

de Paiva Abreu, Marcelo

**Working Paper**

## Whose "pound of flesh"? Egyptian sterling balances, 1939-1958

Texto para discussão, No. 661

**Provided in Cooperation with:**

Departamento de Economia, Pontifícia Universidade Católica do Rio de Janeiro

*Suggested Citation:* de Paiva Abreu, Marcelo (2017) : Whose "pound of flesh"? Egyptian sterling balances, 1939-1958, Texto para discussão, No. 661, Pontifícia Universidade Católica do Rio de Janeiro (PUC-Rio), Departamento de Economia, Rio de Janeiro

This Version is available at:

<https://hdl.handle.net/10419/176388>

**Standard-Nutzungsbedingungen:**

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

**Terms of use:**

*Documents in EconStor may be saved and copied for your personal and scholarly purposes.*

*You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.*

*If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.*

TEXTO PARA DISCUSSÃO

No. 661

Whose “pound of flesh”? Egyptian  
sterling balances, 1939-1958

Marcelo de Paiva Abreu



## Whose “pound of flesh”? Egyptian sterling balances, 1939-1958<sup>1</sup>

Marcelo de Paiva Abreu

### Summary

Sterling balances were a major issue from the point of view of British policy makers. They amounted to £3,555 million in mid-1945 corresponding to almost seven times British pre-war yearly exports. Egyptian sterling balances were important as Egypt was the second holder of such balances only behind India. Moreover, the Egyptian case has not been adequately dealt in the literature. This is partly explained by the fact that Egypt was excluded from the Sterling Area as a result of the 1947 negotiations with Britain.

The strategic interest in the control of the Suez canal did not diminish after the war and provided the main justification to maintain at a very high cost 80,000-100,000 British troops stationed in the Canal Zone. This required not less than £20 million of yearly British military expenditures. Successive complications led the Suez crisis of 1956 and the end of British influence in Egypt and in the Middle East.

The paper is divided into four sections. The first section focuses on the war and the initial post war period up to the visit to Cairo of Wilfrid Eady, of the Treasury, and Cameron Cobbold, of the Bank of England, on their return from India in early 1947. The next section is a detailed discussion of the successive negotiations involving Egyptian sterling balances between 1947 and 1959. Section III analyses the main issues involved in the negotiations: sterling and dollar releases, cancellation and inflation in the creditor economy, gold guarantees and the interest rate on balances. The following section is on international comparisons of Egypt with other significant sterling balance holders: Argentina, Brazil, India and Portugal. Egyptian losses with the delay in releases and consequent erosion by inflation, low interest rates and sterling devaluation are assessed. It concludes with an evaluation of the Egyptian case in contrast with other sterling balance holders.

---

<sup>1</sup> This is a preliminary draft not to be quoted.

A senior British Treasury official writing about the post Second World War financial relations between Britain and Egypt mentioned that the Egypt was “at least as fiercely determined to secure [its] pound of flesh as any other holder”.<sup>2</sup> Based on the actual history of the negotiations in the 1940s and 1950s the comment does not seem reasonable. It would seem more reasonable to ponder about an Egyptian rather than a British pound of flesh. The Egyptian sterling balances were considerably reduced over time as there was significant “disguised cancellation”, as British negotiators described the combined consequences of delayed releases and very low interest rates. The purchasing power of the balances was eroded by the significant rise in import prices, especially in the case of capital goods. In dollar terms the erosion was much more important as besides the high U.S. postwar inflation sterling was devalued by 30% in 1949.

Sterling balances were a major issue from the point of view of British policy makers. They amounted to £3,555 million in mid-1945 corresponding to almost seven times British pre-war yearly exports (including re-exports). Their amount was not dissimilar to the transfer of resources to Britain under the United States Lend-Lease programme.

They were also important for a group of economies within and outside the British Empire. Egyptian sterling balances were important first of all because Egypt was the second holder of such balances only behind India (including Pakistan): of the total balances of £3,555 million in mid-1945 no less than £402 million were held by Egypt. A sizeable proportion of the Egyptian balances were held by private creditors mostly through the National Bank of Egypt, in contrast with the sterling balances of most other countries which were held directly or indirectly by the respective governments. The National Bank of Egypt itself was a rather peculiar institution: a privately-owned commercial bank that was gradually transformed into a central bank. There was a slow transition to a majority of Egyptian directors in the 1940s, but even then its chairman between 1946 and 1951 was Sir Frederick Leith-Ross, who had been an influential British civil servant.

The Egyptian case has not been adequately dealt in the literature, in contrast with several other sterling balance holders inside and outside the Sterling Area. This is partly explained by the fact that Egypt was excluded from the Sterling Area as a result of the 1947 negotiations with Britain as will be seen in what follows.<sup>3</sup>

But there are other arguments to justify the relevance of the issue. The strategic interest in the control of the Suez canal did not diminish after the war. The increased influence of the Soviet Union was seen as a menace to the United States, Britain and their allies. The Suez Base was considered in the immediate postwar as essential to the containment of the Soviet menace to the Middle East and this was the main justification to maintain at a very high cost 80,000-100,000 troops stationed in the Canal Zone. The British considered crucial to reach some arrangement with Egypt to extend even if in a diluted form the terms of the 1936 Treaty of Alliance which would have lapsed in 1956 but was unilaterally denounced by Egypt in 1951.

---

<sup>2</sup> Flett to Wilson Smith, 21.11.50 TNA:T236-4094.

<sup>3</sup> Shannon, ‘Sterling balances’, Bell, *Sterling Area*, Sayers, *Financial policy*, Pressnel, *External economic policy*, Schenck, *Britain and the Sterling Area* and Krozewski, *Money and the end of Empire*, for the British perspective, Tomlinson, ‘Indo-British relations’, Balachandran, *Reserve Bank* and Abreu, ‘Britain as a debtor’, for India, Fodor, ‘Origin of Argentina’s Sterling balances’, Abreu, ‘Brazil as creditor’ and ‘Blank cheque?’ for Argentina, Brazil and Portugal.

There was deep distrust and antipathy in London towards Egypt, partly related to Egypt's neutrality stance until almost the end of the war. The antipathy was fully reciprocated. Egypt was thought in Britain to be the extreme case of a country which had unduly profited from the war by accumulating balances due in a significant way to inflated prices.<sup>4</sup>

In 1947, the British planned to be "altogether more tough" in their approach to Egypt as compared to India. Cairo was as "self-indulgent and pampered as Buenos Aires" and "erouses emotions but not of a noble or generous character". There was much bitterness and very much more unpleasant and hard-hitting negotiations than emerged in the records.<sup>5</sup> Difficulties were sadly explicit even in laudatory remarks: "I am very fond of Emary [a senior Egyptian negotiator]. My impression is that for an Egyptian he is quite exceptionally honest and able."<sup>6</sup>

The Middle East was an extremely conturbated region after the war, marked by a succession of political coups and two significant wars between Israel and Arab States with Egypt playing an increasingly important role as a leader of the Arab coalition. In the 1956 war with Israel Britain was directly involved and this resulted in broken political and financial relations with Egypt.

The political situation in Egypt was rather unstable with a succession of incidents involving British troops stationed in the Canal, recurrent riots and assassination of political leaders. Relations between the British, the King and its entourage and the Wafd were turbulent with the Moslem Brotherhood lurking in the background. The Free Officer coup of early 1952 marked a decisive break in the history of Egypt and was a significant development to explain the collapse of British political influence in the Middle East which was even clearer after the military intervention in the Suez crisis of 1956.

Anglo-Egyptian relations were of a rather special nature with control of the Suez canal playing a central role in British strategy. Egypt severed its links with the Ottoman Empire only in 1914 when it became a British protectorate. In 1922, formal independence was declared but with reservations concerning foreign relations, communications, the military and the Anglo-Egyptian Sudan. In 1936, a Treaty of Alliance between Britain and Egypt was signed. The most important aspects were the exchange of ambassadors, the limitation of British troops to 10,000 men with the British right to re-occupy their base in the event of war and the maintenance of the status quo in the Sudan. In the wake of the 1936 Treaty the capitulations -- which assured consular jurisdiction for foreigners and restrained Egypt's capacity to tax them -- were to end in 1949 as agreed in the Montreux Convention on 1937. Both the Canal Base and the Sudan would be the subject of new treaties in the early 1950s.

This paper is divided into four sections besides this introduction. The first section focuses on the war and the initial post war period up to the visit to Cairo of Wilfrid Eady, of the

---

<sup>4</sup> Keynes to Khan, 31.10.41: "We are still treating the Egyptians as impoverished connections who are entitled to call on their rich uncle for whatever costs anything", Keynes, *Collected*, p. 318, and Strange, *Sterling and British policy*, p. 20, for a cavalier comment on "swollen sterling balances as a kind of winning lottery ticket".

<sup>5</sup> Eady minute on Egypt 18.3.47, BoE:OV43-40 and Cobbold as quoted by Fforde, *Bank of England*, pp. 114-5.

<sup>6</sup> Flett to Milner, 10.11.52, TNA:T236-4104.

Treasury, and Cameron Cobbold, of the Bank of England, on their return from India in early 1947. The next section is a detailed discussion of the successive negotiations involving Egyptian sterling balances between 1947 and 1959. Section III analyses the main issues involved in the negotiations: sterling and dollar releases, cancellation and inflation in the creditor economy, gold guarantees and the interest rate on balances. The following section is on international comparisons of Egypt with other significant sterling balance holders: Argentina, Brazil, India and Portugal. The Egyptian losses with delay in releases and consequent erosion by inflation, low interest rates and sterling devaluation are assessed. It concludes with an evaluation of the Egyptian case in contrast with other sterling balance holders.

