Banking and finance in Sudan, 1956 to 1970

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Table of Contents

List of tables

List of graphs

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Note on the text

All acronyms are spelled out in full on their first usage in a chapter, at which point the acronym is given and used thereafter. The exception is 'DCO', within Barclays DCO (abbreviating 'Dominion, Colonial & Overseas') which is spelled out in full on its first uses in the Introduction and Chapter One, and abbreviated everywhere else in the text. Similarly, references are given in full when they are first cited in a chapter, and abbreviated whenever the same source is cited again in the same chapter.

Transliterating Arabic into Latin script poses multiple challenges, including the fact that pronunciation in spoken Arabic varies by region. For the sake of consistency, I have transliterated Arabic sounds according to their pronunciation in Modern Standard Arabic (MSA), with which Sudanese spoken Arabic is closely aligned. The most significant differences are the letter ق (*qaaf*) which is transliterated as 'q' in MSA rather than 'g' in Sudanese Arabic, and ث (*tha*) which is transliterated as 'th' in MSA rather than 't' in Sudanese Arabic.

For ease of reading, I do not distinguish between long and short vowels, or emphatic and non-emphatic sounds when transliterating Arabic words within English prose. And, when Arabic letters do not have an exact Latin-script transliteration, I use the nearest equivalent letter rather than a special symbol. As a result, some Latin letters represent multiple sounds in Arabic ('a', for example, is used for ا (*alif*), َ (*fathah*) and ع (*ayn*), while the latter is not transliterated as '3'). When Arabic words are transliterated within Arabic constructions (notably, within citations) I do distinguish long and short vowels, as well as emphatic and non-emphatic sounds, and I make use of special symbols.

Glossary

Financial terms

Balance of trade	Balance of a country’s import and export of goods. Synonymous with a country’s visible balance. With the invisible balance, it constitutes a country’s external current account balance.
Balance of payments	Net payments made in a country’s external reserves. Incorporates the country’s current account (the balance of trade and the invisible balance) and its capital account.
Capital account	Financial account of transactions that turn over in more than twelve months.
Capital controls	Exchange controls applied to capital account transactions. Typically implemented to bolster domestic economic stability and protect external reserves from speculative financial flows.
Capital goods	Goods used in the production of consumer goods. Note that imports of capital goods are typically reported in a country’s external current account.
Commercial credit / commercial paper	Agreement between buyers and sellers to defer payment in the sale of goods. Commercial paper refers to contracts and documentary evidence arising from these transactions, which merchants frequently submit to their banks for handling and collecting payment.
Credit controls	Voluntary or statutory limits to total bank lending. In Sudan, typically negotiated for each bank with reference to a recent year’s lending business. General credit controls serve to lower domestic demand in attempts to reduce inflation. Alternatively, targeted credit controls that limit import financing serve to protect public external reserves.
Currency area	Territories that use the same currency.
Current account	Financial account of transactions that turn over in less than twelve months. A country’s external current account is composed of its balance of trade and its invisible balance, which record transactions that turn over in this period. In commercial banking, current account is used synonymously with the ‘sight’ or ‘demand’ account of customers, referring to accounts that can be drawn on without notice and which are usually not interest-bearing.
Exchange controls	Controls introduced to curb the outflow of foreign currency reserves from a national economy or (less commonly in this period) to protect local investors from competition from foreign direct investment. Different forms of exchange control include import licensing, capital controls, and targeted credit controls.
External resources / external balance	Financial balance in foreign currency. Governments face an absolute limit in their access to foreign currency.
Goodwill	Accounting concept referring to the surplus of market price over net asset value, pricing intangible aspects of a company’s worth which cannot be sold separately from its individual assets. It is typically understood as the pricing of future profit.
Import licensing	Form of exchange control that targets foreign exchange outflows in payment for imports. Makes possession of a license from a public department (in Sudan, the Ministry of Commerce, Industry & Supply) a precondition for importing specific goods.
Invisible trade / invisible balance	Financial flows that are not associated with tangible goods, for example in private transfers, profit remittances, tourism, or the purchase of services. In a

