British Textile Companies and the Egyptian Economy

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On the surface, the decision of several important textile firms to invest in Egyptian textile industrialization in the 1930s conforms to conventional notions about foreign investments by multinational enterprises. Seen from afar and without access to the minutes of the boards the decisions to do so were rational and calculated responses taken by leading British textile magnates to salvage a declining market. Indeed, the oft-cited product cycle theory appears as an eminently satisfactory explanatory model. [24] Alarmed by a decline in Lancashire's exports to Egypt, once a favored market, and aware that Egypt's tariff reform of 1930 was certain to be a boon to local industrialists and a further threat to British exports, the textile leaders of three British firms--Bradford Dyers Association, Calico Printers Association, and Bleachers Association--decided to leap over Egyptian tariff barriers and to open textile plants in that country. The background for their decision, as suggested by product cycle theory, was the emergence of a competitive industry overseas. The trigger was the raising of protective tariffs.

Yet the British textile records themselves provide a much more nuanced view of these decisions. They show the choices to be much less the cool and calculating responses of product cycle theory wherein occurs the careful weighing of the profits to be made abroad over against the losses of important export markets. Instead they reveal that the decisions were made in the greatest haste, without careful feasibility investigations. More astonishingly, much of the impetus for investment was orchestrated at the periphery by local businessmen who had a firmer knowledge of the political and economic

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circumstances in Egypt than did the Lancashire and Yorkshire textile directors.

In much of the recent political history of the third world debates have echoed back and forth over the locus of historical causation--whether in the metropole or at the periphery. To take but one cogent example, the long-standing debate on the European partition of Africa has often revolved around the role of men on the spot in Africa (proconsuls, local nationalists, and military adventurers) versus politicians, financiers, and publicists in Europe. [19] Rarely in the field of business history has much weight been accorded local business leaders when confronted with the sway of multinational business empires. Here, assuredly the center prevails over the periphery, and interests in the hinterland are subordinated to those of the metropole. Yet, at least in the case of two British textile firms with substantial financial interests in Egypt the metropole's position was not always the dominant one. Almost at every turn local factors intruded. Sometimes they even prevailed at the expense of metropolitan aims.

If we are to understand the impact these firms had in Egypt as well as their inability to dominate local factors, we must commence by looking at them in their home setting. Several important points need to be made at the outset. First, the British textile industry was in serious decline after World War I and especially during the depression years. By 1921 the yardage of textiles exported from Britain was less by two-thirds than it had been in 1910-13. The whole inter-war period, according to one authority, was "one of depressed demand and low or non-existent profits at least after 1921." In 1930 the average capacity utilization in British cotton textile factories was down to 58 per cent in spinning and 54 per cent in weaving. [23, p. 121; 14] Second, the textile sector was a deeply fragmented and divided industry. Despite repeated calls for the creation of integrated textile complexes little was accomplished. Besides the fact that firms tended to specialize in the different phases of textile production there was great competition within these sectors. The three main textile production phases were spinning, weaving, and printing. The downturn in the British economy and export competition from Italian, Indian, and Japanese textiles had a more powerful impact on spinning and weaving than on the finishing sections--bleaching, printing, and dyeing--which tended to specialize in the more finely woven and high count cloths. An overseas market still existed for these products.

In each of the three finishing trades a single firm predominated: Bleachers Association for bleaching; Calico Printers for printing; and Bradford Dyers for dyeing. Each company had come into being at the turn of the twentieth century as part of a country-wide merger movement. Each aspired to an unrivalled position in its part of the finishing process but did not achieve manufacturing and market domination. The Calico Printers Association, for example, was created in 1899 through the amalgamation of 46 separate printing firms. In its charter of incorporation it claimed to hold 85 per cent of the Calico printing industry of Great Britain. In reality it failed to include several important printing firms (United Turkey Red Company Ltd and F. Steiner and Company Ltd), and as a result it never controlled more than 58 per cent of total productive capacity, far below the 85 per cent promised in the original charter. [23, p. 325; 17, pp. 117-180; 12, pp. 133-214] Nonetheless, these three firms were among the most heavily capitalized companies in Great Britain at the turn of the century. In 1905 Calico, with a capitalization of £8,227,000, was the eighth most heavily capitalized industrial firm while Bleachers with a capitalization of £6,750,000 was in ninth place and Bradford Dyers with a capitalization of £4,310,000 held seventeenth position. [18; 25, p. 241; 17, pp. 156ff]

