

**THE ECONOMIC LIFELINE OF BRITISH GLOBAL EMPIRE: A  
RECONSIDERATION OF THE HISTORICAL DYNAMICS OF THE SUEZ  
CANAL, 1869-1956**

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**Abstract**

This paper re-examines the historical dynamics of the events that led to Suez Canal crisis of 1956. Most significantly, and unlike several other works on the Suez Canal with their emphasis on political, military and strategic factors, this present study points out that economic factors exerted a preponderant influence in shaping the course of events during the period under review. Consequently, the approach adopted in this work is that of the economic theory of imperialism. Thus, apart from situating the history of the Canal in its proper historical perspective, the paper posits that the intense struggle for the control of the Canal between Egypt on the one hand, and the West on the other, emanated primarily from the latter's attempt to exploit and dominate the Egyptian economy.

**Key Words:** British Global Empire, Suez Canal, Suez Canal crisis of 1956

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## Introduction

The Suez Canal connects the Mediterranean to the Red Sea across the Isthmus of Suez. The Suez Canal, which is 193 kilometers long, is an artificial waterway, and the longest canal in the world without locks. It can also hold ships with a draft of 7.7 metres.<sup>1</sup> With the formal opening of the Suez Canal in 1869, Egypt became a strategic, indeed, an indispensable link in world trade.<sup>2</sup> This paper provides an historical analysis of the Suez Canal between 1859, when the construction of a modern canal in Suez began, and 1956, when for all practical purposes, the Egyptian government effectively took over the ownership and control of the Suez Canal. This paper discusses how the Suez Canal was built; it shows the way and manner it has changed hands among several contending interests, and the intense power play among the world's major powers over its control. But most importantly, and unlike several other works on the Suez Canal with their emphasis on political, military and strategic factors,<sup>3</sup> this present study points out that economic factors exerted a preponderant, though not an exclusive influence, in shaping the historical dynamics of the Suez Canal during the period under review. Consequently, the approach adopted in this work is that of the economic theory of imperialism.<sup>4</sup>

Economic imperialism is a potent weapon of gaining and maintaining domination by one nation over another, not through military conquest, but by economic control.<sup>5</sup> More often than not, it is more lethal and less messy than military imperialism. This approach does not intend to disregard the vital political, military as well as the strategic significance of the Suez Canal; it only accords primacy to economic factors as the primary determinants of social change. There is no doubt that the most fundamental considerations in human progress are social considerations.

<sup>1</sup> Peter Mansfield, *A History of the Middle East*. (New York: Penguin, 1991), p. 86. See also Brent Phillips "The Suez Canal," <http://www.ccds.charlotte.nc.us/History/MidEast/save/phillips/phillips.html>. Accessed 10 January 2008.

<sup>2</sup> Brent Phillips, "The Suez Canal."

<sup>3</sup> A few of these include (a) Anthony Eden, *The Suez Crisis of 1956*. (Boston: Beacon Press, 1960), (b) Louis Roger and Owen Roger, eds. *Suez 1956: The Crisis and its Consequences*. (Oxford: Clarendon Press, 1989), and (c) Lloyd Selwin, *Suez 1956: A Personal Account*. (London: Cornet, 1980).

<sup>4</sup> Eskor Toyo, "Economics as an Aid to History" in M.B. Abasiattai, ed. *Expanding Frontiers of African History: The Interdisciplinary Methodology*. (Calabar: University of Calabar Press, 1988), pp.77-105. See also R.A. Seligman, *The Economic Interpretation of History*. (Columbia: CUP, 1902), p.67, cited in Toyin Falola, "Yoruba Historiography: Need for Socio-Economic Analysis. Department of History Seminar". (Ife: OAU, 1979), p.10.

<sup>5</sup> Hans J. Morgenthau, *Politics Among Nations: The Struggle for Power and Peace*. (New York: Mcgraw Hill, 1993), p.71.

To liberal, neo-classical scholars, all economic theories of imperialism fail the test of historic experience.<sup>6</sup> This argument is buttressed with the fact that historical evidence points to the primacy of politics over economics. Apparently, this line of thinking continues to emanate from the vigorous intellectual campaign to rationalize and underplay the inherent exploitative and expansionist tendencies of international capitalism. Our central hypothesis in this piece is that, fundamentally, the socio-economic and political vicissitudes of the Suez Canal up to 1956 was, more than any other factor, greatly influenced by the forces of Western economic imperialism.