	country's current account, the invisible balance accounts for short-term financial movements that are not associated with the purchase or sale of goods.
Local resources / local balance	Financial balance in local currency. Governments face no theoretical limit in their capacity to finance in currencies of which they are the sovereign issuer.
Localisation	Refers to the incorporation of local subsidiaries by foreign-owned multinational corporations, with partial ownership ceded to local investors.
Monetary area	Collection of territories with minimal internal capital controls but a broadly unified schedule of capital controls towards external territories. The Egyptian currency area straddled two monetary areas between 1949 and 1957.
Net asset value	Net value of a company's assets and liabilities, each of which in principle can be priced and sold individually. A company's market or sale price also includes the cost of *goodwill*, representing the revenue-earning potential of the company.
Visible trade / visible balance	The visible balance is the balance of imports and exports of tangible goods, and is synonymous with the balance of trade.

Terminology specific to Sudan

Ansar	English: followers. Followers of the Muhammad Ahmad, the self-proclaimed millennial redeemer of Islam in nineteenth-century Sudan. The Ansar continued to exist after Muhammad Ahmad's death. In the twentieth century the Ansar evolved from an armed religious movement to a popular and social religious organisation resembling a *tariqa*. Based primarily in western Sudan (Darfur, Kordofan and White Nile).
Dairat Al-Mahdi	English: The circle of Al-Mahdi. Religious organisation and registered company from 1925 uniting the property and business activities of Imam Abd Al-Rahman Al-Mahdi of the Ansar. The 't' is an Arabic declination meaning 'of', so reference is made in-text to the 'Dairat Al-Mahdi' or 'the Daira'.
Hindiyya	Sufi tariqa with its base in Kordofan and Khartoum provinces.
Ismailiyya	Sufi tariqa with its base in Kordofan Province.
Khatmiyya	Sudan's largest sufi tariqa, with its base in eastern and northern Sudan. Notable for including wealthy merchants among its members with trading interests between Sudan and Egypt.
Mahdiyya	Religious uprising and political unit created between 1881 and 1898/9 by the followers of Muhammad Ahmad, the proclaimed millennial redeemer of Islam.
Samaniyya	Sufi tariqa with its base in northern Sudan, within which Muhammad Ahmad was originally a prominent personality.
Sufism	Popular form of Islamic practice emphasising ritual and group moral codes as paths towards inner religious experience.
Tariqa	English: path. Popular fraternity within sufi Islam.
Three Towns	Contiguous conurbations situated at the intersection of the Blue and White Niles. They are, Khartoum (between the Blue and White Niles), Omdurman (between the White Nile and the Nile) and Khartoum North/Bahri (between the Blue Nile and the Nile). Together with a small amount of surrounding agricultural land they form Khartoum Province.
Turkiyya	Name given to the period of Egyptian rule in Sudan (1821 to 1885) due to the prominence of Ottoman officials in local administration.

General maps and tables

Map of Sudan

Source: https://www.cia.gov/library/readingroom/docs/CIA-RDP06T00412R000200360001-9.pdf

This thesis refers to Sudanese provinces according to their names and boundaries in 1956:

- Khartoum Province
- Northern Province
- Kassala Province (‘Eastern’ on map)
- Blue Nile Province (‘Central’ on map)
- Kordofan
- Darfur
- Equatoria (Southern Sudan)
- Bahr Al-Ghazal (Southern Sudan)
- Upper Nile (Southern Sudan)

Timeline

1899 Creation of the Anglo-Egyptian Condominium of Sudan.

1901 The **National Bank of Egypt** (NBE) opens in Sudan.

1903 The **Anglo-Egyptian Bank** opens in Sudan.

1925 Barclays Bank acquires the Anglo-Egyptian Bank and merges it with two other banks to form **Barclays Dominion, Colonial & Overseas (DCO).**

1947 Egypt leaves the sterling area. Sudan is part of the Egyptian currency area and is brought out by extension.

1949 The **Ottoman Bank** opens in Sudan. Creation of the Sudan Exchange Control Account by the NBE in London, which separates Sudan's external reserves from those of Egypt.

1953 **Banque Misr** and **Credit Lyonnais** open in Sudan. Self-government elections.

1956 Sudanese independence. The **Arab Bank** opens in Sudan.

1957 Sudan introduces the Sudanese Pound. The Egyptian Pound ceases to be legal tender the following year. The **Sudan Currency Board** is established to manage the reserve backing of the new currency. Poor cotton sales leave a substantial unsold crop.

