints and future opportunities*" , Cotton Research Institute, Giza,Egypt,2009, Publisher: Textile Industries Holding Co. 2009 , p16

A researcher noted that as a result of the principle of agricultural specialization in cotton trade, 70% of the population of Egypt were directly affected by the prices of cotton, and 30% indirectly affected, in addition Egypt depended on cotton by 87% of its total exports⁸.

On the other hand, this policy had a clear negative effect due to the economic dependency and integration into the world economy without having the proper strength of action, not reaction. As a result the stock exchange was influenced by the world economic crises, as in the crises of the 1907 banking panic and the 1929 World economic recession, which had passively affected the Egyptian stock exchange. These economic crises were only a result of an economic situation when the Egyptians didn't have the upper hand. Such situation has subjected Egypt to the effects of the economic policy of the British occupation as well as the activity of foreign communities in Egypt⁹.

In his autobiography, Khedive Abbas Hilmi II has criticized this situation. He criticized, Lord Cromer, the British commissioner to Egypt during the first period of the occupation, who began to carry out this British policy in Egypt, saying: "Lord

(⁸) Schanz, M, *Cotton in Egypt and the Anglo Egyptian Suddan*, Manchester, 1913, p31. Ali Shalaby: *The Great Depression and its Reflection on the Country 1929-1934*, (First Published, Cairo, Dar El Shrouk, 2006), p.24

(⁹) * The 1907 Crisis: a financial crisis that broke out in the United States when the stock market collapsed abruptly, losing almost 50% of the maximum financial value it achieved in the previous year. It affected all the capitalist countries, especially Britain and consequently Egypt in that period, as it had a negative influence on the stock exchange and the Egyptian economy as a whole

Also: Charles P. Kindleberger et Robert Aliber, *Manias, Panics, and Crashes: A History of Financial Crises* (5th ed.), Hoboken, New Jersey, John Wiley & Sons, 2005, Robert F. Bruner et Sean D. Carr, *The Panic of 1907: Lessons Learned from the Market's Perfect Storm*, Hoboken, New Jersey, John Wiley & Sons, 2007.

*the 1929 crisis, known as the great recession, was an economic crisis that took place in 1929, throughout the 1930s, and the early 1940s. It was the largest and most famous economic crisis of the 20th century. The crisis began in America. Historians said that it started with the collapse of the US stock market on 29 October 1929, called the Black Tuesday. All capitalist countries and the other dependent ones were influenced by this crisis.

Also see: Hamilton, James (1987). "Monetary Factors in the Great Depression". *Journal of Monetary Economics*. 19 (2): 145–169.FROM,

<http://www.sciencedirect.com/science/article/pii/0304393287900456?via%3Dihub>

,John A. Garraty, the Great Depression (1986) .

Cromer made us a group of peasants to serve the production of cotton to satisfy the ambitions of the British treasury"¹⁰.

This is the biggest evidence confirming the complete control of the English policy in Egypt, and also shows how the economic situation of Egypt was oriented to serve the British interests. The country was exposed to the risk of relying on a single crop whose prices were subject to world market fluctuations in Liverpool and New York, and to some extent were determined by the US cotton price, which ranked first in the world production, as well as the extent to which the world textile industry needs that crop¹¹.

Despite this interest in the cultivation and export of cotton, that reached to 93% of the total Egyptian exports between 1910 and 1914, and the occupying country got at the lowest prices as a result of the British policy based only on its interests, however, cotton price did not exceed LE 0.25 million in the period from 1870 to 1898, although the value of cotton exported in 1898 was 6 million cantars worth of 8.5 million pounds. In 1870, the exported quantity was 3.25 million cantars worth 8.25 million pounds¹².

In his report, Milner said "Control of cotton prices has increased people's discontent; as such domination has deprived farmers of the advantage of competition in foreign markets, while rents of their land have increased,"¹³.

As for the direct influence of this policy on the activities of the stock exchange, it is noteworthy that it has affected the stock exchange activity in terms of investment orientation and quality, especially during the first period of occupation that witnessed interest in agricultural activity, and specialization in cotton trade in the two cotton stock exchanges of Alexandria, in addition to the expansion in the growing of cotton as mentioned above that led to attracting more foreign investments, and the establishment of agricultural land and real estate companies and foreign financial

⁽¹⁰⁾ Ahmed Mustafa in the Introduction to the book Ahadi: Memoirs of Abbas Helmi II Khedive Egypt .last 1892-1914, (I 1, Cairo, Dar al-Shorouk, 1993), p7

⁽¹¹⁾ Amin Mustafa Afifi, op. Cit., P. 53

⁽¹²⁾ Mahmoud Mohamed Metwally, op. Cit., P. 78

⁽¹³⁾ Khairi Talat: *Egypt in World War I until the Suez War 1914-1956*, (Hawa Publishing and Distribution, 1998/1999), p. 3

houses, where the activities of the foreigners have been focused in the areas of mortgage and purchase of agricultural land, and cotton trade in the stock exchange¹⁴.

Two thirds of the foreign funds invested in Egypt during that period were directed to the mortgage companies and the agricultural land companies, where the total capital invested in the agricultural reform works and real estate mortgage in 1914 reached to L.E 66.901.000, of which L.E 54.569.000 representing the French, English and Belgian funds invested in mortgage companies , and the remaining L.E12, 232,000 invested in land companies, out of the total foreign funds in Egypt which amounted to L.E 92,039,000¹⁵. In 1907, the proportion of companies in this field reached to 84% of the total paid-up capital¹⁶.

There has been no balance between production projects and cash in circulation, and that led foreign companies to turn away to brokering, speculations and mortgages, resulting in a passive effect on the stock exchange when uncalculated speculations in this period led to economic crises as occurred in 1907. The reason was the total dependence on cotton trade and its exports without due interest to other economic sectors¹⁷.

The second of these economic political attitudes was the transformation of Egypt into a market for its various products and products of the different European communities which have dominated the Egyptian economy during that period for their economic interests¹⁸. In order to achieve the second element, it allowed itself and the various foreign communities to control the capabilities of the Egyptian economy in its various sectors, including the stock exchange, so the stock exchange with its two branches, cotton and securities has emerged¹⁹.

(¹⁴) Abdul Azim Ramadan: *The Strife in Egypt, 1837-1952* (Beirut, The Arab Institution for Studies and Publications, 1978), p.36 , Helmy Ahmed Shalaby, chapters in the history of modernization of .cities in Egypt 1820-1914, p. 107

*Among the most important financial houses for the trade of cotton were : Jacob Planta, Khorimi Melor, Rodokanaki , Salvador, and Bill and his partners of the oldest English houses exporting cotton. The first Egyptian house cotton export was in the name of Ahmad Bak Farghali 1865.

(¹⁵) Ibid., P. 36

(¹⁶) Ismail Mohamed Zein, op. Cit., P. 137

(¹⁷) Ibid, p. 138

(¹⁸) Anas Mustafa Kamel: *Jewish Capitalism in Egypt*, (Merit Publishing and Information, 1999) p. 141

(²⁰) Mahmoud Mohamed Metwally, *The Historical Origins of Egyptian Capitalism and its Effect on .Egypt, 1920-1961*, Phd Thesis, Ain Shams University, History, 1972, p. 220, 226

England has created a state of international recognition of its presence in Egypt, giving itself a political stability that helped to serve its various interests, and had a direct influence on the various investments in the Egyptian stock exchange. It sought for an international recognition which has been represented in The Entente Cordiale between France and England in 1904, that allowed to handover Morocco to France, and Egypt to England after a stage of political conflict between them, especially after England had cancelled the bilateral surveillance²⁰ on 18 January 1883 in an attempt to gain more control over the administration of Egyptian.