These firms suffered a great financial decline in the inter-war years. Calico Printers was unable to pay a dividend on its ordinary stock between 1929 and 1947. Its output, which averaged 406 million yards per year during the 1920s, declined to 285 million yards per year in the next decade. [16, pp. 114-115] Bradford Dyers had to omit dividend payments beginning in 1931. [3, 1931+] Bleachers also had to suspend dividend payments during the depression. In the process the three firms lost their standing as highly capitalized industrial firms. [25, pp. 242-243]

It is not surprising that these three firms would try to salvage some of their market in Egypt by erecting factories there. Egypt had always been a valuable market for the English finishing firms. Indeed, a whole unit of Bradford Dyers specialized in the production of black cloth, most of which was exported to Egypt and worn by Egyptian women. What was surprising, however, is the precise manner in which the British firms went about protecting their stake in Egypt and how utterly dependent they became on collaborators and business colleagues in Egypt.

That which alerted the metropolitan firms to the threat in Egypt was not the abstraction of tariff reform. It was, instead, the growing disinterest of Lancashires's traditional selling or marketing agents in British lines. In order to appreciate the influential role which these Egyptian-based merchants played one must delve further into the structure of the British textile industry. As we already suggested, the industry was divided into separate and fairly autonomous production untis. The last process in the production of cloth was the finishing processes of bleaching, calico printing, and dyeing. The finishing firms manufactured on commission; that it to say they worked on a given quantity of cloth purchased for them by independent merchants, often called converters, many of whom repurchased the cloth for sale in domestic and foreign markets. In a very real sense the converters were the commercial eyes and ears of the manufacturing companies. In the halycon days when the world took virtually every piece of cloth which came out of the British factories the obvious deficiencies in this system were overlooked. But as the demand for finished British goods declined, the British firms found themselves without precise information on just why and in many cases where this decline was occurring. Their dependence on outside and independent cotton cloth merchants was heightened. [20; 15, p. 6]

In Egypt the finishing industries had succeeded in building up an extensive merchanting network of local agents. The Calico structure was several tiered. It consisted of a small number of large-scale merchants based in Cairo and Alexandria and a larger number of small agents distributing merchandise in the provinces. The large merchants included some of the wealthy businessmen in Egypt, some of whom were advanced cloth worth £20,000 to £30,000. [10, Feb. 16, 1932; July 26, 1932; and Jan. 10, 1932]

Lancashire's warning signals went off not when tariff reform was enacted in 1930 (since the British firms were uncertain how the new tariff structure would affect their trade), but when valued and trusted merchanting agents either spurned their products for the more attractive and saleable Japanese and Italian prints or allowed their debts to Calico to become excessively large. Calico's increasing dependence on two agents (Ades and Btesh to be specific) whose debt was growing deeper and deeper finally persuaded the metropolitan firm to despatch one of its board members, W. Buckley, to investigate conditions in Egypt. [10, July 26, 1932 and Jan. 10, 1933]

Buckley's trip to Egypt set in motion a train of events which led eventually to Calico setting up a textile plant in that country. But the decision to do so was far from easy or obvious. It was made under considerable pressure and guidance from the Egyptian periphery. The primary and original goal of the Buckley mission was to gather information. Secondary purposes included persuading Egyptian merchants to take more of the Lancashire products and beginning conversations with Egyptian government officials about the establishment of a trade quota for British textiles. [10, May 30, 1933] Almost immediately upon arrival, however, Buckley was besieged with proposals for Calico to play a role in Egypt's new textile industrialization effort. [10, Aug. 29, 1933] His own hurried observations also convinced him that publicity and trade quotas were mere palliatives. More radical measures were needed to avert the loss of the Egyptian market. In particular Buckley painted a grim picture of Calico's trade competitiveness. The Japanese were underselling many of the firm's cotton lines by as much as 30 to 40 per cent. In cut silks Japanese products were 60 per cent cheaper than Calico's. [10, April 4, 1933]