1958 Second multi-party elections. The **State-Commercial Bank of Ethiopia** opens in Sudan. Failure of the cotton crop. Military coup.

1959 Creation of the state-owned **Agricultural Bank.** Creation of the **Sudan Commercial Bank.**

1960 Creation of the central **Bank of Sudan,** replacing the Sudan Currency Board and incorporating multiple competencies from the Ministry of Finance and the NBE. The NBE liquidates in Sudan.

1961 Creation of the state-owned **Industrial Bank.**

1964 Popular revolution brings down the military government. Creation of **Al-Nilein Bank**, a local subsidiary of Credit Lyonnais that is 60% owned by the Bank of Sudan.

1965 Third multi-party elections in Sudan.

1967 Creation of the state-owned **Real Estate Bank.** Devaluation of sterling. Sudan maintains its exchange peg with the dollar and revalues against sterling.

1968 Fourth multi-party elections in Sudan. Adoption of the Banking (Localisation) Act.

1969 Purchase of the non-Turkish operations of the Ottoman Bank by **National & Grindlays Bank**. Military coup.

1970 Nationalisation of the Sudanese banking sector. The following banks change their names:

- Barclays DCO becomes the **State Bank for Foreign Trade.**
- National & Grindlays becomes the **Omdurman National Bank.**
- Banque Misr becomes the **People's Cooperative Bank.**
- The Arab Bank becomes the **Red Sea Bank.**
- The Commercial Bank of Ethiopia becomes the **Juba Bank.**

1973 Omdurman National Bank and Juba Bank are merged to form the **Juba-Omdurman National Bank**. The Red Sea Bank is merged into Al-Nilein Bank.

1975 Juba-Omdurman National Bank is renamed **Unity Bank**. The State Bank for Foreign Trade is renamed the **Bank of Khartoum.** It later acquires the People's Cooperative Bank.

List of office holders

Prime Ministers

1953 elections		
Ismail Al-Azhari	6.1.1954—2.2.56 6.2.56—5.7.56	NUP NUP—Umma—IRP—Southern Liberal
Abdallah Khalil	5.7.56—27.2.58	Umma—PDP—Southern Liberal
1958 elections		
Abdallah Khalil	9.3.58—17.11.58	Umma—PDP
1958 military coup		
Ibrahim Abboud (*also president*)	18.11.58—30.10.64	Military
1964 revolution		
Sirr Al-Khatim Al-Khalifa	31.10.64—2.6.65	Non-partisan (Transitional National Council)
1965 elections		
Muhammad Ahmad Mahjub	13.6.65—2.7.66	Umma—NUP
Sadiq Al-Mahdi	27.7.66—18.5.67	Umma-Sadiq—NUP
Muhammad Ahmad Mahjub	18.5.67—12.4.68	Umma-Imam—NUP
1968 elections		
Muhammad Ahmad Mahjub	2.5.68—25.5.69	Umma-Imam—DUP
1969 military coup		
Babiker Awadalla	25.5.69—27.10.69	Revolutionary Command Council (Civilian)
Jaafar Nimeiri (*President from 1969 to 1985*)	27.10.69—14.9.71 15.9.71—6.4.1976	Revolutionary Command Council (Military) Sudanese Socialist Union (Military)

Ministers of Finance

Hamad Tawfiq Hamad	6.1.1954—2.2.56	NUP (PDP after leaving ministry)
Ibrahim Ahmad	6.2.56—16.11.58	Umma
Abd Al-Majid Ahmad	19.11.58—12.11.63	Civilian
Mamoun Beheiri	13.11.63—29.10.64	Civilian / technocratic
Mubarak Zarruq	30.10.64—26.4.65	NUP
Ibrahim Al-Mufti	17.5.65—17.7.65	NUP
Husain Al-Sharif Al-Hindi	28.7.65—31.7.66	NUP
Hamza Mirghani	2.8.66—26.5.67	Technocratic (son of IRP founder)
Husain Al-Sharif Al-Hindi	27.5.67—24.5.69	NUP / DUP
Mansour Mahjub*	25.5.69—20.7.70	Civilian
Muhammad Abd Al-Halim*	21.7.70—8.4.72	Military
Musa Al-Mubarak*	9.4.72—4.10.72	NUP / DUP (pre-1969)
Ibrahim Al-Yas*	9.10.72—9.5.73	Technocratic
Ibrahim Moneim Mansour	10.5.73—25.1.75	Private sector
Mamoun Beheiri	10.2.75—9.2.1977	Technocratic
* Treasury Ministers		