### **The Suez Canal in Historical Perspective**

It is widely assumed that the construction of the Suez Canal was first entertained by a French engineer and one time Consul-General for France in Alexandria, Ferdinand de Lesseps and that work on the Suez Canal began only in 1859.<sup>7</sup> However, in its proper historical perspective, the Suez Canal has actually been built and rebuilt many times. Pharaoh Necho in as far back as the Sixth Century BC started to dig the Suez Canal and King Darius I during the Persian invasion of Egypt, also in the Sixth Century BC ordered the Suez Canal completed.<sup>8</sup> The Suez Canal fell to disrepair after the Ptolemaic Era (367-347 BC) and was re-dug during the reign of the Roman Emperor, Trajan between 98 and 117 AD. It was also re-built by the Arab ruler Amr ibn al `As around 700 AD.<sup>9</sup> Shortly after this period it fell to disrepair and was even completely abandoned after the trade routes around Africa were discovered by the Europeans.<sup>10</sup> The Ottoman also endeavoured to reopen the canal during between the 15th and 16th centuries. Indeed, towards the end of the 16th century, the then Turkish Pasha of Egypt, Al-Hajj Ali wanted to dig the canal but was hampered by logistics the heavy cost involved.<sup>11</sup>

At about 1800, Napoleon Bonaparte wanted to construct a modern canal across the Isthmus of Suez in order to gain the control of the Red Sea for France, but his engineers discouraged him because they felt the different levels of the Mediterranean

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<sup>6</sup> Ibid., pp.61-63. Indeed Morgenthau went further to identify three types of imperialism. These are, military, economic, and cultural imperialism.

<sup>7</sup> J.D. Omer Cooper, et.al, *The Growth of African Civilization: The Making of Modern Africa*. (London: Longman, 1977), p.51. See also Louis Roger and Owen Roger, eds. *Suez 1956: The Crisis and its Consequences*, pp.5-22.

<sup>8</sup> Brent Philips, "The Suez Canal."

<sup>9</sup> Ibid.

<sup>10</sup> Ibid.

<sup>11</sup> See A.I. Makki, "Searchlight of Suez Canal." *Al Shindagah*, Issue 61, 2004.

<http://www.alshindagah.com/novdec2004/suez.html> . Accessed 08 October 2008.

Sea and Red Sea would lead to flooding.<sup>12</sup> These calculations were later proved wrong. When Khedive Said ascended the throne of Egypt in 1854 he used his influence and friendship with Ferdinand de Lesseps to get the Suez Canal constructed. de Lesseps started work on the Suez Canal in 1859, completed it at about 1867 and the Suez Canal was officially commissioned on November 17, 1869. As a result of de Lesseps' efforts, he became known as the father of the Suez Canal.<sup>13</sup>

It should be borne in mind that Khedive Said signed an agreement with the Compagnie Universelle du Canal Maritime de Suez (International Company of the Suez Canal), formed under Ferdinand de Lesseps at the outset of the construction of the Suez Canal.<sup>14</sup> Under the agreement, the Suez Canal was to be built by the international company but Egypt had to provide a total of 20,000 unpaid laborers every year, pay for all the extensive ancillary works and abandon its rights to the land on both banks of the Suez Canal.<sup>15</sup> The company was to be granted the control of the minerals adjoining the Suez Canal, a stretch of territory through which a sweet water canal was to be cut for irrigation was also to be given to the company by Egypt.<sup>16</sup> Furthermore, the Suez Canal was to be under the company's control for 99 years from the day of its formal opening after which it was to pass to the Egyptian government and finally only 15% of the profits from the Suez Canal was to be given to the Egyptian government, the remaining 85% was meant for the company and its promoters.<sup>17</sup>

These terms were a gross violation of Egyptian sovereignty, a clear attempt to change the status quo in the power relations between France and Egypt, (which is what imperialism is all about) not through military means, but by effective economic control, (which is at the core of economic imperialism).<sup>18</sup> Thus, the terms of the agreement underscore the theoretical approach adopted in this study. Again, the agreement brings to the fore the aggressiveness and the iron determination of a capitalist international company to exploit the resources of Egypt for its own selfish ends.