The home directors greeted Buckley's letters at first with considerable skepticism and displeasure. The Lancashire board had despatched its director to stem the trade decline and to revive British textile exports, not to recommend participation in local industrialization plans. Several board members pointed out that the establishment of a British manufacturing plant in Egypt would cause dismay among other members of the British textile community in the metropole since they were anxious to present a united front in dealings with the Egyptian government. One member observed that a plant in Egypt would certainly anger the Egyptian merchanting agents who were so essential to Calico trade. These compelling reasons notwithstanding, Calico despatched another of its board members to Egypt, N. G. McCulloch, with a much wider mandate. He was to assist Buckley in assessing Egypt's potential for textile industrialization and the likelihood that Calico and other British export firms would eventually be squeezed out of the local market. They placed themselves in touch with Egyptian merchants and industrialists as well as the commercial attache at the British Embassy. They listened to numerous proposals, some of them quite grandiose, for the creation, through British funds and technical expertise, of an integrated textile complex in Egypt. At the conclusions of their fact finding they recommended to the parent firm a Calico investment.

Nonetheless, as Buckley and McCulloch went forward in their investigations, they were compelled to alter many of their plans, largely in response to circumstances in the periphery. At first they had contemplated an independent textile plant, wholly run and financed by Calico. But as they learned more about the realities of the Egyptian political scene, they were persuaded that a purely foreign textile enterprise was likely to founder on the obstacles of nationalist resentment and political obstruction. A third Calico board member to visit Egypt in 1933, Lennard Bolden, described the dilemma well: "Without political influence it would be difficult to start a works here as the authorities might prevent the staff landing or if landed remaining more than a short time." He also anticipated that the company would have to pay "squeeze." [11, Dec. 27, 1933] This important and accurate observation forced the Calico directors to consider an alliance with local industrialists. There were, in fact, two well established textile enterprises in Egypt at that time. We must pause in our narrative to introduce each of these firms since they were destined to play such a central role in the subsequent development of this sector and in the British efforts to salvage a portion of the Egyptian market.

The company which had been in existence the longest was Filature Nationale d'Egypte, based in Alexandria. It traced its origins back to the Anglo-Egyptian Cotton and Spinning Company, which a local group of mainly British industrialists had established in the 1890s at a time when booming economic conditions in Egypt persuaded local businessmen to create industrial and commercial firms. Most of these companies failed. Many, in truth, were created only to take advantage of the speculative mania which rampaged through Egypt in the last decade of Cromer's tenure of power and were swept from the scene in the financial slump of 1907. The Anglo-Egyptian Cotton and Spinning Company managed to sell its plant to a new groups of businessmen at one-third of its original price. [13, pp. 145-146] These managers kept the plant alive until World War I. At that point and for the next four years Filature enjoyed the kind of financial prosperity and production which its original founders had predicted for it. Cut off from its traditional European suppliers by the war and by limited shipping available, Egypt was forced to rely on its own production. By 1918 the firm had 20,000 spindles, 560 looms, and its own power plant of 1000 horsepower, with a back-up unit of 650 horsepower. [13, pp. 145-145] The war-time profits were so substantial that the firm was able to make a free distribution of two new shares for every share already held by its shareholders, thereby raising the number of shares in the company from 12,500 to 37,500 and the total nominal equity from £E50,000 to £E150,000. [8, June and August, 1918, July, 1919]

The conclusion of the war once again threatened Filature's existence. Egypt was swamped with British, Italian, Indian, and Japanese textiles. Filature's efforts to win state support resulted in the reduction of the excise tax on locally manufactured items from 8 per cent (equivalent with the *ad valorem* customs duty on all imports) to 4 per cent. But substantial tariff protection could not be enacted until the last of Egypt's international treaties--that with Italy--expired in 1930. Only the prospect of enjoying real tariff protection beginning in that year kept Filature in business in the face of its declining profitability and the loss of nearly all of its reserve funds. [21, April, 1927]

On the eve of tariff reform Filature was an integrated textile combine, engaging in spinning and weaving of cotton piece goods and simple finishing procedures. It had a merchanting organization and was able to distribute its finished product--a coarse and simply spun woven cotton grey, fashioned from Egyptian cotton--throughout all of Egypt. Its board of directors was nationally mixed. It contained some local Egyptian businessmen, an Egyptian Jew, a wealthy British resident, and the leading businessman and titular political figure of the Greek community of Alexandria, Michel Salvago. But its guiding genius was a Swiss-born and trained Egyptian resident, Linus Gasche, who by all accounts was the most knowledgeable textile man in Egypt at that time.