This agreement between the two countries gave England a political superiority in Egypt, and capital superiority to France in Egypt through its various investments. In addition the official language of transactions of the Egyptian stock exchange was French²¹. As for the influence of this agreement on the stock exchange, it resulted in the establishment of several houses and financial banks by various European national companies, whether English, French, Belgian or German in Cairo and Alexandria. Also, the Agricultural Bank 1902, the Egyptian Land Bank 1905, the Mortgage Company 1908, and the Egyptian Credit Bank 1908 have been founded.²²

The foreign investments increased from 6 million pounds (1883 to 1892) to a big leap of investments in the years following 1892, when optimism and stability of the foreign investor have increased. The investments increased from 6 million pounds in 1892 to 11.4 million pounds in 1897 and 22.1 million in 1902. Then a huge jump of three times this amount reach to 60 million pounds in 1907, after the Entente Cordiale between France and England. The number of foreign companies founded until 1907 reached to 160 companies with a capital of 42.235.000 Egyptian pounds²³.

(²⁰) * Morocco: also called the Red City and the capital of the palm, is the third largest city in the Kingdom of Morocco in terms of population density and is located in the south-center.

last modified, 2/10/2017 ,<https://ar.wikipedia.org/wiki/>)

- The bilateral surveillance: On November 18, 1876, a bilateral surveillance was established on the Egyptian finance by two delegates, an English delegate and the other French.

(²¹) Amin Mustafa Afifi: *Egypt's Economic and Financial History in the Modern Era*, p. 308. * See Latifa Mohamed Salem, *Egypt in World War I*, The Egyptian General Book Organization, 1984, p. 11: p. 13

(²²) Ahmed El-Sherbini: *The History of Egyptian Trade in the Era of Economic Freedom 1840-1914* (Egyptian General Book Organization, 1995), p. 230, Egyptian Land Bank 1905, House of documentation, Governor of the Companies Department, Portfolio No. 9, file 1,2

(²³) Jalal Amin, op. Cit., P. 42

According to the 1913 statistics, companies established since 1883 till the period before the Entente Cordiale of 1904 reached to 60 joint stock companies with a capital of 40 million pounds. While after this agreement, 100 joint stock companies were established, in addition to increasing the value of the old capital and the capital of companies existing in Egypt to L.E 111.232. 257, according to the statements of the General Statistics Department in 1913, when foreign investments increased during that period, especially the investments represented by the English and the French capitals, then Belgium and the other European countries²⁴.

Also, under this agreement, funds of the creditor countries have been guaranteed to ensure stability of situation for England in Egypt, by insuring payment of the money of shareholders and the Egyptian debt bonds holders through transferring the powers of the debt fund from an interferer in the financial affairs of the country to a depository that would receive some revenue earmarked for debt repayment.

On November 28, 1904 a High Order was issued, and was attached to the articles of this agreement, by which debt revenues were replaced by the taxes of lands being more guaranteed and stable and can not be decreased or reduced, giving a more guarantee to the shareholders and bondholders. This Order was ratified by England, France, Italy, Germany, Russia and Austria, and was decided to be effective from 1 January 1905²⁵.

These political situations helped to prepare circumstances for more migration to Egypt, when various foreign communities realized that the Egyptian market was promising and important for them to gain more profits and many financial gains through investing in it. Communities have come from Britain, France, Italy, Switzerland, Belgium, Greece, and from other different nationalities and religions. They have found the Egyptian market an appropriate destination for investment, and that led to the emergence of a class of French and British merchants and financiers

(²⁴) Ismail Mohamed Zein: *Egyptian Agriculture during the British Occupation 1882-1914*, (Egyptian General Book Authority, 1995), p155.

(²⁵) Ismail Mohamed Zein, *Egyptian Agriculture during the British Occupation*, op. Cit., P. 16, p. 19, as well as Mohamed Fahmy Lehita, *Egypt's Economic History in Modern Era* (Cairo, Press of the Authoring, Translation and Publishing Committee, 1944

To return to the articles of this agreement, see: *Memoirs of Abbas Helmi II Khedive Egypt last 1892- * 1914*, I 1, Cairo, Dar al-Shorouk, 1993, p. 2899. Attached to the book agreement and its items according to the book extracted from French diplomatic documents, Paris, National Press, 1904, (Yellow Book).

and other European countries that came to Egypt and contributed by their economic activities to increase the activity of the Egyptian Stock Exchange, which was positively affected by the political stability in the country.²⁶

The state of political stability was not a situation resulting from a general satisfaction at both the public and the official levels, but it was a state of stability felt by foreign communities due to the occupation policy. These communities have benefited from the status quo and increased their activities in the Egyptian stock exchange. So, politically Egypt fell in the hands of the British administration, and economically in the hands of the great European factories and various foreign communities.

These communities have benefited from the political situation since 1882. They have achieved more profits and capital accumulation by controlling the investment fields of the stock exchange²⁷, through the establishment of joint stock companies that represented 90% of their total capital invested in the fields of the Egyptian economy, which was strongly directed towards investment in agriculture, and not industry and other fields, to achieve a faster profit and to be in line with the general attitude in the country, especially during the first twenty years of the occupation of Egypt²⁸.

The total foreign capital operating in Egypt in 1897 amounted to L.E 20,868,000, and then developed to L.E 42.112.000 in 1902. Most of the investments were channeled to the Suez Canal Company, the real estate and agricultural companies, transport and communication companies, and commercial, industrial and mining companies, while the value of foreign capital amounted to L.E 100,152,000 in 1914, in addition to the revenues of the Suez Canal which amounted to L.E 16,218.000, but was added to the revenues of 1915, making the total of these funds to reach to L.E 117.500.000 in 1915²⁹.

In his article in Al-Ahram, Makram Ebeid showed the extent of the English domination and foreign influence on the Egyptian economy. He said: "the national economy is far from the control of the nationalists, as the case of Egypt. The financial

(²⁶) Crouchley, The economic development of modern Egypt, first published, London, 1938, p107. Cromer, modern Egypt, vol2, London, 1908, p131. Dobb, Maurice: Capitalism Yesterday and Today, London, 1958, p53.

(²⁷) Mahmoud Mohamed Metwally, op. Cit., P. 226

(²⁸) Ibid., Pp. 22, 83

(²⁹) Nabil Abdel Hamid Ahmed: *Economic Activity of Foreigners and its Impact on the Egyptian Society 1922-1952*, Dissertation Thesis, Ain Shams University, Faculty of Arts, Department of History, .1980 p.p 20,21.

markets, banks, companies, trade, industry and taxation are completely subject to foreign influence." This quotation reflects the economic reality that reveals the extent of foreign penetration supported by the foreign privileges, the mixed courts and the English policy in the affairs of the Egyptian economy, in which the stock exchange was one of the most important sectors, with the financial expertise and the strong capital possessed by foreign communities in this field³⁰.

Talat Harb described them as "the lethal group" of the peasants' lives through their monopoly of markets and imposition of more financial and social hardships on the lives of the citizens³¹.

This emerged clearly during the economic crisis of 1907, when the crisis hit the stock exchanges and banks, and has negatively affected the Egyptian stock exchange in its various fields, especially the Cotton Exchange. The world cotton prices were affected by this crisis causing their decline after a period of economic boom. This crisis has shown the intransigence of foreign businessmen and capital owners with the Egyptian farmers, and their control over cotton prices which declined to levels that harmed the Egyptian farmer on the economic and social level due to the complete dependence on the financial value resulting from selling the crop in the stock exchange whose prices controlled by foreigners were linked to international prices³².

Britain has made huge profits whether in the fall or rising of cotton prices in the stock exchange. Winston Churchill said in the British parliament: "The British government has won a lot of profit from the monopoly operations of the Egyptian cotton." According to some American financial experts; had Egypt been neutral in World War I, it would have earned 10 billion francs. Juliet Adam, in her book "England in Egypt", said that prices of the Egyptian cotton had been cheaply estimated³³.