## I

A British Treasury Order of 28 September 1939 added Egypt to the Sterling Area so that as North Africa became the main British land theatre of war after Dunkirk British military expenditures in Egypt increased spectacularly. Military expenditures peaked in 1943 and decreased rather slowly in the two last years of the war.

With the defeat of Italian forces in Ethiopia and the Sudan hostilities were centered on the Lybian and Egyptian fronts with German troops eventually joining the Italian defending Lybia. After many ups and downs the climax of the campaign was reached in the battle of El Alamein only 70 miles from Alexandria. It was a decisive victory of the British and Commonwealth forces in November 1942 and coupled with US and British landings in Morocco and Algeria would lead to the withdrawal of Italian and German forces from North Africa and provide the springboard for the invasion of Italy.

In Egypt there was much opposition to a declaration of war to the Axis and the Italian influence on the King was substantial. Anglo-Egyptian relations were tense and culminated in the well known episode of the military backed ultimatum by Sir Miles Lampson, the British Ambassador, to King Faruk so as to assure that a Wafd government led by Nahas Pasha -- more sympathetic to Britain -- was installed. Ahmed Mahir, the successor of Nahas, was assassinated immediately after the Egyptian declaration of war against the Axis on 24.2.45 as part of the effort to guarantee Egypt's future role in the United Nations.

In contrast with other British creditors the accumulation of Egyptian sterling balances during the war was mainly the result of substantial British military expenditures in the Middle East and North Africa. In fact the Egyptian balance of trade with the Sterling Area was marginally unfavourable. The contrast with, for instance, India is sharp as no less than one third of the Indian accumulation of balances was due to a surplus in its balance of trade with the Sterling Area. To a large extent Egyptian sterling balances increased *pari passu* with British military expenditures in Egypt as shown in Table 1.

In Egypt, as in some of the other countries accumulating sterling balances – such as Brazil and India – balances were used to reduce foreign indebtedness but in a rather limited way. In 1943, it was decided to redeem some £7.8 million of the 3% Guaranteed loan, the 3.5% and 4% Tribute loans, and part of the 4% and 4.5% Cotton loans and to convert £85,884,440 plus some £E3.5 million of cotton loans into domestic loans with varying maturities. Conversion was delayed by the fact that a sizeable part of the debt was held in Axis-controlled countries and could be dealt with only after the war.

The British stance before the sequence of negotiations started in 1947 was to consider that debts would take 25/30 years to settle and would end up not being paid. The Keynesian stance of the “equal thirds’ solution of release, funding and cancellation was considered feasible. In those early days cancellation was thought to cause creditors “emotional disturbance out of all proportion to its real economic significance for us”. Instead of considering a trade off between higher releases and some cancellation “Indians and Egyptians were too silly or too emotionally disturbed” to consider the question.<sup>7</sup>

Table 1

Egypt: Trade balance, Sterling balances and military expenditures, 1940-1945, £ million

	Exports	Imports	Trade balance	Trade balance with Sterling Area	Sterling balances	British military expenditures	Increase of sterling balances
1939	31.4	36.8	-5.4*	1.6*	36.1	5.0	
1940	27.8	31.3	-3.5	2.3	51.4	15.2	15.3
1941	22.1	33.1	-11.0	0.1	109.4	47.7	58.0
1942	18.7	55.3	-36.5	-15.1	174.5	74.5	65.1
1943	25.0	39.2	-14.0	0.4	282.4	71.7	107.9
1944	26.9	50.6	-23.7	-1.2	361.2	56.7	78.8
1945	41.6	59.7	-18.0	-0.9	404.3	44.6	43.1

\*1st September 1938 to 31st August 1939

Memo on Egypt, 15.1.47 BoE:OV43-40, Loombe 10.1.47 BoE:OV49-42 and BoE: EID3-150 files.

In the early 1950s 80,000 British troops were quartered in the Suez Canal Zone in spite of the 10,000 limit imposed by the 1936 Treaty of Alliance. Prime Minister Attlee had many doubts about the retention of a major British base in the Middle East as wished by the Foreign Office and the Chiefs of Staff, as part of a shield to protect a British sphere of influence against the Soviet menace.<sup>8</sup> Lord Catto, Governor of the Bank of England, was alarmed in early 1946 with the strains related to sustained British military expenditure in the “Eastern countries”<sup>9</sup>. Attlee ended up by yielding to these strong pressures. In his view Suez could be defended by a “wide glacis composed of desert and Arabs”. There were many criticisms of the implied strategy which resulted in Britain maintaining so many troops in Suez. The more acid criticism suggested that it was the actual presence of troops which created the need for them to be there.<sup>10</sup>

Early in 1945 it was agreed<sup>11</sup> that £E9,989,000 equivalent to £10,488,450 should be provided to Egypt against sterling balances. On 22.12.45 this was extended to 31.3.46

<sup>7</sup> Eady memo 14.1.46, BoE:G1-262.

<sup>8</sup> Darwin, *Empire Project*, p. 591 stresses that the base was the “greatest surviving geostrategic asset outside the Home Islands”.

<sup>9</sup> Catto to Dalton, Secret, 2.1.46, BoE G1-262.

<sup>10</sup> Darwin, *Empire Project*, pp. 533, 534, 590 and 593. For Attlee’s words as remembered by Dalton, Hyam (ed.), *British Documents*. The acid comment was by Roger Allen, Eden’s principal adviser on Egypt, Hyam, *Britain’s declining Empire*, pp. 223-4.

<sup>11</sup> Cmd 6582. Egypt No.1 (1945). Correspondence concerning Egyptian Foreign Exchange Requirements for 1945.

and increased to total £E 14,350,000, equivalent to £ 15,067,500, excluding up to £E 5 million of wheat and fertilizers imports (see Tables 2 and 3).<sup>12</sup>

In early 1946, Eady making an overall assessment of future sterling negotiations defined the British aims in such negotiations: a provisional settlement with agreed releases for 5 years; interest of not more than 0.5% a year; reservation of right to claim adjustment of the balances. In the case of Egypt he feared that treaty negotiations could endanger the financial negotiations and that it would would “both sensible and equitable” to treat Uruguay with [balances] representing sales to us at reasonable prices better than Egypt whose balances of £400 million are “swollen by military expenditures”.<sup>13</sup>

On 1.4.1946 it was agreed between Britain and Egypt that earlier agreements should be extended to 31.3.47<sup>14</sup> and on 21.2.47 it was agreed to extend the arrangement until 15.7.47. The total amount involved in these two agreements was of £E30,440,500 for the 30 ½ months from 1.1.45 to 15.7.47 equivalent to £31,962,525.<sup>15</sup>

It has been claimed that Arab nationalists were more concerned with broad political issues and with form rather than substance, so that blocked sterling balances were seen as a mere technical matter, and there was little appreciation of their economic substance.<sup>16</sup> The British press was rather cavalier: “few Egyptians think a long way ahead and even those who try to do so are disinclined to be practical” or “the talks even been of considerable educative value, especially to the creditors”.<sup>17</sup>

Table 2

Egypt: Sterling balances, 1946-1958, £million

	No 1 account	No 2 account	Total
1946	...	...	395
1947	42.4	309.4	358
1948	68	271	339
1949	59.8	253.6	313.4
1950	51.8	230.9	282.7
1951	24.5	202	226.6
1952	7.3	178.9	185.7
1953	20.1	168.2	188.2
1954	...	150.4	189.1
1955	19.9	128.3	148.5
1956	8.5	103.0	111.5
1957	26.4	64.9	93.7*
1958	58.4	23.0	81.4

\*Includes £2,359,000 of a special account credited with Suez Canal dues.

Sources: BoE:EID3-150, EID3-151, OV43-32, G1-262 for sterling balances.

<sup>12</sup> Cmd 6720. Egypt No.1 (1946). Correspondence concerning the Prolongation of Existing arrangements Regarding Egypt's Foreign Exchange Requirements.

<sup>13</sup> Eady memo on Further negotiations on Sterling balances and Eady to Bridges on Sterling Area negotiations, both 14.1.46, BoE:G1-262.

<sup>14</sup> Cmd 6792. Egypt No.2 (1946) Correspondence concerning the Prolongation of Existing Arrangements Regarding Egypt's Foreign Exchange Requirements.

<sup>15</sup> Bank of England Report for the year ended 28.2.1947.

<sup>16</sup> Wilson, *Economic aspects*, pp. 76-7.

<sup>17</sup> *Economist*, 7.9.46 and 15.3.47.



Eady and Cobbold stopped over in Cairo when returning from India in early 1947. The official historian of the Bank of England wrote on the “feline complexities of Cairo” and the “barely concealed” antipathy between the Egyptians and the British.<sup>18</sup> Eady presented the British case for cancellation “of a large part of the balances”, mentioning a third of their value in an exchange with the Egyptians, on which to pay interest would be to “add burden to burden” as the balances were a war debt rather than commercial debt generated mostly by military expenditure.<sup>19</sup>

Darwish Bey, who led the Egyptian side, “was outstandingly able but had an attitude of superiority and persistent intermeddling”. He argued that sterling balances were akin to commercial debts and not to war debts. They were to be used to repair war damage and were important as currency cover. As the British broached the subject of partial cancellation Darwish thought that it was important to dispose of the cancellation issue to concentrate of something more useful.

