

—including 60,000*l.* a year to Prince Halim Pasha—cannot be considered excessive. But nearly 880,000*l.* for the Ministries of War and Marine might be more easily reduced, without injury or peril to any interest of the country; for, politically conditioned as Egypt now is, with absolutely nothing to fear from within or without, a standing army of 30,000 men and a navy to match, are clearly in excess of its military wants.* The reduction of the estimate for public works from 1,041,000*l.* in 1874, and 512,500*l.* in 1875 to 205,000*l.* for last year, shows how purely optional had been the previous outlay in this direction; and but that the contracts for the Soudan Railway, to which nearly the whole of this last sum is allocated, have been taken, even that amount might have been kept out of the year's Budget. As it is, barring this inevitable item, fresh expenditure on this class of works has been wholly suspended, and for some years to come is not likely to be resumed on the old scale. The considerable item of 200,000*l.* for the expenditure of the Rouznameh on yearly gifts to Mecca, the cost of the annual caravan, and other charitable outlay, will not readily bear reduction in a country on three-fourths of whose population the fervid national faith has still a powerful hold. But for the recent large addition of foreigners at high salaries to the staff of the chief Ministries, sensible economies might have been effected in the cost of nearly the whole by reducing the number of inferior native employés, who swarm superabundantly both in Cairo and throughout the provincial administrations. As it is, the most that can be hoped for is that the eco-

* Since this was written, several regiments have been virtually disbanded, nearly their whole rank and file having been sent home to their villages on unlimited furlough, and only the regimental cadres retained. [Later still, these have been recalled to service, to make up the contingent requisitioned by the Porte.]

nomie winnowing of the one class will balance the new additional expense of the other. The Ministers themselves and the higher native functionaries are not extravagantly over-salaried, as in Turkey; and in their case little or no reduction can be fairly made. The interest (198,829*l.*) on the Suez Canal shares, sold to the British Government, is of course a settled item till the bonds rank for dividend, in 1894, and was accordingly provided for in the increased administrative Budget fixed by the decree of November last. But one chapter of expense that weighed heavily on this side of the national account is now, it may be hoped, closed. Henceforth the Khedive may quite safely refuse payment of the blackmail to Constantinople, which, though officially unconfessed to, in some years notoriously exceeded the nominal tribute. It will be his own fault if he submits any longer to extortions which have now no more excuse in policy than in treaty right. This administrative first charge on the revenue may, therefore, be regarded as ample for all its purposes; and, except in the extreme event of another cattle murrain, a destructive Nile, or some similar *force majeure* necessitating extraordinary outlay, there is no reason to apprehend either need or disposition on the part of the Government to exceed the limit thus wholesomely imposed.

III. The *Debt* of Egypt has outstripped in rapidity of growth the large totals of revenue and expenditure just noticed. As settled by the decree of November last, it now roundly amounts to 80,393,000*l.*, and yet the first borrowing dates only from 1862,* when the commitments of Saïd Pasha to the Suez Canal Company, and the press-

* Two small temporary loans had been previously contracted with Paris bankers, the first in August, 1860, for 28,000,000 frs., and the second in March, 1862, for 40,000,000 frs., but neither was quoted on the Bourse.

ure of—for those halcyon days—a heavy home debt, compelled him to imitate the example of the Porte and appeal to the European money markets for a loan of 3,292,800*l.* A simple statement of the terms on which this and the subsequent loans were effected will go far to explain the recent financial straits of the Egyptian Government. No particulars have been published of the rate at which this first operation of 1862—a 7 per cent. stock, with a sinking fund of 1 per cent.—was taken by the contractors, Messrs. Frühling and Göschen; but as it was placed in two separate issues of 82½ and 84½ per 100, it may be assumed that commission and other charges reduced the actual sum realised by the Treasury to a mean of not more than 80, or a net total of, roundly, 2,500,000*l.*, instead of 2,744,000*l.*, the amount paid by the public.