Ministers of Economics

Ahmad Sulayman	25.5.1969—20.7.70	Sudanese Communist Party (pre-1969)
Mansour Mahjub	21.7.70—8.4.72	Civilian
Ibrahim Moneim Mansour	9.4.72—9.5.1973	Private sector

Governors of the Bank of Sudan

Mamoun Beheiri	1.12.1959—13.11.63
Al-Sid Al-Fil	13.11.63—13.9.67
Abd Al-Rahman Mirghani	17.10.67—16.5.70
Abd Al-Latif Hassan (*Governor)* Muhammad Ali Mahasi (*Chairman)*	16.5.70—21.8.71
Awad Abd Al-Majid *(Chairman*)	21.8.71—13.11.72
Vacant	13.11.72—11.2.73
Ibrahim Muhammad Ali Nimir	11.2.73—13.2.1980

Deputy Governors of the Bank of Sudan

Al-Sid Al-Fil	1.12.1959—1962
Vacant	1962-1964
Ibrahim Muhammad Ali Nimir	1964—1969
Awad Abd Al-Majid	1969—25.5.1970

List of political parties

Umma: National Umma Party. Founded in 1945 by Imam Abd Al-Rahman Al-Mahdi of the Ansar. The political wing of the Ansar and the 'pro-British' party in the final years of the Condominium. Aligned with the interests of big business, especially in mechanised agriculture.

NUP: National Unionist Party. Formed in 1952 as a merger of seven secular, nationalist and pro-Egyptian parties with support from the Hindiyya and Khatmiyya tariqas. The 'pro-Egyptian' party in the final years of the Condominium with important support from merchants engaged in overland trade with Egypt. At various points the party became a vehicle for left-wing secular politics in Sudan. The Khatmiyya withdrew its support from the NUP in 1956.

Southern parties: The Southern Liberals were formed by southern parliamentarians after the 1953 elections. In later years southern parliamentarians would stand on lists or form groups in parliament that included the Southern Sudan Federal Party, the Southern Front, and the Sudan African National Union.

IRP: Independent Republican Party. Formed by dissident NUP parliamentarians in 1955 in opposition to Sudanese union with Egypt. Merged with the PDP upon its creation in 1956.

PDP: People's Democratic Party. Formed in 1956 by the Khatmiyya after it withdrew its support from the NUP and included a large number of ex-NUP parliamentarians. Supported close links with Egypt but opposed some of the political and economic radicalism of the NUP. The PDP was closely aligned with the 1958 military regime and was the only party not to join the opposition front. Religious and political elites disengaged from party structures in this period and it became a vehicle for Nasserist and Ba'athist activists. Consequently, the PDP lost significant elite and popular support in the 1960s.

Umma-Sadiq: Followers of Sadiq Al-Mahdi during a split in the Umma Party in 1966. The party outpolled Umma-Imam lists in 1968 but Sadiq Al-Mahdi lost his seat.

Umma-Imam: Followers of Imam Hadi Al-Mahdi during the Umma Party split. Led in parliament and government by Muhammad Ahmad Mahjub.

DUP: Democratic Unionist Party. Merger of the NUP and the PDP in 1967. Although the parties combined lists for electoral purposes, many elites, and possibly many voters, maintained separate identities as NUP or PDP supporters.

Islamic Charter Front: Later the National Islamic Front, later the National Congress Party. Sudanese chapter of the Muslim Brotherhood.

Sudanese Communist Party: Sudanese section of the Third (Communist) International. Contained pro-Soviet and pro-Chinese wings.