The second firm was an outgrowth of the Misr financial and industrial empire. Among the different companies spawned by Talat Harb's Bank Misr was the Misr Spinning and Weaving Company, founded in 1927, with a start-up capital of £E300,000 and located in the delta city of al-Mahalla al-Kubra. The Misr Spinning and Weaving Company was intended to be the dominant Egyptian textile conglomerate--a fully integrated cotton spinning, weaving, finishing, and merchandising company. It was created to take advantage of the forthcoming textile reform and with the hopes of being able to rise behind a protective tariff wall. The company produced its first textiles in 1930, just in time for the new tariff system. It also increased its capitalization steadily, achieving an equity capital of £E1,000,000 in the mid-1930s and thereby becoming the most heavily capitalized industrial firm in Egypt. [2, p. 197]

In the 1930s, then, Egypt's modern textile industry was dominated by these two relatively heavily capitalized firms.

Calico's decision to align with Filature rather than the Misr Spinning and Weaving Company proved to be an easy one. Buckley, Bolden, and McCulloch concluded that the Misr firm was poorly run and grossly inefficient. [10, Sept. 12, 1933] Gasche, on the other hand, was a first-rate textile man and a skilled executive. [11, Jan. 17, 1934] Nonetheless, the alliance with Filature was far from easy to achieve and its negotiating demonstrated the shrewdness of the businessmen on the periphery. The issues that proved nettlesome were the kind of company to be created, its allowable production and merchanting activities, the amount and proportions of capital and equipment to be contributed by each parent firm, representation on the board, and the length of the agreement.

After nine months of intensive discussions an agreement was reached in 1934 for the creation of a joint venture, integrated cotton, spinning, weaving, and printing firm at Karmuz, just outside Alexandria. The new company, called Societe Egyptienne des Industries Textiles (and hereafter referred to as SEIT), had a start-up capital of £E80,000, divided equally between its two partners, Filature Nationale and Calico Printers. The new firm would spin, weave, bleach, dye, and print. In short, in conjunction with Filature it would be Egypt's first fully vertically integrated textile firm. Its charter of incorporation was to run for twenty years. The board membership of 8 was to be divided equally between Filature and Calico, but the all-important position of managing director of the new company was allocated to Linus Gasche, who was also managing director of Filature. Any expansion in capital was to occur through equal participation of the two parent firms. In fact, SEIT's equity expanded to £E500,000 by 1938. The mutual suspicion which each firm had of the other was allayed to a large extent by stipulations that Filature would not do its own printing for at least ten years while Calico was precluded from opening another textile plant for the same length of time. [11, Jan. 3, 15, and 17, 1934]

There can be little doubt that this arrangement held prospects for gain for both parties. Calico could arrest its decline in Egypt and recoup some of its lost market by manufacturing and selling cotton piece goods behind Egyptian tariff barriers. No doubt Calico owed its smooth entry into Egypt because of its alliance with a local firm which had access to influential Egyptian politicians and businessmen. Bolden was ecstatic about the agreement, describing it as "an experiment in printing at a cost to us of £40,000 which without their (Filature's) aid would cost us something like 5 times that amount as they are supplying all building, power, steam, and spinning, all except the last of which are supplied on term better than I could have hoped for." [11, Jan. 17,1934]

The gains to Filature were, if anything, more impressive and likely to mount. Through a relatively small contribution of capital Filature had acquired finishing capabilities not available in Egypt at that time. More importantly, the controlling executive position at SEIT was held by Linus Gasche rather than a Calico man, and though Calico was represented by 4 board members meetings of the board were held in Cairo rather than Manchester. Any day-to-day managerial influence which Calico might hope to exercise would depend on Buckley's plan to post a young and talented textile man from the metropole so that he could gain a detailed knowledge of the Egyptian operation and win the confidence of Gasche. Barring this development, Calico would have to direct its affiliate from afar. [11, Jan. 17, 1934]

