British Banks in Egypt: Exploitation or Coordination
The Case of the Ionian Bank, 1907-1956

ABSTRACT

The political economy literature on the history of foreign banks in the developing countries of Africa, Asia and Latin America has held a stereotyped view on the policies and behaviour of these banks. Foreign banks have often been part of the context of the discussion about colonisation. For instance, British overseas banks have been charged in many countries with being collusive imperial agents that exploited the underdeveloped host countries through extracting large profits out of their operations in these countries.

Through the prism of the Ionian Bank, a British overseas bank, this paper aims to better understand the business of foreign commercial banks in Egypt during the first half of the twentieth century in relation to financing the Egyptian cotton industry and evaluates the allegations of the exploitive behaviour. British banks in Egypt were different from the typical well-documented British overseas banks, the historical leaders in financing foreign trade. They neither enjoyed any special privileges, nor did they finance foreign trade. They transacted mostly with indigenous borrowers. This was in sharp contrast to other British banks that adopted various strategies to deal with the indigenous sector. In China, for example, they employed compradors; in Africa, they kept themselves away from native merchants and restricted their activities to expatriate firms.

The cotton business had an international character, and was a globalised commodity. It involved a complex global supply chain of different nationalities starting from the cotton fields in the Egyptian villages and ending in the textile mills in Europe. Employing the economic notion of coordination, the paper illustrates the instrumental role played by the foreign banks in this chain. The Egyptian banking sector was competitive and this ensured that no single bank enjoyed a first-mover advantage or monopolistic position. Furthermore, the banking business was conducted through a branching system that was characterised by personalised networks, and this in turn constrained bank growth.