Table 3  
Anglo-Egyptian agreements on sterling balances, 1945-1958

Period	Date of signature	Cmd.	Amount
1.1.45-31.12.45	January 1945	6582	£E 9,989,000
1.1.45-31.3.46	22.12.45	6720	£E 4,361,000 total £E 14,350,000 From 1.1.45
1.4.46-31.3.47	1.4.46	6792	£E 15,880,000 from 1.1.45
31.3.47-15.7.47	21.2.47	7100	£E 30,440,500 from 1.1.45
14.7.47-31.12.47	30.6.47	7163	£8 million+ £12 working balance + military surplus
1.1.48-31.12.48	5.1.48	7305	£21 million + military surplus etc
1949	31.3.49	7675	£ 5 million in dollars+£12 million + £3 million whenever no. 1 account below £45 million but not exceeding £18 million
1950	10.9.50	8335	Oil products up to £7.5 million + sundry up to £879,439
1951-1963	1.7.51	8336 & 8337	£25 million+£10 million yearly 1952- 60+£5 million if acc no1 less than £45 million and total releases under £35 million. If any part of £35 million remains at the end of 1960 will be released at the rate of £10 million
Post 1955	30.8.55	9611	Additional £5 million + £10 million 1956-62 + the residual in 1963
1959	28.2.59	Cmd. 723	Compensation of British property

Darwish argued that Egyptian prices had in fact risen less than British prices and that Egypt’s contribution to the war effort in fact exceeded those entailed by the Anglo-Egyptian Treaty of 1936. He added that British prices were unlikely to fall in the future. But he hinted that the purchase of stores and installations could hide a partial cancellation.

<sup>18</sup> Fforde, *Bank of England*, pp. 114-5 quoting Eady’s Egypt memo, 18.3.47, BoE:OV43-40.

<sup>19</sup> Draft Agreed Record, 2nd Meeting, 25.2.47, TNA:T236-762.

A ½% interest rate on post-1939 balances was in principle agreed but it was pointed out that it generated losses for the National Bank of Egypt.

Eady stated that an exchange guarantee could not be contemplated and if Egypt insisted on this it would be better to “go home”. He was “categorically” against the sale of Suez canal shares or other British assets. A release of £10 million a year for 5 years was mentioned provided there was some back door cancellation. Eady mentioned the possibility of selling military stores and installations for £110 million as a form of disguised cancellation as their book value was £45 million and the written down value £20 million. After the Chancellor of the Exchequer refused to accept an Egyptian reservation on a refusal of cancellation in place of an explicit acceptance of the British position on cancellation the negotiations were “amicably adjourned”.<sup>20</sup>

The British stand on cancellation surprised some observers as not only about a quarter of the sterling balances were privately owned but there was a wide disparity between the average standard of living of creditors and debtors even taking into account the severe difficulties faced by the British post-war economy. Leith-Ross, speaking to a group of the Royal Institute of International Affairs in Cairo thought that to write the balances down would be an “act of spoliation”. He was also outspoken on the disparity of standards of living in Britain and Egypt as an argument against cancellation and while recognizing to dislike of the idea, did not dismiss the possible sale of shares of the Suez Canal Company.<sup>21</sup>

Dalton’s speech in the Anglo-Brazilian Chamber of Commerce in May 1947 defending a substantial cancellation of sterling balances mentioned Brazil but had mainly Delhi and Cairo in mind.<sup>22</sup> British proposals of partial cancellation of the balances were especially difficult to implement in Egypt as the National Bank of Egypt held most of the Sterling balances: £131 million in the Issue Department -- of which £8 million in long term securities and £123 million in Treasury bills – and £210 million in the Banking Department, of which 2/3 in Treasury bills and ready money. Other banks held £43 million. The net average yield on securities held by the National Bank of Egypt was 1.25% yearly, considerably above the British set standard limit of 0.5% typical of agreements with other creditors.<sup>23</sup>

## II

Before negotiations with Egypt started Eady mentioned that the offer of £50 million releases in 5 years made earlier in the year would have to be reduced to £40 million as the UK dollar position had deteriorated. And even that was thought to be excessive by

---

<sup>20</sup> Symons, *Sterling balances*, paras. 73-4. Agreed record, 3rd meeting, 25.2.47, tels 42, 43 and 56 REMAC, Top Secret, British Middle East Office (BMEO), Cairo to Foreign Office (FO), 1.3.47, TNA: T238-762. Dalton argued that Egypt had played only a passive part in the war and nothing could be more unjust than that Britain should be greatly impoverished by the war and Egypt enriched, tel 77 CAMER, FO to Washington, 1.3.47, TNA:T236-762. Eady minute, 18.3.47, BoE:OV43-40.

<sup>21</sup> Polk, *Sterling*, pp. 67-9. Leith-Ross, talk on The sterling balances to a Group of the RIIA, Cairo, 16.1.47. Paul Van Zeeland, a former Belgian Prime Minister, commissioned by the Egyptian government to produce a report on sterling balances in which he advised against accepting cancellation, Treasury memo, Secret, 20.1.47, T236-761.

<sup>22</sup> Press Release 16. 6.5.47, TNA:T236-2765. See Pressnell, *External economic policy*, p. 364.

<sup>23</sup> Memo by Leith-Ross on Sterling balances, 26.2.47, and Leith-Ross to Niemeyer, 4.3.47, BoE:OV9-42.

Dalton.<sup>24</sup> Negotiations in London started on 6.6.47 and the effective main negotiators were Darwish Bey and Sir Wilfrid Eady. Sir Frederick Leith-Ross, who was a Governor of the National Bank of Egypt between 1946 and 1951, was a rather reluctant member of the Egyptian delegation.<sup>25</sup>

Dalton's initial statement, considered by a quasi-official historian in a memorable understatement as a "somewhat emotive", was in fact rather extreme: "but for Britain Hitler and Mussolini would have conquered Egypt and would have exacted heavy tributes from you" and that "the graves of friends of each of us on this side of the table mark the price we paid".<sup>26</sup> Eady was more reserved but the bottom line was the same: "the proposition that we should work for a generation ... to pay off a war debt of £400 million was something that the British government and the British people would never accept".<sup>27</sup> The Egyptians just repeated the arguments made in Cairo.

Darwish insisted on a £22 million release in gold to back the currency before agreement on releases and angered the British. Negotiations nearly broke down as Egypt refused a British offer of £5 million for releases beyond the £ 25 million for "pre-zero" credits.<sup>28</sup> The British Embassy in Cairo had been alarmed by the stance of the Treasury fearing a "solid bloc against us" in Egypt. But Dalton was rather tough and made a final offer in the form of an ultimatum raising the special releases to £8 million. This was accepted by the Egyptians.<sup>29</sup>

An agreement dated 30.6.47 was signed. There was no exchange guarantee and no gold released to back the Egyptian currency. On interest it was agreed that the "present situation" would be maintained until the end of 1947 provided Egypt would not make switches such as to improve the return on the balances.<sup>30</sup> Egypt would leave the Sterling Area and three types of releases were agreed: "free", non-recurrent and special. "Free" releases would amount to £8 million from 15.7.47 to 31.12.47. Non-recurrent releases would include a £12 million working balance plus the London confirmed credits outstanding on 14.7.47 and unexpended previous agreed allocations. Special releases would cover mainly sales of British stores in Egypt and the eventual purchase of part of the Palestine Railway.<sup>31</sup> All confirmed credits would be covered so that in total the release was estimated to reach £35 million.<sup>32</sup>

---

<sup>24</sup> See Eady to Trend and Dalton's annotations, 2.6.47, TNA:T236-766.

<sup>25</sup> He is rather circumspect on the issue of sterling balances in his autobiography, Leith-Ross, *Money talks*.

<sup>26</sup> Symons, *Sterling balances*, para. 178, Fforde, Bank of England, p.119. Dalton statement, 6.6.47, BoE:OV43-40.

<sup>27</sup> Eady minute, 12.6.47, TNA: T236-764.

<sup>28</sup> Eady to Trend, 26.6.47, TNA:T234-764.

<sup>29</sup> Tel 1315 Cairo to FO, Top Secret, 19.6.47, and tel. 66 CAMER, Most Secret, FO to Cairo, BoE:OV43-41. By the end of 1947 Dalton was already claiming that It was "the universal view... that we were much too generous " towards Egypt, Dalton annotations in Rowe-Dutton to Trend, 4.11.47, TNA:T236-770. .

<sup>30</sup> Eady to Trend, 24.6.47, TNA:236-764. The average interest rate on securities held in the Issue Department of the National Bank of Egypt was less than 1% and on all securities held by the bank was 1.45%, Eady's minute, 18.3.47, BoE:OV43-40..

<sup>31</sup> The book value of British stores and installations was £45 million with a written down value of perhaps £25 million, Eady's minute, 18.3.47, BoE:OV43-40.

<sup>32</sup> Treaty Series No. 51 (1947) Financial Agreement between the Government of the United Kingdom and the Government of Egypt... London, 30th June, 1947, Cmd. 7163, Summary of provisions of the Anglo-Egyptian Financial Agreement of 30th June 1947, NA:T237-770. Egypt's exit of the Sterling Area was a corollary of their obligation to impose exchange control, see Symons, *Sterling balances*, paras. 64 and 183.