⁽³⁰⁾Al-Ahram Newspaper, July 9, 1936

* - Makram Ebeid: Makram Ebeid Pasha (25 October 1889 - June 5, 1961) an Egyptian politician and thinker who served as Minister of Transport and then Minister of Finance of Egypt in 3 Ministries. He is one of the symbols of the national movement in Egypt, and was a member of the delegation accompanying Saad Zaghloul Pasha. His was exiled with others to the island of Malta and then returned after the revolution of 1919.

⁽³¹⁾ Hafez Mahmoud and others: Talaat Harb, (Cairo, Egypt Press, 1936), p 62

⁽³²⁾ Ibid, p 69.

⁽³³⁾ Mohamed Mohamed Sharks: "*Bank of Egypt and its companies under the management of Talaat Harb 1920-1941*", unpublished doctoral thesis, Minia University, Faculty of Arts, Department of History, 1989. pp. 263, 264

The British policy in Egypt led to a more foreign and monopolistic control of many economic fields. It has found facilities enabling it to establish a lot of various projects through the establishment of joint stock companies to finance these projects.³⁴ In addition to the absence of sufficient Egyptian legislations that would limit their control of the economy by virtue of the foreign privileges and the mixed courts³⁵.

Therefore, the foreign privileges and the mixed courts were one of the pillars that contributed to increase control of the foreign communities on the Egyptian Stock Exchange due to its disadvantages which helped to exploit and oppress the Egyptians. Such disadvantages were recognized by both the Egyptian and the foreign sides.

In his 1905 report, Cromer mentioned the need to abolish the system of foreign privileges as it impeded economic progress, and that Egypt's economic position would permit that. In 1909, Gurset said that it hindered Egypt to set its economic legislations, and that it was unfair, oppressive, favoring class at the expense of the others, and that their hardships would increase day after another³⁶.

The influence of foreign privileges on the stock exchange is shown in my talk about the responsibility of issuing any legislation related to the Egyptian Stock Exchange by the Egyptian legislator. It was necessary to refer to the "Court of the General Assembly of the Mixed Court of Appeal," concerning the draft laws prepared by the Ministry of Finance, or the Finance Committee of the House of Representatives

⁽³⁵⁾ See, Crouchely, *The investment of foreign Capital in Egypt*, p.p 62- 63, Crouchely A. Foreign Capital in Egyptian Companies and public debt , London, 1936.

⁽³⁵⁾ Mona Mahmoud Mahmoud Othman: "The Family of Qatawi and its Role in the Egyptian Society 1863-1957", unpublished doctoral thesis, Helwan University, Faculty of Arts, Department of History, 2013. pp 254, 255.

*to circumvent this situation, influential Egyptian politicians and financiers were assigned as a front for these companies , exploiting their influence in facilitating interests of these companies. Ibid, p255.

* In spite of the Companies Law of 1923, stipulating an Egyptian member should be in the Board of Directors, and the Decision of the Council of Ministers in 1927 determining 25% as a minimum ratio of Egyptians in the shareholding companies, however companies were infiltrated by those persons holding Egyptian citizenship. Also, the capitulations prevented execution of the companies Law of 1947 concerned with the percentage of Egyptians sharing in the joint stock companies, stating they should be a majority in the board of directors defined as 40% which was an evidence of the small size of the Egyptian capital. The law was a codification of reality and not an excess. According to Law 138 of 1947 concerned with the codification of the joint stock companies status ,the Egyptian nationality would be the condition to be reckoned with, not the state of origin. However it was also circumvented.

³⁶⁾ Al-Bursa Newspaper, Issue 3523, Year 11, 2 February 1933, as well as Mahmoud Mohamed Soliman: *Aliens in Egypt Study in the History of Social Egypt 1922-1952*, Dar Ain for Human and Social Studies and Research, 1988, p. * Further information and details about the privileges and their (.history See: Mohamed Abdel Bari: *Foreign Privileges – Al Eatmad - 1930*

(parliament) in relation to legislations of the stock exchange. That court wouldn't approve any decision or law that would hinder foreign interests in the stock exchange.

In spite of the government's monitoring of the stock exchange and its decisions, and the follow-up of the implementation of rules and laws of the Stock Exchange and the process of work, however, in case an objection was made by the government delegate to any violation, the legislator has authorized the Chairman of the Stock Exchange Committee the right, according to a request filed as an appeal in front of (The Chamber of Counsel at the Mixed Commercial Court) for issuing its decision, to implement the decision or the objection or not³⁷.

Another example of the disadvantages of these foreign privileges and the mixed courts is the decision of the Mixed Primary Court in Egypt to commit the Egyptian government to pay benefits of the Egyptian debt coupons to its holder on the gold base. This decision was too hard for the Egyptian citizen to bear its economic consequences, and it also shows the intransigence of the foreigner who has given care only to his interests³⁸.

Influence of politics and political events on the Egyptian Stock Exchange:

Locally, the political situation in Egypt has not remained as it was. Other political events have emerged as a result of this occupation, and its previous policies have affected the Egyptian stock exchange. Egypt has followed the same economic attitude of the occupation since 1882-1914.

But with the eruption of the First World War and the participation of Egypt in that war, in addition to some other political events, some changes and amendments have happened to this policy, which affected the Egyptian stock Exchange and its investment and trade activity. Egypt passed by a number of important political events

(³⁷) Ahmed al-Sherbini, op. Cit., P. 273, Hussein Timur Bek in his introduction to the book of Issa Abdel-Sayed, the stock exchange, present in Alexandria, I 2, Credit Printing Egypt, 1952. p. 6, where he stated that the approval of mixed courts on the laws of the stock market is imperative, And the materials and role of the Government delegate

(³⁸) Bursa Newspaper, Issue 3521, year 11, 31/1/1933

*Gold Base: The Egyptian pound was valued by the so-called "gold base", The Egyptian pound was equivalent to 7.4375 grams of gold. This criterion remained the only evidence of the value of the pound until the outbreak of the First World War.

For more: see the history of gold in detail d. Ramzi Zaki: The Critical History of Underdevelopment, A Study on the Impact of the International Monetary System on the Historical Composition of Underdevelopment in Third World Countries, The Knowledge World Series, Kuwait, 118 October 1978.

during the study period, which were a result of the English occupation of Egypt and its various policies.

These political events have varied between external ones that influenced Egypt due to its political and economic subordination to England during that period, namely the World War I and II, and political events resulting from official and popular resistance against occupation and foreign communities that have controlled the national economy, in the forefront of which was the 1919 revolution that has coincided with the end of the First World War.

The World War I and its influence on the Egyptian stock exchange:

Egypt was adversely affected by its economic dependence to England, through the events of World War I and II, and their economic influence on the Egyptian stock exchange.

The researcher considered tackling them in some details due to their political and economic importance in the study period, and also their importance for their economic influence on the Egyptian stock exchange. They were among the most important political events during this period.

Influence of the war on the Egyptian Stock Exchange:

The war has had an adverse influence on the Egyptian stock exchange, both the cotton and securities, especially the Cotton Exchange and its various activities due to its great economic influence in that period, which coincided with the foundations of the British public policy during the period from 1882 to 1914, in addition to the dominance of agricultural activity in that period and the general attitude to invest in that field³⁹.

Cotton policy was greatly affected by the circumstances of war, as its outbreak in August 1914 coincided with the season of cotton ginning, which led to an increase in cotton crop that reached to 8 million cantars. With the halt of commercial transactions

(³⁹)* World War I: a world war that broke out between European powers on July 28, 1914 and ended on November 11, 1918. It was called World War and the Great War.

* British protectorate over Egypt: an explicit protectorate Britain imposed on Egypt between December 18, 1914 and February 28, 1922. The occupation, through its political and economic dominance on Egypt, imposed further heavy pressures in a war it alone got its fruits, although Egypt has not participated in that war whether in the preparation period or direct engagement in combat fields, but it was subject to the conditions of foreign economies.