Be this as it may, the proceeds of the operation met less than half the wants of the Government; and, on the death of Saïd Pasha, in January, 1863, his successor found clamouring for liquidation a balance which there was no hope of discharging out of revenue. A second loan was thus necessitated, and this—for 5,704,200*l.*, with 7 per cent. interest and 3·87 per cent. sinking fund—was successfully issued by the same contractors towards the close of 1864, at 93 per 100, but, with commission and other deductions, only realised net 4,864,063*l.* to the Government. It was hoped that the proceeds of this operation would clear off the balance of debt bequeathed by Saïd Pasha, and leave a considerable surplus for the public works which the new Viceroy had undertaken soon after his accession. But the expectation was falsified by the cattle murrain that broke out shortly afterwards and for nearly two years ravaged the whole country from the Delta to Nubia. This epidemic cost the country nearly 5,000,000*l.*—in loss of revenue, in im-

porting cattle to replace those swept away, in supplying agricultural machinery, and in distributing corn and other relief to the fellahen who had suffered most from its effects. The Alexandria and Suez railway—the only one then existing in the country—had been left by the late Viceroy in a state of complete dilapidation, and to repair it, and renew the rolling stock, a special debenture loan for 3,000,000*l.* was effected in 1866—again through Messrs. Frühling and Göschen—on the security of the railway itself. This, which was also a 7 per cent. stock, redeemable in eight years,* was issued to the public at 92 per 100, but realised to the Government only 2,640,000*l.*, on which the actual charges, therefore, became 8 per cent. for interest and 18·9 per cent. for sinking fund, or an annuity in all of 26·9 per cent. In the meantime, the abolition of forced labour on the Suez Canal, and the modification, in other important respects, of the Saïd Pasha's contract with the Company, had raised a crop of differences between the latter and the Government. The Viceroy having been induced to refer these to the arbitration of the Emperor Napoleon, his Majesty awarded to the Company the enormous indemnity of 3,360,000*l.*, in 12 per cent. Treasury bonds, to which was subsequently added, in 1866, a further cash payment of 400,000*l.* for the re-purchase of the Wady domain, which the Company had bought some years before from Saïd Pasha for 74,000*l.* To meet the mass of floating debt thus created, and at the same time to provide in part for the public works already begun or contemplated, the large 11,890,000*l.* loan of 1868 was next contracted, through Messrs. Oppenheim and Co., in con-

* This loan was actually repaid in six annual instalments of 500,000*l.* each, beginning on the 1st January, 1869, a rate equivalent, as above stated, to a sinking fund of 18·9 per cent.

cert with the Imperial Ottoman Bank and the Société Générale of Paris. This, although like Saïd Pasha's loan of 1862, a 7 per cent. stock, redeemable in thirty years, was issued at the low price of 75 per 100, and contractors' commission and charges—which grew heavier with each new operation—being again deducted, produced to the Treasury only 7,193,334*l.*, at a total annual cost of 13½ per cent. Nevertheless, with the amount realised, nearly the whole of the floating debt was paid off, and for a considerable time discount in Egypt fell to the unprecedentedly low average of from 6 to 8 per cent. But the continuing heavy outlay on harbours, railways, telegraphs, canals, and other great works, which were being carried out in a scale far beyond—not indeed the wants, but the concurrent means of the country, soon again compelled recourse to the issue of new Treasury bonds, to nearly the full extent of the expenditure thus incurred. The revenue had increased largely since the death of Saïd Pasha, owing to the steady expansion which had taken place in nearly every branch of Egyptian industry and trade; but the re-organisation and re-armament of the army, the construction of new coast defences, the doubling of the tribute to the Porte, and other large though officially unacknowledged payments to Stamboul, had swelled the expenditure in equal ratio, and, after payment of the charges on the foreign debt, left little or nothing for public works. The creation of a new floating debt at a greatly increased rate was the necessary result; till in the spring of 1873, the total of these unfunded liabilities had risen to nearly 26,000,000*l.*, on which the average interest charge was not less than 14 per cent. It was, therefore, resolved to fund the whole of this large amount; and, with this view, a 7 per cent. loan for 32,000,000*l.* (nominal), designed to consolidate the whole, was negotiated