<sup>12</sup> Peter Mansfield, *A History of the Middle East*, pp.61 and 86.

<sup>13</sup> Brent Philips "The Suez Canal."

<sup>14</sup> Peter Mansfield, *A History of the Middle East*, p.87 and Dele Fadeyi, *Egypt and the Nile Valley: Sudan and Ethiopia, 1979-1914*. (Ilesa: Ilesanmi Press, 1976), p.43.

<sup>15</sup> Peter Mansfield, p.87.

<sup>16</sup> Ibid.

<sup>17</sup> See "The Suez Canal: A Wonder of the Modern World." [http://www.solarnavigator.net/suez\\_canal.htm](http://www.solarnavigator.net/suez_canal.htm). Accessed 10 January 2008.

<sup>18</sup> See Morgenthau for further conceptual clarification, pp.61-71.

The share capital of the company consisted of 20 million Francs divided into 400,000 shares of 500 Francs each. France took more than half of the shares and when the remaining shares were left unsold by public subscription, de Lesseps insisted that Khedive Said must purchase them in spite of the fact that the shares were highly inflated.<sup>19</sup>

The construction of the Suez Canal by de Lesseps's company started in 1859 and was carried out mostly by Egyptian workers in conditions similar to slave labor. Supervision was as harsh as it was severe and the working conditions of the forced laborers were so bad that many of them died. In fact over 120,000 of them died during the construction.<sup>20</sup> In order to meet the excruciating financial responsibility placed on the shoulders of the Egyptian government by the company, which has been estimated at about 16 million pounds, Said resorted to European bankers who gave him huge loans with heavy interests. Said died before the Suez Canal was completed. At the time of his death in 1863, Egypt had borrowed 14 million pounds from foreign bankers.<sup>21</sup>

Khedive Ismail succeeded Said in 1863 as the Pasha of Egypt and insisted that the conditions under which the Canal was being constructed were incompatible with Egyptian sovereignty. He specifically called for a complete revision of the concession on mineral and land around the Suez Canal which had been granted the company and that the forced labor on the Suez Canal should be stopped forthwith. The company resisted these humble demands and for this reason an arbitration commission was set up. Unfortunately for Egypt, this arbitration was headed by Napoleon III, the ruler of France and the husband of the cousin of de Lesseps. Under the revised agreement, only 6000 paid employees could be employed and the rights of the company to the minerals adjoining the Suez Canal reverted to Egypt. Even then, the revised agreement placed an unbearable burden on Egypt. Ismail had to pay the company the extortionate sum of 130 million Francs for the company to relinquish its rights to land, navigation and free labor under the initial concession.<sup>22</sup>

The Suez Canal was completed in 1869, Khedive Ismail spent about 2 million pounds to entertain the European royalty at its official opening in November 1869.<sup>23</sup> Indeed, the Suez Canal became the largest single expense for Egypt. Within five years of Ismail's reign, he had borrowed about 25 million pounds from Western creditors at

<sup>19</sup> Peter Mansfield, p. 87. See also E.A. Ayandele "Northern Africa" in A.E. Afigbo et.al., eds. *The Making of Modern Africa. Vol. 1: Nineteenth Century*. (London: Longman, 1976), p.143.

<sup>20</sup> E.A. Ayandele, "Northern Africa," p.143 and Brent Philips, "The Suez Canal."

<sup>21</sup> J.D. Omer Cooper, et.al, p.51 and E.A. Ayandele "Northern Africa," p.143.

<sup>22</sup> Peter Mansfield, p.87.

<sup>23</sup> Ibid.

rates of interest generally amounting to between 12 and 26 percent.<sup>24</sup> Egypt's huge debt was incurred mainly because a lion share of the total financial cost of the Suez Canal was borne by the Egyptian government. By 1875 Egypt was approaching bankruptcy and Ismail was forced to sell the 44 percent share of the Suez Canal Company for a relatively modest sum of 4 million pounds to the British government.<sup>25</sup> This was a small fraction of what Egypt had actually spent on the Canal. It has been reasonably suggested that;

This deal not only gave Britain which had originally opposed the Canal, an economic windfall, but also a political and strategic foothold in Egypt. After the purchase Britain came to hold 44% of the Canal stock, while accounting for over 80% of the traffic.<sup>26</sup>