Fouad Moussa, The Economic Charges of World War II, Al Talea, No. 9, September 1967, Third Year.

and the market of the stock exchange due to military disruptions, and the factors of unrest that prevailed during war, demand for cotton has decreased⁴⁰.

Due to the circumstances of the war the demand for cotton reached to 5 million cantars. Not only was the demand low, but with the difficulty of marketing the crop due to the halt of trade, cotton prices were significantly deteriorated in the stock exchange. The price of a cantar of a type called "Fully good fair brown Afifi" decreased steadily from 18.5 riyals to 10.32 riyals. Also, fear of importers of the Egyptian cotton in foreign countries to create markets to sell their products contributed to further deterioration of these prices⁴¹.

In an attempt to find a solution to this problem, the government recommended the National Bank to obtain and store cotton in storehouses until prices rise in return for granting it loans at an interest rate of 6.55%. It tried to buy a percentage of the crop that reached to 2 million pounds so it wouldn't be subject to price fluctuations. But the arbitrariness of the bank and its conditions prevented the completion of the loan. Banks refrained from lending, and fear has taken hold of the real estate banks and other mortgage shops. Everybody hurried to obtain his debt, and in less than few weeks, the farmer was very confused and approached the brink of ruin⁴².

It was also the work of the occupiers during the First World War to limit prices of cotton to serve the factories of England, and that led to a negative influence on the farmer and his living conditions in light of the high living prices, the heavy taxes, and the debts which led him to sell his properties or borrow from usurers to repay his debts. In his report, Melner mentioned that the control of cotton prices has increased

(⁴⁰)The house of documentation and books, the prime council, High order- cotton cycle, A Special Topic on Resolutions and Mutual Interactions on the Cotton Crisis ", p. 1, Note by the Financial Advisor, in which mentions cotton from a violent shake-up due to the outbreak of war, This is caused by the lack of demand for cotton and the inability to sell cotton, file 26 / Portfolio No. 1 / Code 0075-008376, It was also difficult to market cotton in high order in August 1914 (forcing the mandatory price of banknotes to be the main currency unit to deal with in the Egyptian state, which led to the disappearance of gold from trading), Egyptian Chronicle, August 3, 1914. The Egyptian pound of the British Pound 1916. Ali Shalby, the Great Depression crisis and its reflection on the Egyptian countryside, op. Cit., P. 25

(⁴¹) Latifa, *ibid*, p.125

(⁴²) The house of documentation and books, the prime council, High order- cotton cycle, A Special Topic on Resolutions and Mutual Interactions on the Cotton Crisis ", p. 1, Note by the Financial Advisor, in which mentions cotton from a violent shake-up due to the outbreak of war, This is caused by the lack of demand for cotton and the inability to sell cotton, file 26 / Portfolio No. 1 / Code 0075-008376, Talke about " The issue of the government's intervention with Britain's assistance to it and asking the Egyptians to overcome the difficulties. He also mentioned the difficulty of buying the cotton from the Egyptian government because it is a pressure on Balance, and address abandoned the National Bank for his agreement with the government and the difficulty of advances to small farmers.

resentment of people, as it didn't suit rent of their land⁴³. As a result, the farmer did not find anybody to buy his crop, in addition the government which failed to lend the farmers, committed them to pay the official taxes, and they had to suffer due to halt of trade⁴⁴.

Accordingly, Mina Al-Basal Stock Exchange was closed for a month in August 1914 and sale was stopped. It was the sale and purchase stock exchange of goods which controlled the country's agricultural revolution. Its closure meant that all businesses were halted. It was then reopened in September after it remained closed for forty-five days. Despite opening, selling or buying was still little, and all dealings were just some contracts for summer cotton at a price of 14 riyals, and the Good Fair type at 13.5 riyals, fully good Nubari type at 14 riyals, and also sale of some ordinary cotton received from Upper Egypt at 11 riyals. Also, the average price of cotton fell to 12 riyals, while it was 19 riyals in the year before war, and that caused a great loss for the owners of land. Work was very little, and there was no reason for the Stock Exchange Committee to announce the official prices.

Al-Mahrousa paper describes this situation narrating that: "some small farmers from the provinces have suffered so much from the financial distress that they offered to sell their cotton for 10 riyals; in return the buyer would lend the seller twenty pounds to be repaid after the cotton harvest; however buyers refused to give this advance payment." Therefore it was necessary to take quick measures to avoid the effects of this mass disturbance as far as possible and to avoid the farmer having to sell his cotton at prices below its real value. The Committee of the Exchange of commodities in Alexandria included this matter in its works, and decided on August 6, 1914 the liquidation of cotton contracts at a price of 15. 3/8 riyals, without taking view of the financial adviser; Edouard Cecil who was then outside Egypt, and who as soon as he returned canceled this decision. On September 3, 1914, Alexandria Stock Exchange was temporarily disrupted due to emergency conditions and the closure of the Liverpool and New York Stock Exchanges to preserve the seller and the purchaser their right of choice during holiday. In response to the entire public opinion, the

⁽⁴³⁾ Khairy Talaat, Egypt in World War I until the Suez War 1914-1956, op. Cit., P. 3

⁽⁴⁴⁾ Ibid, p 25.

* Farmers were obliged to sell their golden jewelry to pay their taxes, and repay their debts. The government tried to protect them against the exploiters who would get this jewelry at lower prices by charging a specialized committee to buy their jewelry at real prices, to repay their debts, and to pay them the rest through concerned officials in the Directorates of Cairo.

government intervened in the matter. The government was aware that cotton was almost the only wealth in the country, and that excessive drop in its price would be a national disaster⁴⁵.

This situation prompted the Egyptian government to issue a decree on September 22, 1914, obliging the farmer to plant one-third of his land, and whoever planted more would pay financial fines, and then was exempted from these fines. Accordingly, the cultivated area wouldn't exceed 35% of the farmer's land area⁴⁶.

The government's view in this decision was the desire to control the amount of cotton crop cultivated so that it could be marketed. The farmer's absolute freedom to cultivate cotton in light of this crisis led the crop to reach in 1915 for example, not less than seven million cantars. Were it not for this decision, there would have been 10.5 million cantars of cotton. Thus, the area of land cultivated with cotton has decreased from 1.755.000 in 1914 to 1,186,000, a decrease of 15.1% in 1915, from 32.2% in 1914; in contrast other crops such as wheat, rice and barley have increased⁴⁷.

In addition, the government facilitated collection of taxes, dividing them into three periods, and called the Egyptian Chamber of Commerce to postpone forced sale of properties and movables of the merchants. It also called for managing the crisis and creating ways to lend the farmers the necessary money for the harvesting of cotton, so that the crisis wouldn't lead to troubles in the country⁴⁸.

On the other hand, the crisis did not proceed at one pace; it continued until the war increasingly needed cotton, when its importance in the military industries emerged. In Alexandria, the received quantity of cotton until August 21, 1915, reached to 6.490.000 cantars. Many people had stockpiled their cotton due to its low price in markets.

(⁴⁵) The house of documentation and books, the prime council, High order- cotton cycle, A Special Topic on Resolutions and Mutual Interactions on the Cotton Crisis, Code No. 0075-008376, file 26, portfolio 1, p. 1, decision regarding the liquidation of contracts of cotton and seed on the Alexandria Stock Exchange through the liquidation committee with all powers, establishment 17/9/1914, Latifa Mohamed Salem, Egypt in World War I, Chapter II, Economic Protection, (cotton policy followed during World War I in Egypt as a whole). In addition to the various newspapers dealing with the status of the stock market and the economy during wartime: Al-Ahram on 15/9/1914, Mahrousa 19/9/1914, (the people 2/10/1914, newspaper 23/9/1914, ideas 2/9/1914

(⁴⁶) Ali Shalby, *ibid*, p 25.

(⁴⁷) Ismail Mohamed Zein, *op. Cit.*, P. 134

(⁴⁸) Ali Shalby, *ibid*, p26.