with Messrs. Oppenheim and substantially the same group who had co-operated with them in the loan of 1868. Partly owing, however, to the monetary disturbance occasioned by the American panic in the spring of 1873, and partly no doubt to the largeness of the operation, the issue of the first half of this loan at 84½ was not a success, and, although this amount had been taken "firm" by the contractors, the Khedive was induced to accept a much lower price, and the large remainder of the stock was obtained on terms which permitted its being gradually placed on the market at an average rate of about 70. This costly operation realised to the Government only 20,740,077*l.*, of which, too, 9,000,000*l.* was paid, not in cash but in long dated bonds of the floating debt, bought up by the contractors at various rates of discount (much it was said as low as 65), and delivered to the Treasury at 93—an operation which, as Mr. Cave pointedly remarks, "materially enhanced the profit accruing to the negotiators of the loan."

Thus, out of five loans of a total nominal amount of 55,887,000*l.*, the Egyptian Treasury received only about 35,000,000*l.* in cash or its equivalents at the current market rate; and on this—according to a return furnished by the Minister of Finance—it had already repaid no less than 29,570,994*l.** in interest and sinking funds up to the end of 1875, when 46,734,500*l.* nominal still remained to be redeemed.

[Besides the national debt proper of Egypt, incurred

* It seems doubtful from the wording of Mr. Cave's Report, from which this sum is quoted, whether it includes the annuities of the two *Daira* loans of 1866 and 1867, which were taken over by the State; but as the total amount of these was only 5,467,000*l.*, of which about 3,500,000*l.* was then still unredeemed, the sum would not much weaken the moral of these figures. According to the contracts, the service of the loans should only have cost 27,923,716*l.* to the end of 1875; but (as Mr. Cave remarks) this sum was probably "swollen by extra charges."

on these ruinous terms, the Khedive himself had contracted three other foreign loans on the security of his own private domains, the charges on at least two of which became so mixed up with those of the State debt as to contribute materially to the thickening difficulties of the Treasury. It will, however, be more convenient to notice these private borrowings in connection with the subject of the Daïra, on the credit of which they were raised, and the revenues of which have recently been hypothecated for their redemption. To return, therefore, to the State debt.]

As the cash proceeds of the 1873 loan amounted to only about 11,000,000*l.*,* it barely relieved the embarrassment it was meant to extinguish, and a mass of floating debt therefore still remained, which the cost of renewals (many at as much as 30 per cent.), continued heavy outlay on public works, and the cost of the Abyssinian war (set down in Mr. Cave's Report at only 1,000,000*l.*, but in reality believed to be much more), rapidly swelled again to a figure against which the Treasury became increasingly powerless to struggle. Towards the end of 1875 its difficulties had culminated to a point that would have then compelled a suspension of payment but for the sale of the Khedive's shares in the Suez Canal to the British Government, the 3,976,583*l.* received for which temporarily staved off the crisis. With a view to avert this altogether by a radical re-organisation of his financial administration, his Highness requested Her Majesty's Government to send him a couple of experienced Treasury officers to carry out the proposed reform; but, instead of these, the Right Hon. S. Cave, M.P., was commissioned—not to do what the Khedive wanted, but to in-

* Inaccurately printed in Mr. Cave's Report as 3,000,000*l.*, with 9 per cent. interest.

vestigate and report upon the whole details of Egyptian finance. Accompanied by Colonel Stokes, R.E., and three Foreign Office clerks, Mr. Cave proceeded to Cairo in December, 1875, and during the following couple of months siftingly examined the Treasury and Daïra accounts, so as to ascertain as nearly as might be the debts and resources of both. The result was embodied in an elaborate Report which, corroborated as its chief conclusions have since been by other official English and French investigations, may be accepted as an authoritative statement of the main facts of Egyptian finance eighteen months ago.*

But, although this Report demonstrated that both the State Treasury and the Daïra were essentially solvent, and needed only better administration to readily meet all their liabilities, its publication at the time—coupled with the refusal of Her Majesty's Government to lend the Khedive a commissioner to assist in framing and carrying out the suggested reforms—rather damaged than benefited Egyptian credit; with the result that his Highness, unable to renew his maturing Treasury bonds except at

* The sum of Mr. Cave's suggestions was—that for all purposes of an arrangement, the State and Daïra debts, amounting together to 76,746,812*l.*, should be amalgamated, but that the short loans of 1864, 1865, and 1867, should be excluded from this amount, and be paid off by the operation of the Moukabala; the remainder, increased to 75,000,000*l.* by the addition of 3,000,000*l.* for the expense of the Abyssinian war, and the cost of this operation to be consolidated into a new 7 per cent. stock, redeemable in 1926. The Report itself, and the more interesting of the tabular statements annexed to it will be found in the Appendix.