Sudanese election results

Sudanese parliamentary elections 1953	
National Unionist Party	50
Umma Party	23
Southern Liberals	9
Socialist Republicans	3
Anti-Imperialist Front (Communist)	1
Others	11
Total (seats)	97

Sudanese parliamentary elections 1958	
Umma Party	63
National Unionist Party	45
Southern Sudan Federal Party	38
People's Democratic Party	27
Total (seats)	173

Sudanese parliamentary elections 1965	
Umma Party	76
National Unionist Party	54
Communist Party (and allies)	11
Beja Congress (eastern Sudan)	10
Islamic Charter Front	5
People's Democratic Party	3
Others	14
Total (seats)	173
Delayed elections in southern Sudan later increased the representation of the Umma, NUP and southern parties.	

Sudanese parliamentary elections 1968	
Democratic Unionist Party	101
Umma-Sadiq	36
Umma-Imam	30
Sudan African National Union	15
Southern Front	10
Umma Party (united lists)	6
Islamic Charter Front	3
Beja Congress	3
Communist Party (elected as independent)	1
Others	13
Total (seats)	218

Introduction

This thesis examines the history of banking and finance in Sudan from the country's independence in 1956 until the nationalisation of the banking sector in 1970.

Sudan was ruled from 1899 until 1955 as an Anglo-Egyptian Condominium. However, Egypt was largely side-lined and the territory was under the imperial control of British officials. During the Condominium, all banks in Sudan were the local branches of foreign institutions. A key historical question of this thesis, therefore, asks how these banks responded and adapted to the onset of political independence in 1956. After independence, a number of local banks were incorporated in Sudan in both the public and private sectors. This thesis explores how these banks built their business activities and competed with their foreign-owned rivals. Furthermore, this thesis examines how successive Sudanese governments sought to regulate, control and intervene in the country's financial sector as part of wider political projects.

More broadly, this thesis explores the relationship between political power and financial power under the postcolonial state. Banking occupies the intersection between, on the one hand, global structures of capitalism and imperialism which determine the distribution of wealth and power, and, on the other, the daily economic lives of individuals who deposit and borrow funds. Even individuals who do not hold bank accounts are compelled to respond to prices, symbols and values that are created ultimately in the financial sector. An historical analysis of banks is therefore crucial to understanding how relationships of capitalism and imperialism reproduce themselves through the routine activities of business and finance, and a key argument of this thesis emphasises the role of financial institutions in reproducing an international capitalist regime of value.

This introduction sets out the central arguments of this thesis. Then, it examines the existing scholarly approaches to Sudan's political economy, multinational banking and African economic history. Finally, there is a discussion of methods and sources.

Historical arguments of the thesis

This thesis will find that multinational banks in Sudan were committed to expanding their local businesses after political independence. In this, banks differed from many other sections of foreign capital in Sudan and other colonial territories, which responded to decolonisation by liquidating and remitting large quantities of fixed-capital investments.[1] As foreign-owned commercial banks foresaw a future for themselves in Sudan after independence, I reveal how individual banks diverged in their local strategies with regard to branch expansion, lending by sector, and ratios of loans to deposits.

The business strategies adopted by banks around 1956 determined their exposure to economic crises during the fourteen years after independence. Banks that lent heavily to private cotton cultivation, for example, were exposed to significant losses when cotton yields and sale prices fell dramatically in 1958. Furthermore, as Egypt and Great Britain introduced capital controls against Sudan, banks that had relied on their offices in these countries to provide liquidity to their Sudanese activities faced the sudden challenge of balancing assets and liabilities within a much smaller geographic space. Similarly, banks that relied on public institutional deposits as counterparts to their local lending had their balance sheets undermined by the transfer of these deposits to the new central bank of Sudan after 1960. This prompted several banks to refocus their businesses in order to seek out the deposits and business of small- and medium-scale Sudanese clients to a much greater extent than they had in the 1950s. Very broadly, one could argue that inter-bank competition in Sudan before 1958 was characterised by a search for profitable lending outlets, which encouraged a rush towards cotton cultivation financing. After this date, banks competed to secure liquid local deposits with which to balance their local lending, while simultaneously struggling to recover bad cotton debts, thereby embodying a shift in concern from the income statement to the balance sheet. Although this turning point occurred shortly after independence, it occurred in response to economic and monetary events – namely, falling yields and prices in the cotton sector, and the introduction of capital controls – that were not necessary consequences of independence itself. Given this summary of events, and their detailed exposition in the thesis, I will argue that crises and imbalances in Sudan's economy were never resolved, merely displaced in space and time, with the solutions to each crisis giving shape to the one to follow.