The Bradford intervention in Egypt has striking parallels with Calico. Its board members also contemplated investment as a response to a declining market. The chairman of the board, George Douglas, despatched Charles Butterworth to report on Egyptian conditions. He too quickly came to the conclusion that the only way Bradford would be able to retain any part of the Egyptian market, given the strong commitment in that country to building a comprehensive textile industry, was to establish a plant there. Once again the metropolitan board members were resistant to the advice. Chairman Douglas opined that the erection of a plant would be tantamount to cutting Bradford's throat, but another board member, H. R. Armitage, replied that Bradford's throat was going to be cut anyway. [4, Dec. 3, 1936 and Jan. 1, 1937]

The Bradford board deputed Anderson and Butterworth to prepare concrete plans for a plant in Egypt. At first, like the earlier Calico contingent, they contemplated an expenditure of a large amount of capital and the transfer to Egypt of a number of Bradford textile managers, directors, and technicians. But the Bradford planners quickly shelved these schemes in favor of a joint enterprise. Precisely the same considerations brought them to this position, particularly the fear that Egyptian politicians and businessmen could do Bradford great harm if they were opposed to the enterprise. The search for an appropriate partner was equally easy since Talat Harb's Misr Spinning and Weaving Company was the only other major firm in the country. Moreover Talat Harb had indicated to the British commercial attache his interest in an alliance with an overseas finishing firm so that the Misr complex could in-corporate more sophisticated finishing processes in its production. [6, May 12, 1937]

Negotiations for a joint venture were prolonged and difficult. The final agreement, signed in 1938, resulted in the creation of two new specialized textile firms. The first, called the Misr Fine Spinning and Weaving Company, was to specialize in the manufacture of high quality, finely spun cotton piece goods which had not yet been produced in abundance in Egypt. The start-up capitalization of £E250,000 was divided, 4/5ths from Misr and 1/5th from Bradford. A second firm (Beida Dyers) was a specialized finishing company, which was expected to finish all the cloth spun and woven by the Misr Fine Spinning and Weaving Company. Its capital of £E250,000 was subscribed 4/5ths by Bradford and 1/5th by the Misr complex. Both firms were located in Kafr al-Dawar, on a portion of the Smouha estate, at a distance of ten miles from Alexandria. [5, March 3, 1938]

These joint enterprises also held mutual benefits for both partners. The Kafr al-Dawar complex provided the growing Misr textile empire with the most technically advanced fine spinning, weaving, and finishing capacities in Egypt. Misr textiles were now able to produce the highest-quality cotton lines. Talat Harb boasted in his annual message to Bank Misr shareholders that the Misr firms had blocked Bradford's original intention to enter the country as an independent producer and had captured its technical and managerial skills for itself. [1, 1937, p. 10] On the Bradford side the Yorkshire textile men had succeeded in striking a bargain with the financially and politically most powerful business group in Egypt (the Misr empire). They could be assured of considerable government support for their new firm.

In the original agreements, then, the periphery defended its interests with considerable skill. The new joint ventures had an equal proportion of metropolitan and local capital and strong, in some cases, decisive local management leadership. What of the subsequent two decades of development (down to 1956 when foreign businesses were nationalized)? Were overseas firms able to reestablish control over their Egyptian affiliates?

Without question the local forces remained powerful in SEIT and Beida. Local managers asserted themselves with great vigor and in many ways turned the overseas parents into silent and ineffectual partners. By 1956 groups based in Egypt were in charge of SEIT and Beida, and metropolitan directors were trying to devise ways to establish influence or sell off by now unwanted holdings.

Declining metropolitan influence did not stem from a lessening interest or need in overseas investment for Calico and Bradford. Quite the contrary, these two firms had become increasingly involved in the erection of textile firms outside of the home country and more and more dependent on their external investments for the financial well being of the parent firm. Calico, for example, subsequently opened plants in India, Australia, South Africa, and Indonesia and enjoyed a financial revival after World War II which had seemed impossible during the dark days of the depression. Its dividend payments rose from 5 per cent of nominal capital in 1947-48 to 12 1/2 per cent by 1949-50, and its reserves grew to almostl £10,000,000. [9] Bradford opened fewer overseas affiliates, but was more successful financially. With the acquisition of Consolidated Piece Dyers of Canada, which was then the largest commission wool dyers in Canada, the Bradford board could boast that the parent and affiliated companies were the largest cotton, rayon, and wool piece goods dyers in the world. Increasingly its dividend payments (running at 5 per cent of nominal capital in the late 1940s and early 1950s] were guaranteed by the profitability of its overseas affiliates. In his annual report to the stockholders for 1948 the chairman of the board observed that " . . . a substantial part of our profit comes from our foreign subsidiary companies and the association is now reaping the reward of its patient policy over many years in developing its activities in other countries." [3]