Concurrently with this mission of Mr. Cave, Sir George Elliot, M.P., and Mr. Horatio Lloyd framed a project for dealing with the whole subject of both the State and Daïra debts, which competent critics regarded as being on many points preferable to that of Messrs. Goschen and Joubert; but, although the scheme was very favourably received by the Khedive, a difficulty in connection with a proposed small loan which formed one of its conditions led to delay, and precipitated the crisis that so much favoured the subsequent diplomacy of Mr. Goschen and his French colleague.

absolutely ruinous rates,* wisely decided on temporarily suspending payment of the whole till some equitable readjustment of the burden could be arranged. The total amount of the floating debt—chiefly in the form of Treasury bonds—had then roundly reached 22,500,000*l.* (reduced by the proceeds of the Suez Canal shares to 18,250,000*l.*), the greater part of which was held by a French group represented by the Anglo-Egyptian Bank, the Crédit Foncier, and Comptoir d'Escompte of Paris. As above mentioned, a scheme was accordingly framed by the agents of this combination, without reference to the funded bondholders; and under pressure of the strongest official French influence exerted in its support, this was accepted by the Khedive and embodied in a decree, dated May 7, which announced the consolidation of all the debts of the State and the Daïra—with a bonus of 25 per cent. to the holders of the Treasury bonds—into one unified 7 per cent. stock of 91,000,000*l.*, redeemable in sixty-five years. This extraordinary measure—which was as inequitable to holders of the old loans as its charges were beyond the means of the Egyptian exchequer—was not, it need hardly be said, received with favour in England, where most of the funded debt was held, and the Committee of the Stock Exchange gave expression to the general feeling by announcing its intention to refuse quotation to the proposed new “unified” stock. After vainly struggling against the effects of this announcement, the French scheme virtually collapsed, and its promoters recognised the necessity of conciliating English co-operation in some sounder and fairer project. The Rt. Hon. G. J. Goschen, M.P., whose connection with the

* In April 1876, shortly before the temporary suspension, as much as 8 per cent. a month was paid by the Treasury for the renewal of bonds then falling due.

earlier Egyptian loans and influential personal position suggested him as an acceptable representative of the English bondholders, was accordingly invited, early in July, to undertake a joint mission, with M. Joubert as agent of the French group, to negotiate with the Khedive some settlement of the difficulty that should be at once practicable and just to all concerned. The suggestion having been approved by the bondholders, Messrs. Goschen and Joubert proceeded to Cairo in the beginning of October, and, after receiving from the Khedive the amplest facilities to repeat the investigations which had been already exhaustively prosecuted by Messrs. Cave, Rivers Wilson, and Villet, they devised a substitute for the French scheme which, if not all that could be desired from the point of view of English interests, was a considerable improvement on that measure. Accepting both the assimilation of secured and unsecured creditors, and the gross debt of 91,000,000*l.* fixed by the decree of May 7, they reduced this nominally to 59,000,000*l.*—(1) by cutting down from 25 to 10 per cent. the totally inequitable bonus given to the holders of Treasury bonds; (2) by eliminating the whole debts of the Daïra; (3) by detaching the short 1864, 1865, and 1867 loans (as Mr. Cave had proposed) for redemption by the Moukabala; and (4) by converting 17,000,000*l.* into a Preference Stock, secured on the railway revenue and the harbour dues of Alexandria, and of which all State creditors, except holders of the short loans, should receive a *pro ratâ* allotment of about 38 per cent. The 17,000,000*l.* of Preference Stock thus created included 2,000,000*l.* of an advance to the Treasury against the extra hypothecation of the port dues; and, with the balance of 343,977*l.* further left to the Treasury, the net total of 59,000,000*l.* remained for conversion into a unified general debt. To the first of the three categories