When markets of the new crop were opened at high prices, big quantities of 1914 crop began to flow. This was due to the shortage of the cotton crop in 1915 caused by the small cultivated area which led to increasing prices. The prices gradually increased from 12.1 riyals in 1913/1914 to 19.28 riyals in 1914 / 1915. Landowners expected that rise would offset some of their previous loss, but the government had limited the planted area by one-third of the owned land, which made big owners to request canceling this limit, and they could do so in 1916⁴⁹.

When export traders realized this increase, they sold large quantities of cotton, which resulted in a fall of prices. The price of cotton fell about ten points, but the market witnessed a great activity and speculations were made in the stock exchange, which pushed prices to go down based on the weak position of the Egyptian cotton in Liverpool. Also, the Contracts Commission of Alexandria Stock Exchange decided at the end of December 1915 an extraordinary liquidation of the contracts as they reached the difference in prices after the last liquidation. But in June 1917 the price of cotton was set at 23 riyals, then cotton was forbidden to be grown in Upper Egypt , and its cultivation was limited by one third of the arable land in the rest of Egypt. Soon, the big owners of the 1918 season were shocked when the English government monopolized all cotton. In 1918, Britain limited cotton price at 42 riyals, while it was received from the owners of cotton at 32 riyals, and has justified the discrepancy between the purchase and sale prices to the conditions of war and difficult transport, in addition to the insurance costs.

There was an objection by the producers to these prices calling it a theft as the price prevalent in Liverpool was between 50 and 60 riyals for a cantar, which meant the Egyptian product was sold at a loss of half, especially the price of transportation didn't exceed 9 riyals without interference from the government⁵⁰.

This intervention in prices caused resentment of people and was one of the reasons of the 1919 revolution, as mentioned by Melner in his report. It has harmed the farmer and his economic situation. If England hadn't monopolized the cotton crop of 1918, Egypt would have earned money to compensate it for the loss it incurred in the war years. It also led to halt of mediation and speculation on cotton, and the workers and

⁽⁴⁹⁾ Latifa Mohammed Salem, op. Cit., P. 133, Ali Shalaby, op. Cit., P. 26, Mahmoud Metwally, op. Cit., P. 84, The New York Times, 6/12/1916," Egyptian cotton at 23\$, Government to help solve moratorium deadlock in Egypt

⁽⁵⁰⁾ Amin Mustafa, Ibid, p 340, Latifa, Ibid, p 134: p142.

brokers in this field became in a deplorable situation. In addition, this monopoly led to the closure of Alexandria Stock Exchange on the first of August 1918, and poverty of many families who depended in their direct income on the stock exchange at a time when the cost of living has increased.

This situation created dangerous new shocks in the economic life. It was a wise action to put the stock exchange in time of war under a tight system to prevent sudden leaps, so it was clear that the closure of the stock exchange in itself unfair to the interests of this country on the one hand, and on the other hand, the 42 riyals decided as a price for the Fully Good Fair Sclarides type was unfair as it did not correspond with the reduction in the total cultivated area⁵¹.

As for the cotton seed, its prices dropped, depending on the price of cotton, until the market closed at about 61 pounds, due to poor quality of the crop that year, the increase in freight caused by the shortage of ships carrying exports, the absence of requests from Europe, and the absence of speculators who would help raising the prices⁵². In addition to its influence on cotton trade, the war also affected the securities stock exchange. The two securities stock exchanges were closed during war until they were reopened by its end in 1917. In addition, some headquarters of Cairo Stock Exchange, like that one where the National Bank is now located, branch of Sulaiman Pasha Street has been sold. Also, since its establishment, dealing at the market of forward securities transactions was cancelled by a joint agreement between the two committees of Cairo and Alexandria Stock Exchanges. Work hasn't resumed in this market except by instructions from the government delegate in 1931⁵³.

The war also affected some of the stock exchange companies. They liquidated their works, and their number reached until 1934 to 42 companies with foreign capital amounting to 24,133,000 Egyptian pounds. These companies varied between mortgage, agricultural, and construction companies, as well as transport, industrial, commercial, mining companies, and other companies after the period from 1934 to 1945, as a result of the World War I and the decline of mortgage companies and their

(⁵¹) Latifa, Ibid, p 141,142, * The Milner Committee is a committee formed on September 22, 1919 by the British government to examine the causes of the 1919 revolution in Egypt. See: Abdel Rahman Al-Rafa'i: The 1919 Revolution: Egypt's National History from 1919 to 1921 Dar Al Ma'arif, 1987

(⁵²)Ibid, p 133.

Atef Al-Sharif, The Stock Exchange of Bulls and Beards, op. Cit., P. 103, p. Emil Levy, Stock Market (⁵³).Information Brief, p. 43, p. 47

capitals caused by debt repayment after the state of prosperity following the war. The following is a list of the number of these companies and their liquidated capital⁵⁴:

N	Field	Number of companies	Capital at liquidation
1	Mortgage companies	7	L.E 10,512,000
2	companies from banks and financial houses	3	L.E 2.101.000
3	Agricultural land and construction companies	11	L.E 6.007.000
4	Transport and canal companies.	3	L.E 1.570.000
5	Industrial, commercial and mining companies	18	L.E 3.943.000
	Total	42	L.E 24.133.000

Other companies were founded after the First World War which headed into a different orientation, investment in fields other than real estate mortgage and agricultural companies. Attention turned to the formation of industrial and mining companies followed in importance by the real estate and agricultural companies, especially with the issuance of the customs Tariff in 1930, in addition to the increase of Egyptian raw materials. So, foreigners tended to form commercial and industrial companies. Number of companies in the field of industry and mining reached to 36 from 1922 to 1934, with a capital of L.E 10.392.000, while in the real estate activity there were two companies with a capital of L.E 253,000, and agricultural and construction land companies with a capital of L.E 420, 000, of the total capital with which the companies were established during that period that reached to L.E 12,981,000⁵⁵.

However, due to war conditions, some of the first local industries have emerged. The most important of which were cotton, linen, woolen and silk textiles, which increased the proportion of those employed in industry to 17.3% in 1917 from 13.2 in 1897. The percentage of those working in agriculture decreased from 68.7% to 55%. These industries were a motivation for the Egyptians to enter other investment fields to avoid the crises of cotton and dependence on its crop. By the end of the war we notice inability of the local industry to make use of the general situation of war for

⁽⁵⁴⁾ Amin Mustafa Afifi, op. Cit., P. 340, 341.

⁽⁵⁵⁾ For further details on these companies and their division, and the idea of investment transformation after the First World War of agricultural activity to various other fields, op. Cit., P. 243: p. 347

competition and finding a proper position in the market. With the return of conditions to normal, these industries didn't find protection against foreign domination, so they have collapsed⁵⁶.

Therefore, cotton continued as the controlling factor in determining the value of exports and imports due to the state's dependence on the principle of economic freedom and the freedom of trade. So, the Egyptian domestic industry did not get strong enough for competition due to the interference of foreign products. They have lost this battle which ended with the closure of some industries and bankruptcy of others. In addition, the general conditions of the Egyptian capitalism were not helpful for it to continue. However, the First World War would remain the first spark that led to the emergence of the Egyptian capitalism to play its role, and has also given a new atmosphere for the national economy. It was credited with alerting people to many things, mainly the disadvantage of depending on the cotton crop. It was a period that paved the way for the emergence of the Egyptian capitalism in the stock exchange with its various fields⁵⁷.

The revolution of 1919 and its influence on the stock exchange:

The 1919 revolution played a major role in mobilizing the national feelings by its call for political independence of the country. This call has coincided with the end of the World War I and its economic influence on the Egyptian stock exchange. The political independence would be achieved through economic independence, freedom from economic subordination to England, and getting rid of the domination of foreign capitals on the various fields of Egyptian economy. This was a major reason for the call made by Talaat Harb to establish Bank Misr in 1920 and its joint stock companies which reached to 19 companies in the period from 1920 to 1940.⁵⁸

Some interested people consider the establishment of Bank Misr and its joint stock companies as the real start of the Egyptian capitalism, and also the beginning of competition between the Egyptian capital and the foreign domination of the stock exchange. It was also the beginning of the Egyptians' entry into different investment fields which they haven't practiced before. Such fields contributed mainly to their

(⁵⁶) Mohamed Ibrahim Hassan, "Photos of the economic colonial influence in the Arab world", Journal .of Alexandria Chamber of Commerce, Issue 344, year 23, dated 7/12/1965, p 34.