[1] Vanessa Ogle, ''Funk money': the end of empires, the expansion of tax havens, and decolonization as an economic and financial event', *Past & Present* 249, 1 (2020), pp. 213-249.

Banks sought to foster a favourable regulatory environment through close working relationships with public authorities. This occurred partly through formal channels, such as the Sudan Bankers' Association, established in 1954, which represented the collective views of the commercial banking sector to the Sudanese government. However, banks also cultivated informal relationships with public officials, notably by operating a revolving door between public and private employment. I identify many instances of senior Sudanese politicians, civil servants and diplomats leaving public office for positions in the private banking sector. I argue that this created a 'state-finance nexus' that blended the professional and pecuniary interests of regulators with those of the regulated.[2] The creation of state-owned banks in Sudan from 1959 onwards created novel possibilities for revolving doors operated by the central state, which could be used to train or reward specific individuals or – I argue, more commonly – to placate potential opponents with appointments in public financial institutions.

These efforts by commercial banks did much to foster sections of political and official opinion in Sudan that advocated policies favourable to the interests of private finance. However, I argue that the complaisant regulatory environment that banks wished to create was never totally secured. This was because banks existed in competition with other sections of capital with distinct interests and claims on public policy. The opposition between different sections of capital heightened in moments of crisis and played out in the country's political system, which I explain in terms of the investment theory of party competition.

The investment theory of party competition, developed by Thomas Ferguson, contrasts with liberal 'voter-centric' models of electoral democracies, which hold that party systems reflect the underlying interests or preferences of voters.[3] In contrast, the investment theory of party competition is founded on the principle that electoral politics is expensive. There are high money and (especially) time costs for the overwhelming majority of voters to understand the issues at stake in any given election and the policy positions of competing candidates, let alone to influence the positions of parties and candidates through political activism. Similarly, electoral campaigns present significant time and (especially) money costs to candidates, which is why successful candidacies in most capitalist electoral democracies are usually supported by the bureaucratic and financial structures of political parties.[4] However, parties themselves require financing, which bestows influence on those who provide it.

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[2] David Harvey, *The enigma of capital and the crises of capitalism* (London: Profile Books, 2010), p. 48.
[3] Thomas Ferguson, *Golden rule: the investment theory of party competition* (Chicago: University of Chicago Press, 1995).
[4] A confirming counterexample is Cuba, a non-capitalist society where large numbers of independent candidates are returned in competitive local elections.

Wealthy individuals and corporations wield a greater capacity to finance electoral competition than do the majority of individual voters. The issues at stake in any given election (commercial policy; monetary policy; fiscal policy; and regulatory regimes) are of major pecuniary interest to those who hold and invest capital. Their subsequent investment in electoral competition raises the cost of politics, increasing the barrier to entry for candidacies who are not financed. Unlike small-scale ideologically-motivated party donors, large-scale investors in political processes anticipate specific returns for their financial outlays, meaning that the term 'investor' is meant literally. Consequently, party systems in capitalist electoral democracies typically represent opposing blocs of political-business coalitions with different (in)vested interests in public policy. For example, party systems in many industrialised societies embody an opposition between support for free-trade and protectionism, financed by business coalitions with pecuniary interests in these opposing policies.[5]

Various factors can mitigate the domination of large-scale investors over political processes. First, statutory measures can limit or equalise how money is spent across party systems. Effective measures of this nature are historically rare and rapidly diluted under the influence of political investors. Second, parties can organise around existing means of mass communication that do not require financing. Religious organisations are significant in this regard, and early party systems in many electoral democracies have been shaped by organised religion. In Sudan, the Umma Party, National Unionist Party (NUP) and People's Democratic Party (PDP) were associated with the Ansar, Hindiyya and Khatmiyya Islamic orders, respectively, and this was an important source of their electoral support. However, the mobilising capacity of religion in politics can ultimately be outbid by political investors, causing the religious influence on party systems to be diluted with time. Of course, the electoral influence of organised religion does not necessitate policies that are inimical to elite business, so it is equally possible for organised religion and political investors to influence electoral systems in tandem.