In line with our theoretical model, it is desirable to briefly appraise the implications of Egypt's financial crisis and the sale of its shares in the Suez Canal Company on Egyptian economy and society. Scholars are fond of referring to 1882 as the year when Egypt lost its independence to Britain because Egypt was invaded and conquered by British troops in that year. It is, however, clear from the foregoing analysis that Egypt has been slowly losing its sovereignty to European financiers sponsored by their home governments since 1856 when the Suez Canal agreement was signed. Having earlier considered the fundamentals of the terms of the agreement, it is important to note that throughout the 19th and 20th centuries, the Suez Canal was run by foreigners primarily for their social and economic benefits. Till 1875 when Egypt sold her shares in the Canal Company to Britain, she made no profit from the Suez Canal and after the sale she lost any participation in the control and administration of her 'own' canal.<sup>27</sup>

Barely a year after the sale of Egypt's share in the Suez Canal, she was forced to create an international commission comprising of French, Austrian and Italian representatives. The commission was to inquire into the financial position of Egypt with a view to protecting the financial and commercial interests of its foreign creditors and financiers. Meanwhile, a large chunk of these debts was as a result of Egypt's large

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<sup>24</sup> Ibid., p.88.

<sup>25</sup> Ibid.

<sup>26</sup> C. Issawi, *An Economic History of the Middle East and North Africa*. (New York: Columbia University Press, 1982), p.51, cited in Tiyambe Zeleza, *A Modern Economic History of Africa*. Vol.1. (Dakar: CODESRIA, 1993). p.349.

<sup>27</sup> Dele Fadeyiye, p.49.

financial commitment to the Suez Canal. Apart from receiving some debts payments, Ismail was made to appoint two members of the commission, Monsieur de Bligniere (French) and Mr. River Wilson (Briton) as Ministers of Public Works and Finance respectively. Then in 1878, Britain and France acting in concert forced Khedive Ismail to place Egyptian finances under joint Anglo-French control on the pretext that the Egyptian government could not be relied upon to fulfill her obligations to European money lenders.<sup>28</sup>

Given this joint control, Egypt virtually lost her cherished independence. Absolute financial and economic control was placed in the hands of foreigners and Egypt even relinquished substantial political power. It was only when nationalist agitation in Egypt led by Arabi Pasha with the cry of 'Egypt for the Egyptians' threatened the foundations of Anglo-French economic imperialism in Egypt that Britain invaded and occupied Egypt in 1882; ostensibly to protect her vital economic and commercial interest, to checkmate French growing influence, and to consolidate on British strategic and commercial interests in India since the Suez Canal had become the shortest route between London and India as well as the Far East and Australasia.<sup>29</sup>

The central argument of this piece has been that economic considerations were of supreme importance in shaping the course of Euro-Egyptian relations between 1859 and 1956 with particular emphasis on the Suez Canal. The next segment of the paper advances the argument further in its analysis of the 1956 Suez Crisis and its aftermath. But before then, it appears logical to outline the commercial and strategic importance of the Suez Canal to world's trade, European imperialism and the power play between the United States and the then Soviet Union during the heyday of the Cold War.

### **The Economic and Strategic Significance of the Suez Canal**

The opening of the Suez Canal in 1869 marked a turning point in the history of Egypt as well as Egypt's relationship with the Western world. The Suez Canal greatly revolutionized the trade route from Europe to Asia. It also cut the transport costs between Western Europe and Asia, formerly made around the Cape of Good Hope, by about 2000 geographical miles (3218km).<sup>30</sup> By the 1880s the traffic on the Suez Canal exceeded that around the Cape, both in terms of the value and volume of trade. Traveling time between Egypt itself and Western Europe was considerably reduced.

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<sup>28</sup> J.D. Omer Cooper, p.54.

<sup>29</sup> Peter Mansfield, p.89 and Tiyambe Zeleza, p.347.

<sup>30</sup> Brent Philips "The Suez Canal."

By 1875, British interests in India, the Far East and Australasia earned the Suez Canal the appellations of "the spinal cord of the British Empire"<sup>31</sup> and "the jugular vein of Britain's global empire."<sup>32</sup> Thus, the Suez Canal was of immense strategic and commercial importance to the well-being of the British empire. In fact, the lion share of the commercial transactions, especially merchandise, within the British Empire passed through the Suez Canal.