(⁵⁷) Mahmoud Mohamed Metwally, op. Cit., P. 86

(⁵⁹) Robert Vitalis, When capitalists Collide, Business conflict and the end of empire in Egypt, University of California press, California, 1995, p44.

knowledge of investment, stocks and the stock exchanges with its various fields, despite competition of the foreign capital. Such activities were also initiated as a sort of national feelings on the part of the shareholders for the establishment of the bank and its various companies.⁵⁹

Cancellation of the foreign privileges and the mixed courts, and its influence on the stock exchanges:

In addition to the 1919 revolution, there were other events at the official level by the Egyptian governments for the evacuation of the British from Egypt throughout several political negotiations, which resulted in the declaration of February 28, 1922, as well as the 1936 treaty, of which the most important article was the cancellation of the foreign privileges and the mixed courts in 1937 at Montreux conference⁶⁰ within a transitional period ending in 1949⁶¹.

With the cancellation of the foreign privileges and the mixed courts, Egypt got rid of a great burden that hampered its legislative, political, social and economic system, including the stock exchange and its legislations, which the mixed courts had intervened in, as I have previously mentioned.

Also, with the cancellation of the foreign privileges, the Egyptian capitalism found its way to growth and competition to enter the stock exchange and its investment fields, after it was subject to foreign control by virtue of these foreign privileges. At

⁽⁶⁰⁾ Rostow w.w, *The Stages of economic growth (Anon Communist manifesto)*, Cambridge, 1960, p.p 18-19. Nabil Abdel Hamid Sayed Ahmed, *The Economic and Social Life of the Jews in Egypt 1947-1956*, op. Cit., P. 17, Muhammad Muhammad Sharkas, op. Cit., P. 111.

^{(60)*} Declaration of February 28: This was a declaration made by Britain unilaterally in London and Cairo. On that date, it declared termination of the British protectorate over Egypt, and that Egypt was an independent sovereign state. However, the situation continued as it was, due to four reservations, including the right to protect foreign interests in Egypt as a justification for its interference in the internal affairs of Egypt. It objected any attempt to cancel these reservations to protect its various investments in Egypt, in addition to its political and economic interests. The four reservations were (securing British transport in Egypt, defending Egypt against any attack, protecting foreign interests and protecting minorities, conditions in Sudan would remain as it was).

- The 1936 Treaty : a treaty that was signed on 26 August 1936 between Britain and Egypt in London, The provisions of the treaty included: Egypt's right to demand the revocation of foreign capitulations, the cancellation of all agreements and documents contrary to the provisions of this treaty, including the February 28 declaration with its four reservations, Egypt's freedom to conclude political treaties with foreign countries provided they wouldn't not conflict with the provisions of this treaty.

- Montero conference of 1937: an international conference was held on 8 May 1937, which led to the abolition of the judicial system of foreigners in Egypt, known as the mixed courts, after a transitional period ending on May 8, 1937.

More: Abdel Rahman Al-Rafe'i, *The Arab Revolution and the British Occupation*, Dar Al Ma'arif, .1983

⁽⁶¹⁾ See Documents of the Conference on the Abolition of Foreign Privileges in Montreux, 1937, by Nabil Abdel Hamid, *Economic Activity of Aliens*, op. Cit., P. 52

<https://marefa.org> League of Nations Treaty Series, vol. 173, pp. 402-431

the governmental level, the Egyptian public debt, whose bonds were traded in the Egyptian Stock Exchange, was converted into a public national loan most of its securities were possessed by the Egyptians.⁶²

The government also encouraged citizens to own shares of the joint stock companies, which led to the emergence of a new class of dealers in the Egyptian stock Exchange⁶³. Their cancellation had a positive effect on the Egyptian investments in the stock exchange through Bank Misr and its joint stock companies which achieved progress especially in the period after 1930 that witnessed adoption of a new customs tariff on the Egyptian exports and imports⁶⁴.

The economic situation changed with the issuance of the 1936 treaty, and the cancellation of the foreign privileges in 1937. Gradual decline in the number of foreigners and their economic activity began. The cancellation also pushed many of them to emigrate. That was followed by the Egyptian government legislations which aimed at increasing governmental supervision on the foreign projects and their joint stock companies, and increasing number of the Egyptians working in them⁶⁵.

The World War II and its influence on the stock exchange:

The second event at the foreign level that had a significant influence on the Egyptian stock exchange was the Second World War (1939 - 1945). It has had a positive effect on some fields of the investment stock exchange in relation to the securities stock exchange, especially the industrial and the commercial fields of some industries and joint stock companies that have been affected by the internal boom which had taken place and has benefited some sectors as a result of stopping the movement of import and export of goods since 1939⁶⁶.

⁽⁶²⁾ Amin Mustafa Afifi, op. Cit., P. 313

⁽⁶³⁾ Amin Mustafa Afifi, : *Egypt's Economic and Financial History of the Modern Era*, op. Cit., P. 365, .Al-Borsa Newspaper, No. 3523, 2/2/1933

⁽⁶⁴⁾ Ibid, p. 315

See Also: Ballsw, Lawrence, *Egypt of the Egyptians*, New York, 1920, p227- 228.

⁽⁶⁵⁾ Nabil Abd El hamed, ibid, p35, 36.

⁽⁶⁶⁾ *World War II: an international war that began on September 1, 1939 in Europe and ended on September 2, 1945, in which the vast majority of the world's nations, including the superpowers, took part in two competing military allies: the Allies and the Axis Powers. The war broke out when the three fascist countries: Germany, Italy, and Japan tried to change by force the status quo within the world capitalist system in their favor. In this war, Britain tightened its grip on Egypt and imposed the measures of war economy for its own interests, whereby all resources and works of the Egyptians were mobilized for the war.

See: Fouad Moussa, *The Economic Charges of World War II*, Al Talea, No. 9, September 1967, Third Year, p. 47.

The Egyptian economy was heavily affected, and a lot of goods could not be imported. An internal boom has taken place due to the large expenditure of these armies, and Egypt could make a deposit of more than 400 million sterling pounds. Many new projects have been developed through which its shares have improved in the stock exchange. The war had a positive effect on some industries that almost went bankrupt due to the first war and before the Second War. The importance of these industries has emerged, as the joint stock companies have greatly benefited from the halt of imports during the war. The presence of the occupation forces and their allies in Egypt as a base for their soldiers also increased the importance of these industries⁶⁷.

The war has increased the importance of the spinning and weaving industry, followed by food industries and some other industries such as wool, cement, petroleum oil, sugar and alcohol, cotton seed oil and the income of workers in these fields has increased⁶⁸. In addition to increasing the capital used in all industrial and commercial shareholding companies, where the production of textiles increased by 100 million meters in 1939, and to 142 million meters in 1947. Production of yarn, cement, and petroleum, sugar, alcohol and cotton seed oil also increased. The net industrial production increased from 13 million pounds to 18 million in 1945. Also, the profits of the joint stock companies in Egypt increased from 7.5 million in 1942 to 20 million, the largest share of which was to foreign capitalists and those having Egyptian citizenship, and the Egyptians got a good part⁶⁹.

In addition, the war drew the attention of big landowners to search for other investment fields in industry and trade, which led to the growth of the Egyptian investments in that period at the expense of foreign capital due to its strong entry into various investment fields including joint stock companies related with industrial and commercial projects.