Finally, political candidacies can be financed by pooling small-scale contributions of time and money, for example, through donations from organised labour or direct membership subscriptions. In moments of capitalist crisis and strong labour organisation party systems can re-organise away from an internal opposition within elite business towards an opposition between capital and labour. The emergence of such systems in Europe after the Second World

[5] For example, this is the only enduring policy difference between the Democratic and Republican parties in the United States, the largest capitalist economy. It was also the main policy opposition between the Liberal and Conservative parties in the United Kingdom when Sudan became a British dependency.

War caused a generation of political scientists to mistakenly argue that the economic underpinning of all party systems was the class interests of its voters, rather than the interests and influence of organised political investors.[6] As capital exits from crisis and re-exerts its power over labour, such party systems decline and pro-labour parties either lose electoral support or re-organise as parties representing large-scale investors.

During Sudan's first parliamentary period, from 1954 until 1958, party politics was characterised by an opposition between 'pro-Egyptian' and 'pro-British' parties, a fact well-established in the historical literature. However, I argue that the nature of this opposition is insufficiently understood, as it is typically analysed in geopolitical or ideological terms. Rather, I argue that this reflected a commercial divide among Sudanese capitalists whose businesses traded with Egyptian and British markets, respectively. Anglo-Egyptian rivalries in this period were driving the introduction of capital controls and commercial embargoes in the Nile valley, thereby ending a situation that had endured from 1899 until 1952 whereby Sudan had enjoyed an open commercial and monetary relationship with both Egypt and Britain. As opposing coalitions of capitalists feared losing access to their major export markets, they financed the electoral costs of parties aligned with these respective markets. Governments in this period did not seek to challenge the influence of foreign capital in the domestic economy. Rather, their priority was to foster the simultaneous growth of a class of small- and medium-scale Sudanese business owners. This was pursued through loans from the Ministry of Finance to private investors in agricultural schemes.

The cotton crisis in 1958 ended the hope that cotton exports would sustain a continuously rising economic tide that would benefit all investors in the Sudanese economy, without conflict. A coup in that year brough a military government to power. Sudan's first military regime, led by senior army officers, continued to support a liberal regulatory environment conducive for foreign investment. However, it simultaneously pursued more activist measures compared with its parliamentary predecessor to support the growth of local private businesses. These included the creation of state-owned investment banks that directed public finance to the private sector, national economic planning, and a corporatist approach to economic management that promoted concertation between public and private actors. Simultaneously, the military government sought to enforce a local discipline to the competitive pressures of international markets, by repressing organised labour and requiring agricultural schemes to lower costs in

[6] Seymour Lipset & Stein Rokkan, *Party systems and voter alignments: cross-national perspectives* (New York: Free Press, 1967).

production. I introduce the concept of a 'military-developmentalist' regime that used the coercive powers of the armed forces to impose a liberal economic development programme.

In 1964, a popular uprising toppled Sudan's military government and ushered in a return to parliamentary rule. I argue that party politics during Sudan's second parliamentary period was characterised by opposing policy responses to balance of payment pressures. I identify 'orthodox' and 'heterodox' policy responses, backed by distinct political-business coalitions. 'Orthodox' policies continued to seek the adjustment of Sudan's domestic economy to external market forces – albeit without the coercive means available under military rule – in the belief that this would induce local equilibrium and socially-optimal outcomes. These policies maintained commercial and monetary openness to external markets while attempting to protect external reserves through domestic demand reduction. Orthodox policies invited the ready support of Sudanese capitalists whose businesses relied on access to external markets and finance. In contrast, 'heterodox' policies sought to protect Sudan's domestic economy from external market pressures, in the belief that these induced disequilibria and socially regressive outcomes. These policies imposed stringent exchange controls on commercial and capital accounts while seeking to protect domestic demand and social expenditure. These policies found support from organised labour and a class of business owners that had grown in size since independence who conducted the major part of their businesses within Sudan itself. These businesses considered themselves to be in competition with foreign-owned capital – or, in some cases, were heavily indebted to it – and favoured protectionism and state intervention to support national capital at the expense of foreign investors. Heterodox policy programmes in government included direct regulatory confrontations with foreign-owned banks, including legislation in 1968 requiring banks to cede 75% of local shares to Sudanese investors.