At first the Egyptian enterprises had been lucrative ones. During World War II the textile companies worked at full tilt because of the interruption of trade with Europe. The return on capital was good (around 15 per cent per year), and the financial reserves grew at record rates. But the growth and profitability of the firms were called into question after the war. This is not the place for a detailed discussion of Egypt's faltering industrialization after World War II. Suffice it to say that the textile firms, like many other industrial companies in Egypt, were grossly inefficient. They were propped up behind high tariff barriers. The productive capacities of local firms outgrew the local market, and hence nearly all the firms had an excess production. The crux of Egypt's textile production problem was that government regulations precluded firms from importing cheap raw cotton, like Indian cotton, and forced companies to employ expensive, high quality long staple Egyptian cotton. The finished products were costly, and they were uncompetitive in international markets.

Of the two joint ventures SEIT was more decisively affected by these problems than Beida. This was not surprising because it was a less efficient firm than Beida, and it produced a large proportion of low quality cotton piece goods for which Egypt had no comparative advantage. The effort of the home firm to assert its influence over SEIT was largely unsuccessful. In spite of the size of Calico's investment in Egypt the parent firm never succeeded in "insinuating" a Calico man into the SEIT operation. Indeed, with the passage of time Calico lost the little influence it had wielded at the outset. Calico representatives never attended SEIT board meetings nor did the Calico board members make regular fact-finding and advisory trips to Egypt. Not surprisingly Gasche tended to run SEIT as if it were a mere appendage of Filature, with scant reference to his partner in Manchester. The Calico board minutes were filled with complaints that its directors did not know Gasche's plans, that Gasche made important managerial decisions (like plant expansion or the selection of his own son, Robert, as his eventual replacement as managing director of SEIT) without consulting, and that only a single Calico board member received copies of the minutes of the SEIT board. [10, Dec. 12, 1950]

As the financial success of SEIT declined (a loss was posted for the first time in 1952), the Calico board contemplated ways to dispose of their Egyptian holdings. Their first proposal was the sale of their holdings. But who, other than Gasche, would be willing to buy a firm in which Gasche's managerial authority was so dominant? Gasche himself decline to purchase the Calico shares since he already had full control over the firm. [10, Dec. 4, 1951] An almost miraculous way out of Egypt, however, seemed to offer itself. In 1954 the twenty-year charter of agreement between Calico and Filature was due to expire. If not renewed, SEIT would be dissolved, and its assets sold and divided equally between the parent firms. Calico favored this course. But even this alternative proved illusory. The Calico board was informed that the Egyptian government would be likely to step in and declare the company's liquidation illegal or barring this step would enact taxes which would make it impossible for Calico to get its investments out of Egypt. [10, Sept. 25, 1951] Under the circumstances Calico renewed the charter, concluding at the same time that its capital was effectively trapped in Egypt and that SEIT had become only an ordinary portfolio investment for them in spite of the fact they they held nearly 50 per cent of the equity capital of the company. [10, Aug. 14, 1951 and Nov. 3, 1951]

Beida Dyers was a more successful enterprise than Calico. Several of the original investment decisions had been correct ones, notably the decision to align with the politically powerful Misr group and the decision to create at Beida a technically sophisticated plant, even though this choice was likely to mean, as it subsequently did, the extinction of the Bradford export trade to Egypt. Nonetheless, the same set of problems which undercut SEIT befuddled Beida--overproduction, excess capacity, plant inefficiency, excessive governmental interference, costliness of the finished product, and inability to break into export markets. One prescient board member had foreseen these problems as early as 1945 and had written a report warning of the rise of competitive textile industries in neighboring Arab countries and the possibility of "social upheavals and a change in Egyptian government policy in relation to protected industries." This director recommended a scaling down, if not an outright liquidation, of the Bradford interests in Egypt. [7, June 12, 1945]