British purchase of 44 percent of the Suez Canal's shares was a calculated attempt to establish an economic and strategic foothold in Egypt by controlling the vital canal which was becoming the lifeline of the British empire.<sup>33</sup> It was in order to guarantee the continued use of the Suez Canal and to safeguard her interests in India and the Far East, that Britain used as a smokescreen, the revolt of Arabi Pasha and the alleged threat to the Suez Canal by Egyptian nationalists, to occupy Egypt in 1882. Tiyambe Zeleza clearly sums up the above position;

It is now quite clear that the Canal was not in any danger from Egyptian nationalists. Indeed, neither the Admiralty nor the shipping lobby thought it was. The so called "security of the canal" was an attempt to justify British occupation of Egypt because it provided the most palatable explanation to the Liberal party and the general public.<sup>34</sup>

Thus, Suez Canal was the most fundamental factor that brought Egypt under British rule.

### **The 1956 Suez Canal Crisis**

Four interconnected events served as the background to the Suez Crisis of 1956. These were the Evacuation Treaty of 1954, The Baghdad Pact, the Czech arms deal, and the Aswan Dam negotiations. The fact that British troops remained behind in

<sup>31</sup> J.D. Omer Cooper, p.54 and Dele Fadeyiye, p.45.

<sup>32</sup> Chris Leininger "Suez 1956" <http://history.sandiego.edu/gen/text/suez.html>. Accessed 09 January 2008. See also Louis Roger and Owen Roger "The Historical Context" in Louis Roger and Owen Roger, eds. *Suez 1956: The Crisis and its Consequences*, p.22.

<sup>33</sup> J.D. Omer. Cooper, p.54.

<sup>34</sup> Tiyambe Zeleza, p.351.



Egypt to guard the Suez Canal even after the attainment of independence by Egypt in 1922 underscores the importance which Britain attached to the Suez Canal. The Anglo-Egyptian Treaty of 1936 also gave Britain the right to maintain a defense force in the Suez Canal zone. Indeed, the British military base at Suez housed 80,000 troops.<sup>35</sup> To Egypt's President Gamal Abdel Nasser, the Suez Canal represented a relic of the colonial era and a constant reminder of Egypt's loss of dignity. He, therefore, embarked on a vigorous diplomatic campaign to get British troops out of Egypt and this culminated in the Evacuation Treaty of 1954.<sup>36</sup>

After the British evacuation of the Suez Base, Nasser turned to the United States for arms. However, the US made no offer because of the pro-Zionist lobby in the US. Nasser therefore approached the Soviet Union, and Moscow decided to work the arms deal through Czechoslovakia. Given the then prevailing Cold War dynamics, the arms deal was a proclamation of Egypt's independence from the West with regard to military supplies.<sup>37</sup>

In January 1955, Britain floated a Middle Eastern collective security organization, known as the Baghdad Pact with members drawn from Turkey, Iraq, Pakistan and Britain. Egypt was invited and chosen as the base of the organization. Nasser bluntly refused to be part of the pact which he termed "an 'imperial device' that further eroded Arab unity, an insult to Arab dignity, and an attempt by the West to build up Iraq as a competitor to Egypt in the Arab world."<sup>38</sup>

Again, in February 1956 the World Bank agreed to loan Egypt the sum of 200 million USD on the condition that the United States and Britain loaned another 70 million USD to build the Aswan Dam. The dam was meant to address the problems of drought and flooding as well as for boosting the capacity of Egypt's hydro electricity supply. Thus, the Aswan Dam was designed to be the cornerstone of Egypt's developmental program. However, the United States and Britain imposed stringent conditionalities, which if implemented would have amounted to a considerable Western control over the Egyptian economy. President Nasser cited the denial of money to build the dam as glaring example of the West's lack of respect for his people.

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<sup>35</sup> See Ali E. Hillal Dessouki "Nasser and the Struggle for Independence" in Louis Roger and Owen Roger, eds. *Suez 1956: The Crisis and its Consequences*, p.34 and also Chris Leininger "Suez 1956."

<sup>36</sup> Ibid.