In a side letter to the head of the Egyptian delegation, Amr Psaha, Dalton insisted that in negotiating a longer term agreement “there will be other matters to be settled between us” and that “at the right time” he would raise the issue of an adjustment of these British debts. In his statement in the House of Commons he questioned the “moral validity” of the debt in favour of Egypt.<sup>33</sup> Egyptian side letters reserved the position on cancellation and mentioned the understanding on special treatment of sterling securities for accounts of sinking funds of Egyptian national loans.<sup>34</sup>

With the end of sterling convertibility after the sterling crisis of August Egypt was allowed £1.5 million for US\$ expenses while expecting US\$ 10 million. This was in spite of the British negotiators being well aware of the “danger that if pushed too far, the Egyptians might demand dollars for the local currency required for our Forces”.<sup>35</sup>

Negotiations on releases in 1948 opened in Cairo on 8.12.47 and a new agreement was signed on 5.1.48.<sup>36</sup> Illif, the British negotiator, had received initial instructions which stressed refusals of gold for currency reserve, no gold guarantee, limited releases to £5 million/six months and £1 million for dollar conversions/six months under certain strict conditions.<sup>37</sup>

The Egyptians at last “played the ace”: mentioned the possibility of asking for US\$ to cover British military expenditures in Egypt. Fforde describes this “inglorious episode” as a showing of claws and, less reasonably as an Egyptian “blackmail” of Britain.<sup>38</sup> British military expenditures plus the Suez Canal dues paid by British ships were thought to be in the order of US\$76 million yearly.<sup>39</sup>

The new agreement extended the previous one to 31.12.48 providing much more generous concessions to Egypt: releases of £21 million plus £11 million to increase working balances. There was a commitment by H.M.G. to make available to Egypt £6.25 million in US\$ to make payments for current transactions. In a published side letter H.M.G. entered a commitment to sell about US\$ 4 million of gold to Egypt so that Egypt could meet an additional gold commitment in the International Monetary Fund.<sup>40</sup> There was also the usual reference to the eventual release of funds related to military supplies and stores as well as to the Palestine Railway.

The Egyptians wished to put on record a claim to an allocation of a share of the United Kingdom gold reserves as they were reserves of the Sterling Area of which Egypt had been a member.<sup>41</sup> This was related to their claim for a gold release for the currency cover. They also insisted that Egyptians sterling balances should have the benefit of a gold clause identical to that granted to “some other countries”.<sup>42</sup> Reporting the Egyptian claim for a

<sup>33</sup> Dalton to Amr Pasha, 30.6.47, BoE: OV43-41. HC Deb 3 July 1947 vol 439 cc1518-20.

<sup>34</sup> Letters of Amr to Dalton, 30.6.47, BoE:OV43-41.

<sup>35</sup> Symons, *Sterling balances*, paras. 190-2.

<sup>36</sup> Financial Agreement between the government of the United Kingdom and the government of Egypt... Cairo, 5th January, 1948, Cmd. 7305

<sup>37</sup> Tel. 2181 DRIVE, FO to Cairo, 29.11.47, BoE:OV43-41.

<sup>38</sup> Fforde, *Bank of England*, pp. 122 and 256.

<sup>39</sup> ON (47) 66th meeting, Secret, 22.12.47, TNA:T236-771.

<sup>40</sup> W.A.B. Illif to A. El Rifai, 5.1.48, annexed to Cmd.7305.

<sup>41</sup> A surprising claim as Egypt's contribution to the dollar pool had been equivalent to minus £50 million, *Financial Times*, 5.12.49.

<sup>42</sup> El Rifai to Illif, 5.1.48, annexed to Cmd. 7305.

share in the dollar pool due to its past contribution as a member of the Sterling Area *The Economist* quite emotionally argued for a British counterclaim in dollars for having defended the country against German and Italian invasion.<sup>43</sup>

*The Economist*, discussing the alleged generosity of the agreement, mentioned that Britain was still “compelled to incur considerable military expenditure in Egypt for which the Egyptian authorities have up to now shown surprising willingness to accept sterling”.<sup>44</sup> This provoked reactions from British officials posted in Cairo asking Treasury officials to protest that such comments were against the national interests “just as we have been congratulating ourselves that our Achilles heel had escaped public attention”.

Negotiations of a new agreement on sterling balances started at the end of 1948. The initial Egyptian proposals included no less than the abolition of no.2 account together with the by now standard claims on a share of British gold reserves and the adoption of the gold clause to guarantee the sterling balances. The British thought that they had been too generous in the past agreement. From the start they were unwilling to allow any sterling outright release or hard currency allocation as the balance of no. 1 account was very substantial and Egypt had become a large importer of dollar goods through operations in cheap sterling. But pressure from the Foreign Office and the military forced concessions.<sup>45</sup> There were sharp disagreements among British negotiators and British Departments on the negotiations. The Bank of England was rather critical of the Treasury and the Foreign Office thinking that the terms eventually accepted were too generous to Egypt.<sup>46</sup>

A new agreement was reached on 31.3.49.<sup>47</sup> There was to be an immediate release of £12 million and of £3 million each time the no.1 account balance fell below £45 million up to £18 million. £5 million in US dollars would be made available in equal installments on 31.3.49 and 30.6.49. The United Kingdom was to facilitate £5 million of imports of oil products and also imports of oil equipment. The two governments would use their best endeavours to ensure that £47 million of British goods were exported to Egypt. The usual caveats were entered as side letters. By Egypt, on a share of British gold reserves and on a gold clause and by the British on cancellation. Another side letter restricted the use of sterling to “place funds at the disposal of a country outside the Scheduled Territories and Transferable Account Area”, the so-called indirect sterling transactions.

These triangular transactions which were restricted were with other Sterling Area countries which instead of selling their dollar earnings to the London pool would buy dollar goods and resell them to Egypt for sterling at higher prices than those implied by the official parity. Egypt would answer to the British restriction by creating the so-called “export pounds”: Egyptian importers of specified hard currency goods from specified soft currency countries could pay Egyptian pounds into non resident export accounts. These Egyptian pounds were freely transferrable to other nonresidents and could be used to pay for Egyptian exports to a list of soft currency countries. The export pounds were quoted

---

<sup>43</sup> *The Economist*, 17.1.48.

<sup>44</sup> *The Economist*, 10.1.48, Generosity to Egypt?, and Curran to Young, 15.1.48 TNA:T236-770.

<sup>45</sup> Grafftey-Smith to Tansley, 31.3.49. BoE:OV43-43. See, for instance, tel. 356 Cairo to FO, Secret, 8.3.1949, OV43-43, for Ambassador Campbell’s arguments in favour of concessions to Egypt.

<sup>46</sup> Fforde, *Bank of England*, pp. 258-9 on the Loombe (BoE) -Waight (Treasury) differences.

<sup>47</sup> Treaty Series No. 25 (1949) Financial Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Egyptian Government, Cairo 31.3.1949, Cmd. 7675.

at a discount. The system thus allowed Egyptian imports of hard currency goods indirectly and would promote Egyptian exports to such countries.<sup>48</sup>

Protracted negotiations in 1950 on the renewal of the 1949 agreement were marked by the Egyptian claim for the prorata extension of the clauses on releases and British fears that Egypt would resume indirect sterling transactions that entailed cheap sterling in comparison with the official rate of US\$2.80/US\$. Agreement was reached in September 1950.<sup>49</sup> Facilitation of supply of £7.5 million of petroleum products to Egypt and releases of up to £879,439 for diverse uses during 1950. Negotiations for a permanent settlement would begin in November.

The British were committed to open negotiations on a longterm agreement by the stop gap arrangement to extend the 1949 agreement. Negotiations started at the end of November and dragged for four months. Three additional months were required to convince the Egyptians to have separate agreements on releases and on payments.

The United Kingdom initial position was to insist on a long term agreement, “say 20 years”. There would be an attempt to make releases conditional on development projects. An assurance on no cancellation could be made. Automatic releases would be very small. The expected Egyptian repetition of claims on gold guarantee, dollars and abolition of the no. 2 account were to be blocked. There were different opinions in the British side on the possibility of achieving such a long term agreement without making concessions on the rate of interest. The full cost of abandoning the “unremunerative” Treasury Bills would be in the region of £5.5 million yearly. It was thought that it would be difficult to resist if the Egyptians raised the issue.<sup>50</sup> The consequences of a deadlock in negotiations which seemed likely in the end of 1950 were considered by the British Government. One feels a hint of the mistakes which would be made in the future as the use of force as a remote possibility to counter Egyptian possible interference with traffic in the Suez Canal was considered.<sup>51</sup>

The Egyptians insisted that there were major problems with accepting a 20-year blocking of the balances as currency cover needed to be liquid.<sup>52</sup> A long term agreement on releases was reached in July 1951. Of the total sterling balances of £230 million £150 million were to be released over 10-13.5 years. In 1951 there would be a release of £25 million of which £14 million in US\$. Between 1952 and 1960 yearly releases would be of £10 million plus £5 million per year in any year if the no. 1 account fell below £45 million up to £35 million. If any part of the £35 million remained outstanding after 10 years it would be released at the rate of £10 million yearly for 3 years plus £5 million as a final payment on 1.7.63. The United Kingdom would ensure payments for oil imports up to £11 million

---

<sup>48</sup> Hansen and Nashashibi, *Egypt*, pp. 30-31.

<sup>49</sup> Treaty Series No. 66 (1951) Exchange of Notes between the Government of the United Kingdom and the Egyptian Government extending the Financial Agreement of 31st March, 1949, Cairo, 10.9.50, Cmd. 8335.

<sup>50</sup> BoE memo on Period of Settlement, 8.11.50 and Economic Policy Committee (50) 122, 30.11.50, Secret, p. 18, TNA:T236-4094.

<sup>51</sup> Memo on Consequences of deadlock, 25.12.50, Top Secret, TNA:T236-4095.