Beida Dyers was far too lucrative an asset at the time for the parent firm to accept these recommendations. But a counter report written by a rising young employee--Elias Andraus--went a long ways toward calming the overseas partner. Andraus, originally an accountant in the firm but destined to be its managing director, claimed that Egypt was poised on the threshold of a great economic spurt in which textiles would play a major role. The boom would overcome social problems and obviate any danger of expropriation. Andraus predicted "an extravagant return in dividend and/or bonuses" and expected the value of Bradford's investment to rise from £E1.5 million to £E3.5 million in 5 years time. [4, Jan. 10, 1946]

Bradford had commenced its investment in Egypt with a larger managerial and technical presence than Calico. Hence, it was able to exercise more day-to-day control when the local firm came into existence. At the outset its chairman was Alexander Keown-Boyd, neither a textile expert nor a Bradford man but a Britisher nonetheless, with an intimate knowledge of the Egyptian polity. The managing director was Charles Butterworth, the Bradford individual who had been chief apostle of the Egyptian scheme. With the passing of years, however, control passed from British to Egyptian hands. In large part this important change occurred because of the difficulty in recruiting Bradford men for service in Egypt. Despite its important overseas investments Bradford was still rooted in the Yorkshire hills, and company personnel looked upon a stint overseas, especially in Egypt, as little short of banishment. Only a few individuals took up residence there. Among the managers a term in Egypt was accepted only by those who had fallen out of favor with the chairman or who were being pensioned off in a munificent way by being allowed to collect a large emolument for a few years of overseas service. Equally important was the rise of Andraus, an ambitious, aggressive, and capable individual. Although he was not a textile man, he knew how to manage other men and he had a keen appreciation of the realities of Egyptian politics. In time he became as powerful in Beida as Gasche was in SEIT. The parent firm complained bitterly about his high-handedness and insensitivity to the parent (who after all held more than half of the equity capital). As long as the returns on investment were good, the Bradford chairman, Ewing, contented himself with the thought that Andraus's interests were fundamentally the same as Bradford's (the making of profits) and that the most important requirement for the chairman of the Beida board was the maintenance of good relations with the Misr companies. [4, Feb. 13, 1947 and July 21, 1949] But as the return on investment declined and as problems in the textile sector became palpable to the parent firm, Bradford, too, cast about for ways to reduce its financial exposure in Egypt. Fortunately, the Beida firm was still a solid investment, and Bradford had an eager buyer in the Misr group of companies. In early 1956, just months before the Suez invasion, Bradford managed to sell off a large proportion of its investment in Beida to the Misr empire. [4, May 17 and 31, 1956]

In 1956 the Bradford and Calico holdings in Egypt were nationalized and subsequently turned over to an Egyptian parastatal--the Economic Organization. The final compensation achieved by these firms and negotiated by the British Foreign Office with the Egyptian government reimbursed the metropolitan concerns for only about one-third of the total appraised value of their Egyptian holdings and served as final evidence of the weak status of these metropolitan businesses in this peripheral economy.

So much of our knowledge about the behavior of multinationals derives from the giant enterprises--Imperial Chemical Industries, the oil conglomerates, Unilever, and the like--that we forget that smaller and less forceful firms operated in the international economy. By standard definitions Bradford and Calico were transforming themselves from British firms into multinationals in the 1930s and had succeeded in doing so by the 1950s. They had established numerous affiliates overseas, transferred a large part of their equity capital out of Great Britain, and transformed their own corporate structures to take account of their new geographical diversity and their need for better coordination between center and periphery. Yet, at least in the case of Egypt, the metropolitan firms were not able to dominate the periphery at any stage. At the beginning both Calico and Bradford had to align with local firms because of their unfamiliarity with Egyptian politics and their need for local business sponsorship. Subsequently they fell more fully under the sway of local business collaborators. Gasche and Andraus proved to be far from the complaisant compradors portrayed in much of the scholarly literature. The problem for Bradford and Calico was an inability to project corporate authority overseas. In part this deficiency arose from their own declining financial fortunes in the metropole. But in part it stemmed from an inability of Bradford and Calico executives to transform their own mental worlds and to conceive of their firms as something other than Lancashire and Yorkshire entities. They simply could not persuade enough of their executives that service overseas was vital for the health of the parent firm.

Without access to the corporate records themselves and the light these documents shed on day-by-day business decisions this reality would not be apparent to the researcher. He would see only the shareholding proportions and the representation on the boards and would conclude that Calico and Bradford had an effective presence in Egypt.

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