The capitals of companies that were formed before 1933 reached to L.E 66740386, of which the Egyptians share was 9%, and the foreigners 91%, and newly established

(⁶⁷) Asim al-Desouki: *Egypt in the Second World War 1939-45*, (I 1, Cairo, Dar El ketab El Gamy, .1981), p. 174, 194

See Also: United Nations, economic development in the middle east 1945- 1954, New Yourk 1955, p. 219, For more details on the impact of the war on the economy as a whole, see, *ibid.*, Mahmoud Metwally: *Egypt's Economic and Social History during World War II 1939-1945*, Dar Al-Thaqafa for Printing, Publishing and Distribution, 1977

(⁶⁸) *Ibid*, p. 200.

(⁶⁹) Mahmoud Mohamed Metwally, *op. Cit.*, Pp. 142, 143

companies from 1934 to the end of the second war with capitals that reached to L.E 26718614, of which share of the Egyptians was 87.7 %, while that of the foreigners was 21.3%, .This means that the increase of the Egyptian capital from 1933 to the end of the war to L.E 4474010. The Egyptian capital invested during the period from 1934 to 1948 increased to 21.1 million out of 26 million. This means that the share of Egyptian funds invested in that period was 78.7% of total invested capital⁷⁰.

In general, the war contributed to the increase of the capital invested in industrial and commercial activities. Capital increased from 86 million pounds in 1939 to 106 million in 1945, and the capital used in the industrial companies increased from 15 million in 1939 to 33 million in 1945. The situation was also reflected on the budgets of the shareholding companies and the profits distributed to shareholders were also increased. The record of net profit rose directly from 114 in 1938 to 1975 in 1941, while the industrial production record in 1945 rose to 350.1 on the basis of the value of production, and 1135 on the basis of the value produced⁷¹.

With the bombing of Alexandria port by the German and Italian forces, the imports were stopped, which led to the increase of foreign and local capitals. These funds were reinvested and new joint stock companies were formed, resulting in the emergence of a large class of the rich, which gave them the opportunity to expand after the war⁷².

On the other hand, there were some companies and securities whose prices of shares were negatively affected as a result of the war , the most important of which were the companies associated with agricultural activities such as cotton trade companies, or the Suez Canal Company due to the halt of trade in that period.

This situation can be explained by the proposal presented by Aslan Youssef Qatawi at the session of the House of Representatives on 17 May 1939 to the Minister of Finance on how to invest the unused amounts of money in the saving funds amounting to LE 4 million.

He proposed purchasing shares of the first-class companies that would provide adequate guarantee of good management , whereby the majority of these shares would be in the hands of the Egyptians to benefit from the fall of prices of securities in that

⁽⁷⁰⁾ Annual Journal of Federation of Industries, Egypt Industrial Magazine, Annual General Statistics.

⁽⁷¹⁾ Asim al-Desuqi, op. Cit., Pp. 177, 199

⁽⁷²⁾ Ibid., P. 174, 177, 178

period. He based his proposal on what was followed in respect of these funds in France and England. The proposal was rejected by the ministry so as not to bear the consequences of loss if the price of some securities fell after purchase, however it remained under consideration⁷³.

The reason that Aslan presented this proposal was the influence of war on the economic situation, and on the shares of companies; especially he was a shareholder in many companies and banks associated with the European economy⁷⁴.

A question was asked to the Minister of Finance, and was answered on his behalf by Mohammed Sabri Abu Alam, the Minister of Justice. The question was about the government's attempt to determine prices in the securities stock exchange due to the circumstances of the second war. He answered that the question was limited in three points related to leaving the securities stock exchange free, absorbing part of the surplus funds, the fall of prices that have been inflated, and giving the opportunity to use the capital to buy shares at reasonable prices. But he agreed with the Minister of Finance in cancelling the minimum price limits that had been decided since the war on September 7, 1943, and this didn't mean the ministry would waive the right to give advice to setting a minimum price when circumstances would require that, so that dealers would have an opportunity to consider their affairs and decide their interests. He went on saying that decisions have been taken to tighten control on the market that could be limited in two points: The first was to prevent speculators from selling unless they actually owned the securities they wanted to sell. The second was to oblige brokers not to execute sale orders unless they were confident the client actually owned the securities he ordered to sell. He also divided the dealers in the securities stock exchange into two teams. The first wanted to invest their money to generate reasonable income, therefore, would choose securities that combined the guarantee of

⁷³) The Senate, Supplement No. 185, session 13/6/1939., Mona Mahmoud Osman: "*The family of Qatawi and its role in the Egyptian society 1863-1957*", unpublished doctoral thesis, Helwan (University, Faculty of Arts, Department of History, 2013. p. 100

* Aslan Youssef Qatawi: son of Joseph Qatawi, who was one of the most prominent Jew capitalists and politicians.

* Minister of Finance: He was Dr. Ahmed Maher in the 4th Ministry of Mohammed Mahmoud, from June 24, 1938 until August 18, 1939.

See: Yunan Labib, *History of Egyptian Ministries*, (Egyptian General Book Authority, 1999), p. 414, .415

⁽⁷⁵⁾ Mona Mahmoud Othman: "*The family of Qatawi and its role in the Egyptian society 1863-1957*", unpublished doctoral thesis, Helwan University, Faculty of Arts, Department of History, 2013. p. 100,

the invested funds and achieving the desired profit as much as possible. The second team targeted profits through speculation; it was not much desirable to protect this team. He also pointed out that the absorption of surplus funds due to investment in securities would put the securities stock exchange at risk with insignificant influence. He said: "I do not hesitate to repeat that the task of the Minister of Finance as the dominant person on national savings is to maintain funds invested in financial securities whenever exceptional factors have occurred leading to an unreal decline in the prices of these securities "⁷⁵.

The two cotton trade exchanges in Alexandria and their related commercial activities were also affected by the suspension of export, the closure of most commercial markets and the inability of marketing and transporting of cotton to England. The British tended to store the crop in Egypt to a post-war time, and that was the cause of imposing low prices on the pretext of non-marketing, whereby cotton prices fell about 50% than it was before the war⁷⁶.

In addition, the Mediterranean Sea was closed during the war, especially after the participation of Germany and Italy which led to a halt of trade, and the Cotton stock Exchange also stopped its work. So, Egypt was obliged to sell the cotton crop only to Britain, and was forced to supply its products to the allied armies. The war led to unrest in the cotton market, decline of its prices since February 1940 and the absence of markets to sell it due to the circumstances of war. These conditions required the government to take some measures to alleviate the crisis, the most important of which was the control of foreign currency in coordination with Britain. It also requested the banks to provide loans to the farmers guaranteed by their land properties, and helped to secure storing of cotton in Alexandria due to the risk of war. The government also has taken the decision of the cotton policy by which it has limited the cultivated area of cotton to tighten control on the produced quantity needed for export.

The cultivation of cotton and its trade was severely affected by the war and the interruption of exports. The third decree was issued in 1942, which set the cultivated area to 22% in the northern region of Lower Egypt, and 15% in the other regions, and prevented the cultivation of cotton entirely in the seasonal lands that have been turned into a permanent irrigation system in the provinces of Assiut and Gerga, east of the

⁽⁷⁵⁾ The Senate, July 12, 1944, p. 1416, 1417.

⁽⁷⁶⁾ Mahmoud Mohamed Metwally, op. Cit., P. 141

Nile. Accordingly, the total area of cotton fell from 19.7 to 7.79%⁷⁷. Due to this policy, the cotton harvest and the cultivated area declined sharply from 1938 to 1944, as follows⁷⁸:

S	Year	Area in acre
1	1938-1939	1.642.817
2	1939- 1940	1.684.869
3	1940- 1941	1.643.369
4	1941- 1942	705.890
5	1942- 1944	712.810

On the other hand, the parliament tried with the government to find a solution to the problem and asked help from England, but to no avail. The parliament, during discussing the statement of Hussein Seri, Minister of Finance in the Ministry of Maher, on 7/10/1939, requested that England should purchase the cotton crop due to war conditions. Hussein Seri said the government sought to sell England a quantity of cotton equivalent to five years' worth of cotton, in addition to the quantities of the other countries to which export was interrupted because of war.