<sup>52</sup> In this they were backed by Leith-Ross and even by British officials as, for instance, John Fisher of the Bank of England, memo, 7.12.50. BoE:OV43-48. Leith-Ross was rather critical of the British stance. Waight's Memo for the Record, 30.12.50, TNA:T236-4095 reporting a calling to him in Cairo amidst the deadlock in the negotiations commented upon his well known doctrine “of making Sterling an honest woman by giving it freedom”.

yearly for 10 years to be made from Egyptian account no. 1 whether in sterling or dollars. The remaining £80 million of sterling balances that Egypt normally held in London would be discussed before the end of that period.<sup>53</sup> A sterling payments agreement was signed at the same time as the British did not wish to sign a payments agreement for such a long period. It would terminate at the end of 1951.<sup>54</sup>

Churchill and Eden raised in Parliament the counterclaim argument arguing that the matter had been decided upon by the War Cabinet. But the argument was not convincing. *The Economist*, which was not among the most dovish in relation to Egyptian stances on sterling balances, stressed that the decision had not been “imparted to the Egyptians, or indeed to any of our creditors... If the War Cabinet meant what it thought on the issue of counter claims it should have made the intention quite clear when the debts in question were being incurred”. The Egyptians had repeatedly refused to accept voluntary cancellation. “It is now too late to bring these mental calculations into the open”.<sup>55</sup>

In early October 1951 Egypt denounced unilaterally the 1936 Treaty as well as the Condominium Treaty on Sudan. Only two days after the Conservative party victory on 25.10.51 a note was delivered to the British Ambassador communicating such decision.

With the return of a Tory government there was a marked shift of British policy on Egypt which became tougher. In the wake of the deterioration of the situation in the Canal Zone and with the renewal of the 1936 Treaty in the background “our policy is to work for a situation where a change of government or at least changes in the government can be brought about.” But there was still a reluctance to impose sanctions.<sup>56</sup>

But Winston Churchill, the new Prime Minister, was rather hawkish. His outrageous comments in a late December 1951 meeting were perhaps extreme but underline the lack of realism which was going to prevail and eventually led to the Suez crisis. After a considerable amount of drink, he told Eden to “tell [Egyptians] that if we have any more of their cheek we will set the Jews on them and drive them to the gutter, from which they should never have emerged”.<sup>57</sup>

Churchill was keen to put pressure on Egypt and was against the release of £10 million in the beginning of 1952 as established by the 1951 agreement. This was postponed by Cabinet decision in spite of favourable views from the Treasury. The argument to postpone was based on the fact that the precise date of release within the year had not been defined. The decision was viewed in the Treasury as providing grounds for the Egyptians rightly accusing the British of breach of faith.<sup>58</sup>

The delays in releasing agreed balances in both 1952 which would be repeated in 1954 are difficult to justify retrospectively. Given the limited amounts involved, the relatively low interest rate which could be obtained by the investment of the freed amounts and the

---

<sup>53</sup> Treaty Series No. 67 (1951) Sterling Releases Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Egyptian Government, Cairo, 1.7.51, Cmd. 8336.

<sup>54</sup> Treaty Series No. 68, Sterling Payments Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Egyptian Government, Cairo, 1.7.51, Cmd. 8337.

<sup>55</sup> *The Economist*, 24.3.51

<sup>56</sup> Memo by Official Working Party, Egypt, 11.11.51, Secret, TNA:T236-3104.

<sup>57</sup> As reported in Shuckburgh's diaries quoted in Louis, *Ends of British Imperialism*, p. 612.

<sup>58</sup> Churchill minute, 24.12.51, Secret, Butler to Churchill, 19.12.51, Secret, Treasury memo, 28.12.51, TNA:T236-3105.

limited time span (not more than 12 months as an outside limit) the actual damage incurred by Egypt was extremely small. The decisions are perhaps merely an indication of both Churchill's declining powers and of the increasing lack of realism of British policy concerning the Middle East.

In the meantime the political situation deteriorated rapidly in Egypt. There was a major incident on the 25th of February in Ismailya between British troops and the Egyptian police which resulted in about 50 Egyptian police being killed. This was followed by riots which culminated in the Black Saturday with widespread looting and the loss of more than 20 lives including Europeans. The intervention of British troops was only prevented by the reestablishment of order by the Egyptian Army.

Egypt was very short of sterling in early 1952 and the British while still holding the release suggested a swap of dollars for sterling which Leith-Ross thought added insult to injury. Pressed by Eden, Churchill relented and the release of the delayed £10 million was made in early April.<sup>59</sup>

On the 23th of July the Free Officers coup established a Revolutionary Command Council under the leadership of General Muhammad Naguib who was later succeeded by General Gamal Abdel Nasser. This marked the beginning of a rather troubled period which would result not only in the complete British withdrawal from Egypt but in military operations of a tripartite alliance composed of Great Britain, France and Israel against Egypt.

With the persistence of the scarcity of sterling Britain, after much reluctance, decided to anticipate £5 million of the programmed releases in 1953. Churchill, not very willingly, stressed that the concession "might be dangled as a bait and not dolloped as a ration" and would have to involve a quid pro quo. The British wish list was extensive – centering on the objectives of removing import restrictions and the prompt payment of sterling remittances -- and quite out of proportion with the very modest proposed release. The £5 million due in 1953 were anticipated to October 1952 as a gesture of goodwill. The only Egyptian eventual concession was an assurance that Egypt would not deal with cheap sterling.<sup>60</sup>

In the bargaining involved in the extraction of Egyptian concessions the British agreed that the straight release of 10 million would be made early in 1953. Treasury officials clearly had a bad conscience about the delay in 1952 thought to involve some "perfidy": "we always felt that it was "directly against the spirit although not the letter" of the 1951 Agreement. They recommended now that "normal practice" should be adhered to.

Churchill was once again very critical of the recommendation arguing that "while it was right that international agreements should be kept, it was possible to make exception where the other party to an agreement had repudiated a treaty as Egypt has done". The Cabinet approved the release but decided that any future releases should be brought by the Chancellor for consideration by the Cabinet.<sup>61</sup> Churchill was not pleased: he mentioned repeatedly the possibility of cancelling the Egyptian sterling balances if

<sup>59</sup> Tel. 582, FO to Cairo, 26.3.52, BoE:OV43-51 and Eden to Churchill, 2.4.52, TNA:T236-3108..

<sup>60</sup> Churchill minute 22.9.52, and Milner to Serpell, 20.9.52, TNA:T236-4102, Rowan to Chancellor, 8.12.52. TNA:T236-4105

<sup>61</sup> Egypt; Cabinet conclusions on the release of Egyptian Sterling balances, 30.12.52, CAB128-25, CC 108(52)4, *Egypt and the defence of the Middle East*, vol. II.



Britain was forced to evacuate the Suez base before 1956 or to pay for the assets left behind in the Canal Zone. Treasury officials thought that this would be impossible without an Act of Parliament.<sup>62</sup>

In early 1953 a major source of bilateral friction between Britain and Egypt was removed with the Anglo-Egyptian agreement of 12.2.1953 conceding immediate autonomy to the Sudan and self determination after three years which paved the way for Sudanese independence in the beginning of 1956.

By the end of year there were again difficulties on the scheduled releases of £5 million (as the no.1 account balance was below £45 million) plus £10 million to Egypt. The Treasury was in favour of both releases but the Cabinet followed Churchill and agreed only to the £5 million release. This was to put pressure on Egypt before the agreement on the Suez Base was concluded and to remove restrictions on imports from Britain. The remaining release was only made in July.<sup>63</sup>

A further source of bilateral friction was removed by the agreement on the Suez Canal base. The treaty would be valid for seven years, evacuation would take place in 20 months and Britain preserved its right to re-enter in case of outside attack on any country part of the Treaty of Joint Defence between Arab League States and Turkey.<sup>64</sup>

With the reduction of tensions between Britain and Egypt there was room for a British commitment to make further scheduled straight releases of £10 million in the beginning of the year thus removing the ambiguity which had allowed Britain to put pressure on Egypt on early 1952 and again on early 1954.<sup>65</sup>

In August 1955 there was a further agreement to accelerate releases. It provided for further releases of £5 million in 1955 and £10 million yearly from 1956 to 1962. The residual to be released in 1962. In a side letter the Egyptian Government assured most favoured nation treatment to British imports effectively ending the regime of entitlements which made those seeking to import British goods to bid for exchange in auctions where exporters sold exchange cover.<sup>66</sup>

The import entitlement scheme had been introduced in 1953. Exporters received a transferable import entitlement. The premia in the case of sterling ranged between 5 and 10%. The entitlement system covered as much as 40% of total imports.<sup>67</sup> The British shares in Egyptian exports and imports had collapsed since the end of the war, particularly

---

<sup>62</sup> Churchill, Tel. Personal no. 12, Top Secret, 15.1.53, TNA:T236-4105; Serpell to Flett, Top Secret, 27.5.53, TNA:T236-4106 and Flett, Egypt's Sterling, Top Secret, 16.1.53, TNA:T236-4105.

<sup>63</sup> Butler to Churchill, 18.12.53 and C.C.(53) 81st Conclusions, 29.12.53, Secret, NA:T236-4106.CE(54) 47th Conclusions, Secret, 7.7.54, TNA:T136-4109.

<sup>64</sup> Treaty Series no. 67 (1955). Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Egyptian Government regarding the Suez Canal Base, Cairo, October 19, 1954, Cmd. 9586.

<sup>65</sup> Butler to Churchill, 11.11.54 and draft tel. to Cairo, 18.11.54, BoE:OV43-59. The Deputy Governor of the Bank of England did not mince his words: "If they must be bribed it had better be with their own money", 6.10.54, BoE:OV43-59.

<sup>66</sup> Exchange of Notes between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Egypt concerning Financial Matters, Cairo, 30.8.1955, Cmd. 9611. This includes letter no. 3(a) from Kaissouni to Trevelyan of the same date.

<sup>67</sup> Hansen and Nashashibi, *Egypt*, p. 42.

after 1951. Export shares fell from around 50% of total exports to less than 20% and import shares from 45% to about 20% of total imports.