<sup>37</sup> Ibid

<sup>38</sup> Louis Roger "The Tragedy of the Anglo-Egyptian Settlement of 1954" and Ali E. Hillal Dessouki "Nasser and the Struggle for Independence" in Louis Roger and Owen Roger eds. *Suez 1956: The Crisis and its Consequences*, p.34 and p.60 respectively.

On 26 July 1956, the fourth anniversary of the Egyptian revolution, President Nasser nationalized the Suez Canal saying he would use the proceeds from the nationalization to finance the dam.<sup>39</sup> The entire Arab world was thrilled because there existed no more potent symbol of Western colonial domination than the Suez Canal.

The Western world was, however, shocked. There was a general uproar in France and Britain. These two nations in collusion with Israel (the Tripartite Alliance) devised a joint invasion of Egypt. Israel invaded Sinai on 29 October 1956, and on 31 October, French and British war planes started bombing Egyptian air fields destroying almost the entire Egyptian air force with the exception of the planes which had been taken to Syria for safety.<sup>40</sup> Nasser and the Arab world responded with repulsion and anger. Nasser closed down the Suez Canal, cutting the invasion force off from the oil needed to continue the operation for an extended period. The Baghdad Pact crumbled. The Arab world encouraged Nasser by cutting the oil pipeline running from the Gulf to the Mediterranean. On November 6, all the parties to the dispute agreed to a United Nations brokered ceasefire.<sup>41</sup>

Against an overwhelming force, Egypt suffered heavy military defeat but secured an almost total economic and diplomatic victory. As a matter of fact, after nationalization, the Egyptians showed that they could manage the Suez Canal efficiently and profitably. The Egyptian people and the Arab world decisively rallied around President Nasser. All British and French properties in Egypt were confiscated. About 3000 Frenchmen and Britons were expelled. A retaliatory Anglo-French economic blockade of Egypt even with the connivance of the United States proved futile.<sup>42</sup>

The Suez Crisis was a turning point in the Middle East because it heralded the beginning of a new era. In terms of its diplomatic and strategic significance, the Suez Crisis catapulted President Nasser into the position of the leader of Pan-Arabism. Britain and France suffered an irreversible setback, the gaping power vacuum that the two countries left in the Middle East was filled by the United States and the Soviet Union.<sup>43</sup> This is understandable because the two countries by then treated the entire world in Cold War terms. But as far as this paper is concerned, the Suez Crisis marked

<sup>39</sup> Peter Mansfield, p.256.

<sup>40</sup> Ibid.

<sup>41</sup> Amin Hewedy "Nasser and the Crisis of 1956" in Louis Roger and Owen Roger eds. *Suez 1956: The Crisis and its Consequences*, pp.170-171.

<sup>42</sup> Peter Mansfield, pp.258-260.

<sup>43</sup> Rashid Khalidi "Consequences of the Suez Crisis in the Arab World" in Louis Roger and Owen Roger, eds. *Suez 1956: The Crisis and its Consequences*, p.380.

a significant phase in the series of attempts to put an end to centuries of Anglo-French economic domination of Egypt.

### **Conclusion**

This paper has tried to provide a historical survey of the Suez Canal up to 1956. The analysis has been approached from the purview of the economic theory of imperialism. While openly acknowledging the West's political, military and other strategic considerations in its relations with Egypt, this study vehemently argues that these factors were secondary. For instance, the 1956 Suez Canal Crisis which was perhaps, the most significant event in the history of the Suez Canal was essentially triggered off by economic motives.

The invasion was informed by the need to protect Anglo-French economic interests in the Suez Canal. The United States which should have been more interested in an invasion because of the prevailing Cold War climate was fundamentally opposed to the invasion simply because her own economic interest was not immediately threatened by the nationalization of the Suez Canal. Egypt also rationalized its decision to nationalize the Suez Canal as being essentially informed by the need to raise money from the Suez Canal in order for it to finance the gigantic Aswan Dam project.<sup>44</sup> Thus, this present study, apart from situating the history of the Canal in its proper historical perspective, posits that the intense struggle for the control of the Suez Canal between Egypt on the one hand, and the West on the other, emanated primarily from the latter's attempt to exploit and dominate the Egyptian economy.

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<sup>44</sup> Chris Leininger, p.3.