At first, the British government agreed to buy the cotton crop of that season and pledged to buy all the cotton and seed crops before April 1941. The stock was closed and the prices agreed upon were 15.25 riyals for Giza type, 7 riyals for the cotton of Fully Good Fair, 14.25 riyals for Ashmouni type, and 65 piaster for the ardeb of seed delivered in Alexandria. The agreement included that profits would be divided between Britain and the Egyptian government, and the loss would be born by Britain on remarketing the cotton. However, in 1941, Britain notified the Egyptian government that it was difficult to buy more than half of the crop at the same price of 1940, leading Egypt to bear the loss and the rest of the crop.

The problem of cotton prices and the difficulty of marketing it continued until the end of war, which had a big influence on the work of the stock exchange, the Egyptian farmer, and the economy as a whole. The extent of the cotton crisis under the war was reflected in the suggestion made by a member of the parliament on 7/2/1940 in which

⁽⁷⁷⁾ Asim Al-Desouki: , op. Cit., P.174,181,182.

⁽⁷⁸⁾ Amin Mustafa Afifi, op. Cit., P. 55

he proposed to form a committee in the parliament having all powers to be concerned with cotton and the other crops⁷⁹.

The prices of cotton during the war period were affected by war and its circumstances. They ranged from 10 riyals to 16 riyals at the beginning of the war years, with a gradual increase at the end of the war reaching to 39.40 riyals per a cantar⁸⁰.

Conclusion:

The above presentation clearly shows the mutual influence between the Egyptian Stock Exchange and the various political events during the period of study. The emergence and development of the Egyptian Stock Exchange coincided with the existence of an external occupation which from the first moment put its various policies in the service of its economic interests in the country, on top of which was the control of the cotton crop, and the orientation of economy to the agricultural activity represented in the cotton crop alone, which increased the importance of the two cotton exchanges in Alexandria. The occupation established its political system that guaranteed a state of political and economic stability in Egypt with the help of different foreign communities and their capitals to tighten its control of the economic situation in Egypt and the Egyptian Stock Exchange.

In addition, the foreign privileges and the mixed courts served as a protective shield for the interests of foreign communities in Egypt, giving them an economic control over the capabilities of the Egyptian economy, including the stock exchange and its various fields. The Egyptian Stock Exchange and its various activities were linked and directed according to the British policy in Egypt, which the foreign communities also pursued using their capitals to implement the political system established by the occupation since 1882.

Then, the Egyptian stock exchange passed by a number of different political events that changed features of this political system, and have influenced the stock exchange and its investment fields. These events were the result of official and popular resistance against the occupation and its policies, represented by the 1919 revolution and the slogan of political liberation through economic liberation, followed by the

(⁷⁹) Asim al-Desuqi, op. Cit., P. 182, 183

(⁸⁰) Mahmud Metwally, *Egypt's Economic and Social History during World War II 1939-1945*, op. Cit., P. 18

establishment of Bank Misr and its joint stock companies that paved the way for the emergence of the Egyptian capitalism (1920-1940). External political changes have coincided with such internal political changes. They have had more political influence on the stock Exchange and its fields. The world War I (1914-1918) has had a clear influence on the cotton trade in the stock exchange and on the investment fields in the two securities stock exchanges, pointing to the negative dependence on the cotton crop as a major crop of the Egyptian economy, and the damage caused to economy and the stock exchange as a result of economic dependency, which negatively affected the Egyptian stock exchange and its fields.

However it was the first spark for capitalism to enter other fields of investment other than the agricultural activity, taking advantage of the exceptional circumstances created by the war, but it did not last long as situation returned to the pre-war conditions, the control of foreign capitalism.

Prior to the Second World War, the Treaty of 1936 was concluded under which the foreign privileges and the mixed courts which negatively affected the foreign role in the stock exchange were abolished, giving hope for a real and effective Egyptian participation in the stock exchange and its investment fields, and the legislative freedom for the regulations and laws of the Egyptian Stock Exchange.

Then, the World War II aborted the idea of relying on the cotton crop, and showed the need to search for other fields of investment, such as the industrial and commercial fields, and the elimination of economic dependence due to its negative influence on the cotton trade and some investment fields associated with agricultural activity in the two securities stock exchanges. But, on the other hand it has increased awareness of the importance of other industrial, commercial, and service fields in the stock exchange, and the Egyptian participation in the stock exchange, which coincided with the enactment of a number of legislations that increased the Egyptianization " Nationalization" of the Egyptian economy that has accompanied the abolishment of the foreign privileges and the mixed courts in 1937, with a transitional period ending in 1949.

The research results:

Therefore, from the above, **we conclude that** there was a Reciprocal Relation between the Egyptian Stock Exchange and the political system established by the occupation of Egypt, especially during the first period (1882-1914). The occupation helped to direct activities of

the Stock Exchange towards agriculture and cotton trade. Also, the presence of various foreign communities helped to carry out this system, and consequently has influenced the activities of the Stock Exchange. These foreign communities have benefited from this political situation, and with their large capitals have controlled the stock exchange and its various fields, exploiting the economic and legislative protection by the foreign privileges and the mixed courts in Egypt, with a political protection by the British occupation.

Then, due to the resistance against these policies, some political changes have emerged that in turn affected the stock exchange. On top of these changes were the 1919 revolution and the national feeling tending towards political independence through economic liberation from the external dependence. Hence, was the beginning of the Egyptian capitalism through the establishment of Bank Misr in 1920, and its joint stock companies which have drawn attention of the Egyptians to what the stock exchange was and also its various investment fields, in addition to the influence of the abolishment of the foreign privileges and the mixed courts which helped to mitigate foreign control on the stock exchange and its legislations.

The First and Second World Wars also had a negative influence on the cotton trade in the stock exchange. Attention of the big owners' class was drawn to the need to move from agricultural activity to industrial and commercial investment fields through the establishment of stock exchange companies. The two world wars have also shown the negative results of economic subordination to a foreign country, and the danger of relying on only one crop on which the process of economy of a country is based. On the other hand they have had a positive influence; they have increased effectiveness of the Egyptian role in the stock exchange, and have also shown the importance of investing in it

ملخص:

العلاقة بين البورصة والسياسة هي علاقة طردية، و تتأثر البورصة بكل الأحداث السياسية التي تمر بها أي دولة في فترة معينة. وهو ما حدث خلال الفترة الممتدة من 1883 إلى 1945، حيث تأثرت البورصة المصرية خلال تلك الفترة بنظام مصر السياسي خلال فترة إحتلال بريطانيا لمصر، مروراً بالعديد من الأحداث السياسية المختلفة التي ظهرت نتاج هذا النظام السياسي، أو مقاومة له، فعلى المستوى الداخلي كان لثورة 1919 تأثيرها الإيجابي على نشاط الرأسمالية المصرية بالبورصة، بينما على المستوى الخارجي كان للحرب العالمية الأولى والثانية تأثيرهما المتباين على أنشطة البورصة المصرية بنوعيهما القطن والأوراق المالية، بالإضافة إلى إلغاء الإمتيازات الأجنبية والمحاكم المختلطة 1937 بعد عقد مصر لمعاهدة 1936 كأحد المكاسب السياسية من هذه المعاهدة التي خففت من سيطرة رأس المال الأجنبي على البورصة ومجالاتها المختلفة. وتكمن أهمية هذا البحث في مجال الإرشاد السياحي بأنه يكشف الجانب التاريخي السياسي والإقتصادي للبورصة المصرية في تلك الفترة التي كانت فيها البورصة المصرية شاهدة ومتأثرة بكل هذه الأحداث ومؤثره فيها بسبب أهميتها الإقتصادية في تلك الفترة