But towards the end of 1955 Anglo-Egyptian frictions started to get out of control. Egypt under the new regime had refused to get involved in the proposed Middle East Defense Organization (MEDO) in 1952. Anglo-Egyptian relations had been further affected by Nasser's refusal to join the Baghdad Pact of February 1955 which was part of a strategy to contain the menace posed by the USSR in the Middle East. In September 1955 Egypt, after being denied modern arms by Britain, signed a substantial arms deal with Czechoslovakia.

Protracted negotiations in 1955-56 involved the World Bank and the United States and British governments on the possible financing of High Dam of Aswan in the Upper Nile. On July 1956 the United States and Britain decided not to finance the project. In parallel, difficult negotiations were developing between the Suez Canal Company and the Egyptian authorities on the repatriation of funds kept outside Egypt and on how Egyptian foreign exchange regulations should be applied to the company.

Frictions were further increased by Egypt's refusal to enter into peace negotiations with Israel promoted by the United States and unfounded suspicions that it was behind the dismissal of the influential Glubb Pasha, a British officer in command of the Arab Legion since 1939. The mood in Washington and London was "to look around for means of destroying" Nasser.<sup>68</sup>

On 26.7.56 Egypt occupied the Canal and nationalised the Suez Canal Company. The British response was to exclude Egypt from the Transferable Account Area and block all Egyptian accounts. This prevented all releases including those concerning oil for sterling. There were doubts in Whitehall about the legality of such actions but while releases from account no.2 to account no.1 were allowed in 1957, 1958 and 1959, no. 1 account remained blocked.<sup>69</sup> Diplomatic relations between Egypt and Britain were severed.

In late October Israel attacked Egypt and in early November British and French troops landed in Egypt. This proved to be a very bad decision. International pressure by the United States and in the United Nations led to a withdrawal and substitution by United Nations peacekeeping troops. The Egyptians blocked the canal and a long process of negotiations followed. The first step concerning finance was to create an Egyptian account in the Bank of England which could be credited with canal dues to as to make possible to use of the canal with "the minimum of humiliation".<sup>70</sup>

Protracted negotiations followed on compensation to the Suez Canal Company and Anglo-Egyptian reciprocal claims. There were agreements on compensation to the Suez Canal Company in April 1958 and financial and commercial relations and British property in Egypt in February 1959

---

<sup>68</sup> Darwin, *Empire Project*, pp. 600-1 quoting Schuckburgh, *Descent*, p.345. As put by tel 1609 from Washington to FO, 29.7.56, Secret, BoE:OV43-11, the canal is "facility too valuable to be entrusted to a single government especially one Egyptian government"

<sup>69</sup> Symons, *Sterling balances*, para. 203. Speed memo, 2.11.56, TNA:T236-4616.

<sup>70</sup> Tel. 1651, Washington to FO, Secret, 8.4.57, BoE:OV43-16.

Compensation to the Suez Canal Company involved payment of £E5.3 million corresponding to canal dues retained by the company since 26.7.56 plus six yearly payments of £E4 million. This was not very far from Nasser's initial offer of some £71 million, about £15 million above the company's assets outside Egypt. The company's counterclaim had been of £204 million.<sup>71</sup> The company would accept liabilities outside Egypt and the Egyptian government those inside Egypt including those related to pensions. There were provisions linking advance payments to eventual British releases from no 2 account for the specific purpose of making advance payments. All external assets were left to stockholders.<sup>72</sup>

The agreement on reciprocal claims referred only to a lump sum as Britain did not accept a reference to war damage related to the British intervention. Sequestered British property was to be returned. Egypt was to pay £27.5 million of which £3.5 million on the date of the signature and then £24 million on February 1960. On the date of the signature Egypt would deposit no less than £25 million in securities as a collateral. These payments would exhaust the no. 2 account.<sup>73</sup>

### III

Anglo-Egyptian negotiations were centered first of all on the rate of release of blocked sterling balances and on the proportion of releases which would be in convertible currencies. Other issues were related to the preservation (or not) of the stock of such balances. In the aftermath of the Anglo-American Agreement of December 1945 the British insisted repeatedly on partial cancellation of the balances partly because the allegedly excessive prices charged by Egypt --- and other suppliers --, partly because of arguments on the fairness of the relative burden entailed by the Second World War. This raised controversies about the wartime rate of inflation in Egypt and its causes. The other worry of creditors such as Egypt concerning the stock of their sterling balances was how an eventual devaluation of sterling would affect the dollar value of their holdings. While some British creditors<sup>74</sup> enjoyed the protection of a "gold" clause such was not case of Egypt.

British efforts to minimize sterling and dollar releases were not sustainable as Egypt could always "play the ace", asking Britain to pay the substantial military expenditures in Egypt – still not much below £20 million yearly in the late 1940s – in United States dollars. This indeed happened in the negotiations which resulted in the 1948 agreement. In the already quoted words of the Bank of England's official historian: "an inglorious episode".

The agreed Egyptian releases were not small as compared to those of other long-standing holders. The relevant measuring rod is India the other holder which relied mainly on

---

<sup>71</sup> *The Economist*, Nasser's agreement, 3.5.58.

<sup>72</sup> Hansard HL Deb 14 May 1958 vol 209 cc299-304 Agreement between the government of the United Arab Republic and the representatives of the Suez Stockholders (shareholders, holders of founder shares and holders of the Parts Civiles), Societé Civile pour le recouvrement des 15% des produits nets de la Compagnie Universelle du Canal Maritime de Suez attribués au Gouvernement égyptien, Rome, 29 April 1958.

<sup>73</sup> Treaty Series no. 35 (1959). Agreement between the Government of the United Kingdom and Northern Ireland and the Government of the United Arab Republic concerning Financial and Commercial Relations and British Property in Egypt, Cairo, February 28, 1959, Cmnd. 723.

<sup>74</sup> This was indeed the case of Argentina, Brazil and Portugal, among others.

releases to free the balances (see Table 4). Egyptian releases after mid-1945 were rather similar to those of India up to 1951 (around 44% of the initial outstanding balances) and not much below India's up to 1955 (63.1% compared to 68.2%).

But it is striking that in at least two episodes the British Cabinet, quite against the views of the Treasury, decided to adopt a dubious interpretation of past agreements and instead of releasing balances in the beginning of 1952 and 1954 delayed the releases for some months. This was linked to the deterioration of relations between Britain and Egypt mainly because of the Suez Canal Base.

In the initial bilateral negotiations in 1947 the British tried to insist on partial cancellation. This was a result of the strict wording of the Anglo-American Agreement of December 1945 which explicitly referred to the division of sterling balances into three categories as the Americans were keen on not diverting their loans to Britain to the settlement of sterling balances: to be released immediately, to be released in the mid-term and "to be adjusted as a contribution to the settlement of war and postwar indebtedness".<sup>75</sup>

Keynes since quite early in the war had been keen on a solution which involved some "mitigation". In early 1945 he thought that Britain should be entitled to cancellation, that is, "to write down by at least a third [of the sterling balances of India, Egypt, the Palestine and Iraq] on account of inflated prices" and that creditors "could recover this in local currency through devaluation which could be useful from a balance of payments point of view".<sup>76</sup>

The British insistence on cancellation was dismissed by the Egyptians from the start, as by every other holder of sterling balances. The Egyptians argued that the country was very poor and the war had not been Egypt's war. The issue dragged on and only ended in the big negotiation of 1951 with a still slightly ambiguous British side letter stating that HMG "have no intention of scaling down unilaterally the total amount of Egypt's sterling balances".<sup>77</sup>

Inflation in Egypt was around 18% a year from December 1939 to 1945 (both cost of living and wholesale prices). Inflation was similar to the 17.8% of India (Calcutta wholesale prices) and higher than the average 11-15% yearly in Argentina, Brazil and Portugal.<sup>78</sup> This was in spite of much stricter fiscal policies than in India. Even in the least favourable years of 1941-42 and 1942-43 the fiscal deficit did not exceed 2.5 per cent of GDP compared, for instance, to an average 7.4 per cent of GDP in India between 1939 and 1945.

Money supply in Egypt expanded 34 percent yearly up to 1944 compared to India's almost 30 per cent yearly in 1939-45 and 16-23 per cent in Argentina, Brazil and Portugal. This was to be expected as the pressure exerted by sterling balance accumulation in Egypt, and to a lesser extent in India, was much stronger than in other economies.

---

<sup>75</sup> United States, *Anglo-American Financial Agreement*, section 10.

<sup>76</sup> Memo on Overseas Financial Policy in Stage III, May 1945, Keynes, *Activities, 1944-1946*, p. 286.

<sup>77</sup> Waight to Younes Bei, Alexandria, 1.7.51, Sterling Releases Agreement, Exchange of letters, no. 1, Cmd. 8336.

<sup>78</sup> Sayers, *Financial policy*, pp. 255-6 and Lloyd, *Food and Inflation*, p. 180.

Egypt had an extremely mediocre growth performance between 1913 and 1939 when GDP per capita fell 10%. During the war period as a whole it fell a further 10% but the falling trend had been reversed in 1943. In the nine years from 1947 to 1952 – when the GDP peaked again – the yearly rate of growth was no less than 4.7%.<sup>79</sup> Wartime Portuguese GDP also stagnated while in other holders it increased between 2% (India) and 3.2% (Brazil) yearly.

Table 4

Comparative statistics on sterling balances: Argentina, Brazil, Egypt, India and Portugal, 1939-1955

	Argentina	Brazil	Egypt	India	Portugal
Wartime GDP yearly growth, %	2.6	3.2	0	2.0	0
Wartime yearly inflation (cost of living), %	5.0	10.7	17.9	14.7**	10.6
Wartime yearly inflation (wholesale), %	12.3	14.7	18.2	17.8***	15.2
Sterling balances mid-1945, £ million	86	36	404.3	1321	61.2
Sterling balances* 1951, £ million	0	5.1	226.6	730	81
Sterling balances* in 1955, £ million	0	0	148.5	420	76.3
Sterling balances mid-1945/1938 imports	0.78	1.0	10.7	2.7	3.3
Sterling balances mid-1945/GDP 1945	0.0445	0.02	0.67	0.267	0.21

\*Accumulated before mid-1947. \*\*Bombay. \*\*\*Calcutta

As in India there was a timid British attempt to counter inflation by selling gold and absorb demand. Part of the rationalization for such sales was a worry by Keynes that the size of British reserves would attract suspicion in United States congressional circles and lead to a reduction of Lend Lease: “we should use some part of our gold in the Middle East and India as it has the great advantage that it helps the war, and, in addition to reducing our liabilities, may actually reduce the net costs of our operations”. Senior Treasury officials as David Waley thought that it was difficult to evaluate the impact on inflation and “perhaps the right view is that it has done a little good, but not really very much”.<sup>80</sup> Sales of £22 million for the Middle East as a whole were almost a drop in the ocean. But it was rather lucrative for Britain as the price wedge between buying and selling prices was similar to the official price of gold.<sup>81</sup>

In other sterling balance holders alternative uses of sterling were devised as significant ways to spend sterling balances: redemption of sterling denominated foreign loans, acquisition of British investments, purchase of military supplies and installations and, in the case of India, the discounted value of pensions due to Government of India officials.

To a very large extent these solutions did not apply to Egypt or, if applied, were not as important as in other countries. There were no British or national officials who would qualify to earn pensions, the outstanding Egyptian sterling foreign debt was rather limited

<sup>79</sup> Trignor, State, *Private Enterprise and Economic Change in Egypt*, p. 217, quoting Hansen and Marzouk, *Development and Economic Policy in the UAR*, pp. 318-9. Performance in 1952-56 would be much worse as GDP increased 2% yearly, less than half the average rate in the previous period, Hansen and Nashashibi, *Foreign Trade Regimes: Egypt*, p. 12. In 1956, a new growth spurt started which lasted until the early 1960s.

<sup>80</sup> TNA, T208/204, Hawtrey, ‘Chronicle of H.M. Treasury during the Second World War’, Middle East January 1943-June 1944, TNA:T208-204.

<sup>81</sup> Sayers, *Financial Policy*, p. 283.

as well as the available military stores and installations. A possible use of sterling

Table 5

Opening proposals and final agreements: Anglo-Egyptian negotiations on sterling balances, 1947-1951

	UK original offer	Egyptian demands	Agreement
1947 June	£5 million release £25 million working balances and confirmed credits	£22 million in gold to back currency £8 million release £15 million working balances and confirmed credits	No gold release No gold clause £8 million release £12 million working balances £15 million confirmed credits
After inconvertibility		US\$ 10 million	US\$ 6 million
1948 January	£5 million for 6 months US\$ 4 million for 6 months	“Moderate”release £40 million working balance US\$ 23 million Gold clause Gold release	£21 million release £11 million working balance £6.25 million in US\$
1949 1st position  March 2nd position	No release No US\$  £10 million (£15 million for 18 months) £2.5 million in US\$ “Indian model”release: £30 million for 18 months	Complete unblocking Full convertibility Gold guarantee Gold releases  £30 million release (£10.2 million in US\$)	£12 million release Indian model by £3 million up to £18 million (not drawn) £5 million in US\$ £5 million of oil for sterling (£1.7 million US\$) No gold guarantee No gold releases
1950 1st position  1950 2nd position	No release No US\$  Continuation of “Indian model”	Pro rata 1949 on releases and US\$	Indian model releases by £3 million up to £18 million (not drawn previously) Trade £52 million £7.5 million of oil for sterling (US\$10-12 million)
1951	No gold guarantee No end accounts Acceptance of no cancellation 20 years No supply guarantee No dollars 1% interest	End no.1 & no. 2 accounts Gold guarantee Share of gold No cancellation 7-10 years	No cancellation (side letter) No gold guarantee No share of gold £25 million release (£14 million in US\$) £10 million yearly releases 1952-60 £5 million releases if No.1 account below £45 million up to £35 million If residual after 1960 £10 million for 3 years plus £5 million on 1.7.63 £11 million yearly oil Remaining £80 million to be discussed later
1955			Additional releases of £5 million in 1955 and £10 million yearly 1956-62. Residual to be released in 1963

Sources : Report ONC Working Party, Egypt: Financial Negotiations, 23.11.50, p. 25, BoE: OV43-48, revised and expanded based on the previous text.

balances to purchase at least part of the Suez Canal Company was resisted from the start by British negotiators. It is in fact not easy to evaluate British direct foreign investment in Egypt. The Suez Canal Company was taken over by the Egyptian government in 1958 and valued at circa £71.5 million of which £28.3 million corresponded to the purchase of assets inside Egypt and £43.2 million to net assets outside Egypt. The British government stake in the company was 44%.<sup>82</sup> Other British investments might have amounted to £160 million as an upper limit of which some £130 million of sequestered property in 1956 which was returned to owners in 1959 and some £30 million of “Egyptianized” property in 1956 which was not returned to former owners.<sup>83</sup>

The inclusion of an exchange guarantee clause was part of the standard Egyptian opening bid in the sterling balance negotiations throughout the 1940s and even after the 1949 sterling devaluation. The Egyptian request was, of course, prompted by the well known fact that several sterling balance holders enjoyed either a gold clause or an exchange guarantee clause since the very early days of World War II. India and Egypt never obtained such a guarantee. It was somewhat easier for the British to parry the Indian request as India was a full fledged member of the Sterling Area. The case of Egypt was different as Egypt had left the Sterling Area as a result of the mid-1947 negotiations since it would be obliged to introduce exchange control and restrict freedom of transfer within the Sterling Area.<sup>84</sup>

British arguments to deny devaluation guarantees to Egypt were not convincing. They either stressed that existing guarantees were a continuation of those granted during the war or underlined that if allowed in the case of Egypt it would have to be extended to other countries.<sup>85</sup>

Anglo-Egyptian negotiations were surprisingly reticent on interest rates. Returns seemed to have been persistently above the 0.5% typical of agreements with other sterling balance holders. In 1947, the net average yield on securities held by the National Bank of Egypt was 1.25%.<sup>86</sup> The implied rate of interest on the securities in the Note Issue Department of the National Bank of Egypt that would constitute the “hard core” resulting from the 1951 negotiations was 0.87%.<sup>87</sup>

#### IV

There were losses involved in holding sterling balances from the beginning of the war due to two main reasons. British inflation was far from negligible during the war at 8.8%

---

<sup>82</sup> C (58) 133, Financial negotiations with Egypt, 30.6.58, BoE:OV43-28. The other shareholders were either the Egyptian government and French private shareholders. See Hansen and Tourk, ‘Suez Canal’.

<sup>83</sup> Suez Canal Co. Offer of Compensation, Note by the Treasury and FO, 16.4.58, BoE:OV43-27.

<sup>84</sup> Symons, *Sterling balances*, para. 64.

<sup>85</sup> Tel 2258, FO to Cairo, 9.12.47, Secret, BoE:OV43-41.

<sup>86</sup> Memo by Leith-Ross on Sterling balances, 26.2.47, and Leith-Ross to Niemeyer, 4.3.47, BoE:OV9-42.

<sup>87</sup> EPC (50), 30.11.1950, Secret, TNA:T236-4094.

a year<sup>88</sup> and it consequently eroded the purchasing power of sterling balances. In addition sterling balances earned rather low interest rates if compared to alternative possible investments in the longer term. In the case of Egypt this was relevant but less significant than for other holders as the average interest rate on balances was higher than the standard 0.5% earned by other holders. Lurking in the background was the menace of an additional loss as sterling could be devalued against the dollar which would impose additional losses to sterling holders in terms of purchasing power related to dollar-denominated imports.

Since there were no alternative markets for their exports or activities generating foreign exchange cover the costs of holding sterling balances was not particularly relevant to influence sterling balance holders in their decision to accept sterling during the war. After the war the situation was different and it makes sense to seek an estimate Egyptian losses due to the British strategy of combining slow releases and low interest rates.

In their opening statement in the negotiations in 1951 negotiations the Egyptians argued that their sterling balances were equivalent to 40% of their value at the end of the war. This was an exaggeration but the losses were very substantial.<sup>89</sup>

Losses since 1945 can be computed either supposing that balances were to be spent in sterling or supposing the balances were to be spent in U.S. dollars. Actual losses would have been between these two extremes. If the focus is on losses related to expenditures in sterling it is the impact of British inflation on the actual purchasing power of the 1946-1958 releases that has to be estimated and added to losses due to low interest rates. Using the Board of Trade wholesale price series and 1.5 percent as the difference between earned interest and the rate that could have been obtained in the market this can be jointly estimated as of about £140 million. This corresponded to 35% of the outstanding balances in mid-1945. Very near the 30% envisaged by Keynes.

If the focus is on losses related to expenditures in U.S. dollars account must be taken of the impact of U.S. inflation in 1945-1958 and of the 1949 sterling devaluation. The 1949 sterling devaluation by lowering the sterling dollar rate from US\$ 4.03/£ to US\$2.80/£ resulted in a slightly more than 30% loss in the dollar purchasing power of the Egyptian balances. Losses in US\$ of no 2 account [£253.6 million] amounted to US\$ 302 discounted to 1945. Losses related to inflation in the United States were of US\$ 492 million discounted to mid-1945 so that total losses in United States dollars due to inflation in the United States and lower than market interest rates amounted to US\$ 794 million, corresponding to no less than 48.7 per cent of outstanding balances by mid-1945.

How does Egypt compare with other sterling balance holders? From the point of view of the origin of the balances Egypt was in same group of India and other Middle East economies whose balances mainly originated from military expenditures in the Burma and Middle East theatres of operations. In the other important group of holders the balances resulted from the accumulation of bilateral British balance of payments deficits – mainly trade deficits – as was the case of Argentina, Brazil and Portugal.

---

<sup>88</sup> Board of Trade, wholesale prices for Industrial Materials and Manufactures.

<sup>89</sup> Egyptian response, 1.12.50, BoE:OV43-48. This was partly recognised in London at least in relation to devaluation: “in a sense devaluation has already reduced the real value of sterling balances”, memo by the Chancellor (draft by J.M. Fleming), 23.11.50, TNA:T236-4095.



For Egypt and India the issue of inflation became all important as the British authorities suspected that increased balances had resulted from inflated prices. Wartime high inflation was not restricted to Egypt and India as shown in Table 4. Moreover, in the case of India this issue was disposed off by specific enquiries by the British although many remained unconvinced, especially Winston Churchill.<sup>90</sup> There is no similar evidence concerning Egypt. But analysts have recognized that countries in the Middle East could only hope to reduce the high rate of inflation “by imposing heavy direct and indirect taxation on a scale which governments had neither the inclination to propose nor the power to enforce”.<sup>91</sup> It is difficult to disagree with the Indian argument of reversed causality: the massive British procurement efforts caused inflation rather than the other way round as argued in London.<sup>92</sup>

From the point of view of the disposal of sterling balances Egypt was also in the same group as India. The South American holders were protected by a devaluation clause and to a large extent spent their balances buying British assets as railways and foreign debt.<sup>93</sup> Portugal – protected by a devaluation guarantee -- extended a long term loan to Britain as there were no relevant assets to sell.<sup>94</sup>

Egypt and India depended on agreed releases to reduce their balances which were unprotected against devaluation. They also faced real losses due to the impact of relatively high inflation both in the United Kingdom and in the United States. In fact the two cases were a vindication of the British strategy after partial cancellation proved impossible to reduce the purchasing power of the balances by a combination of extended periods of release and low interest rates. Actual Egyptian losses of at least 35% of mid-1945 balances in fact exceeded London initial expectation on cancellation. If the initial British wishes on cancellation had succeeded the joint impact of cancellation and Sterling devaluation on Egypt and India would have been devastating.

There was, however, a marked contrast between Egypt and India as shown by Table 4. As already noted, Egypt was by very far the country with the highest balance to import ratio – no less than than 10.7 compared to 2.7 for India – and a balance to GDP/ratio of 0.67, 2.5 times the ratio for India. But London failed to recognise this and also that the Egyptian wartime fiscal policies were rather well behaved if compared to those of other sterling balance holders. This contributed to the survival of cancellation hard liners well into the 1950s based on not very solid evidence on alleged inflated prices charged during the war.

The ill feeling between British and Egyptian negotiators since quite early in the postwar period has been noted. British resentment concerning Egypt’s long standing neutrality in spite of being a World War II theatre was aggravated by the differences on the Sudan, the Suez canal and the Suez Base. The successful coup of 1952 and the emergence of Nasser as a credible leader first of Egypt then of the Arabs did not contribute to weaken this sentiment.

---

<sup>90</sup> See Sayers, *Financial Policy*, pp. 254-5.

<sup>91</sup> Lloyed and Bennett, *Food and inflation in the Middle East*, p 330. Lloyed was a high official in the Ministry of Food and Economic Advisor to Minister of State, Middle East, 1942-44.

<sup>92</sup> “The accumulation [of sterling balances] is not the result of high prices; it is rather that the high prices have followed the abnormal purchases”, Abreu, ‘Britain as a debtor’.

<sup>93</sup> See Fodor, ‘*Origin of Argentina’s Sterling balances*’, and Abreu, ‘Brazil as a creditor’

<sup>94</sup> Abreu, ‘Blank cheque’.

In Britain the Conservative victory in the end of 1951 led to the return of Churchill as Prime Minister. He was very critical of decisions on sterling balances taken after the war under the Labour party as he advocated partial cancellation and raised repeatedly the matter in Parliament. Bilateral relations deteriorated and the British Cabinet repeatedly decided to “teach the Egyptians a lesson” frequently ignoring the advice of senior civil servants to adopt a more flexible stance. This continued under Anthony Eden as Churchill’s successor – whose *idée fixe* was to “destroy Nasser” -- and led to the dramatic events of October-November 1956.

With the benefit of hindsight it is a pity that Attlee’s reticence on the usefulness of maintaining the costly Suez Base met with such a strong opposition from the military and the Foreign Office. But the British resisted the idea that the Suez Canal could be controlled by Egypt.

The remaining Egyptian sterling balances in the end of the 1950s were not used as planned in 1951 and 1955 on straight releases but on the settlement the Suez Canal Company claims and reciprocal claims related to British property in Egypt and, in disguised fashion, claims related to the “Suez incident”. A sad end to a troubled episode.

## References

Abreu, M. de P., ‘A 'blank cheque'? Portuguese World War II sterling balances, 1940-1973’, *Economic History Review*, v.67, n.2, p.535-555, 2014.

Abreu, M. de P., ‘Britain as a debtor: Indian Sterling balances, 1940-1953’, *Economic History Review*, v. 70, n.2, p.586-604, 2017.

Abreu, M. de P., ‘Brazil as a creditor: Sterling balances, 1940- 1952’, *Economic History Review*, v.43, n.3, p. 450-469, 1990.

Balachandran, G., *The Reserve Bank of India 1951-1967*, New Delhi, 1998.

Bell, P. W., *The Sterling Area in the Postwar World, Internal mechanism and cohesion 1946-1952*, Oxford, Clarendon Press, 1956.

Brenchley, F., *Britain and the Middle East: an economic history 1945-1987* (1989).

Fforde, J., *The Bank of England and Public Policy, 1941-1958*, Cambridge, 1992.

Fodor, G., ‘The origin of Argentina’s Sterling balances, 1939-1943- in G. Di Tella and D.C.M. Platt (eds.), *The Political Economy of Argentina, 1880-1946*, Basingstoke, 1986.

Hansen, B. and Girgis A. Marzouk, *Development and Economic Policy in the UAR (Egypt)*, Amsterdam, 1965.

Hansen, B. and Karim Nashashibi, *Foreign Trade Regimes and Economic Development. Egypt*, New York, 1975.

Bent Hansen and Khairy Tourk, 'The profitability of the Suez Canal as a private enterprise, 1859-1956' *The Journal of Economic History*, 38 (4), December 1978, pp. 938-58.

Hyam, R., *Britain's declining Empire. The road to decolonisation 1918-1968*, Cambridge, 2006,

Ronald Hyam, R. (ed.), *British documents on the end of the Empire: The Labour Government and the end of the Empire 1945-1951, Part III, Strategy, Politics and Constitutional Change*, London, 1992.

International Bank for Reconstruction and Development, The External Debt of Egypt July 15, 1951, mimeo, E168, <http://documents.worldbank.org/curated/pt/912111468022761475/The-external-debt-of-Egypt>.

Keynes, J.M. in D. Moggridge, ed. *The collected writings of John Maynard Keynes, XXIV: Activities, 1944-1946; The transition to peace*, London and New York, 1979

Krozewski, G., *Money and the End of Empire: British International Economic Policy and the Colonies, 1947-58*, Basingstoke, 2001.

Leith-Ross, F., *Money Talks Fifty years of international finance. The autobiography of ...* London, 1968

Lloyd E.M.H. and M.K. Bennett, *Food and Inflation in the Middle East, 1940-1945*, Stanford, 1956

Louis, Wm. R., *Ends of British Imperialism The Scramble for Empire, Suez and Decolonization*, London, 2006

Mansfield, P., *A History of the Middle East*, Harmondsworth, 2013

Polk, J., *Sterling. Its meaning in world finance*, New York, 1956

Pressnell, L.S., *External economic policy since the war, I: The post-war financial settlement*, London, 1986.

Rogan E., *The Arabs. A History*, Harmondsworth, 2012

Sayers, R.S., *Financial policy 1939-45*, London, 1956.

Schenk, C., *Britain and the Sterling Area: from devaluation to convertibility*, Cambridge, 1994.

Shannon, H.A., 'The Sterling balances and the Sterling Area', *Economic Journal*, September 1950 60, pp. 531-551.

Strange, S., *Sterling and British Policy. A political study of an international currency in decline*, London, 1971

[Symons R.S.], *Sterling Balances since the War*, Treasury Historical Memorandum No. 16, January 1972.

Trignor, R. L., *State, Private Enterprise and Economic Change in Egypt, 1918-1952*, Princeton, 1984.

Tomlinson, B.R., 'Indo-British relations in the post-colonial era: the sterling balances negotiations, 1947-49', *The Journal of Imperial and Commonwealth History*, 13 (1985), pp. 142-62.

Wilson, R., 'Economic aspects of Arab nationalism' in Michael J. Cohen and Martin Kolinsky (eds.), *Demise of the British Empire in the Middle East. Britain's responses to nationalist movements, 1943-55*, London, Routledge, 1990. pp.76-7.

United States, *Anglo-American financial and commercial agreements*, Washington, 1945.