Exchange controls became increasingly stringent in the late 1960s as heterodox coalitions were in office for most of this period. This transformed a crisis in external balance into one of domestic inflation and public enforcement of these controls. In 1969, a coup by junior military officers brought a reforming government to power composed of an uneasy alliance between socialists, communists and Arab nationalists. In 1970, this government nationalised large sections of the Sudanese economy, including its private banking sector. I analyse the internal political dynamics of this government and its stated justifications for nationalisation, and argue that nationalisation in Sudan was not born of a political project to challenge capitalism and private ownership. Rather, it was both a continuation of policies of economic nationalism that targeted foreign capital, and an effort by public officials to exert direct control over acts of exchange in the local financial system, to root out what they perceived to be rampant exchange control violations.

In sum, this thesis demonstrates how the policies adopted by the Sudanese state towards the financial sector, and the domestic economy more widely, were not formed in contemplative isolation from the economy itself. Rather, periods of both growth and crisis distributed new sites of (in)vested interests across Sudanese business and society, capable of making demands on public policy. Moments of crisis in particular ranged the interests of different sections of capital against each other, which through a state-finance nexus and the activities of political investors shaped the direction of Sudanese politics and policies.

Political economy of Sudan

This section considers existing approaches to the study of Sudanese political economy after independence. In a recent study of politics in the Horn of Africa, including Sudan, Alex de Waal advances a 'political marketplace' model. De Waal writes that the dominant literature in political science and anthropology with regard to Africa 'stresses the importance of factors rooted in culture, kinship, organization and religion.'[7] Focusing on these factors, de Waal argues, emphasises historical continuity rather than change. In contrast, he seeks 'to focus on the material factors that drive change rather than the cultural factors that ensure continuities. Those cultural factors can be seen as elements that regulate the hard facts of cash and coercion: my main concern is with those brute realities.'[8] De Waal's reference to a 'political marketplace' (a phrase taken from Sudanese vernacular discussions of domestic politics) is meant literally. He argues that politicians and armed leaders in the Horn of Africa are 'political entrepreneurs' in pursuit of public salaries, aid money, protection payments, and other personal revenues. These entrepreneurs are acutely aware of their market price in any moment and this informs their engagement in political and military processes, such that 'most successful political-business ventures intensify the dollarization, integration and deregulation of the marketplace, and weaken the chances of non-market political projects.'[9]

De Waal's focus on money and financial flows aligns with that of this thesis. Like de Waal, I do not wish to discount other approaches, merely to emphasise what insights scholarly interrogation of historical business, financial and economic processes can offer. However, I advance a different interpretation of the role of money in postcolonial politics. De Waal's model reflects his focus on the late-twentieth century onwards. This accounts for his reference to 'dollarization', whereas sterling was the international currency of reference for Sudan during the period of this thesis. More significantly, I believe that 'non-market political projects' had yet to collapse in Sudan in the 1950s and 1960s. Furthermore, I contend that an investment theory of party competition, presented above, can account for both my period and de Waal's, as political investors provide the supply of funds demanded by political entrepreneurs. The investment theory of politics allows for the existence of political actors who are not motivated by their own personal enrichment, but whose ideological projects are nevertheless disciplined to the need for financing, be it for bribery, armed struggle, or electoral campaigns.

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[7] Alex de Waal, *The real politics of the horn of Africa: money, war, and the business of power* (Polity Press: Cambridge, 2015), p. 33.
[8] Ibid.
[9] Ibid., p. 28.

This thesis contrasts with many political economy analyses of Sudan and Africa (including by de Waal) in that it focuses on private flows of money, rather than public money in the form of government revenue and expenditures, and official aid. One long-term study of the Sudanese private sector is by Robert Tignor. Tignor identifies successive historical waves in the creation of a resident business class in Sudan, beginning with the migration of merchants from upper Egypt into Sudan in the eighteenth and nineteenth centuries to operate trade between these territories. From this group, the Abu Al-Ela, Abd Al-Moneim, Salih, and Tabidi business families have remained among the wealthiest in Sudan, such that 'Contemporary Sudanese [in 1987] take for granted that leading members of the nation's bourgeoisie trace their origins to this period.'[10] A later wave of business magnates arose from resident minority communities in Sudan, including Greeks, Syrians, Armenians, Indians, and Egyptian Copts, who migrated to Sudan during the nineteenth century and in the early decades of the Condominium.[11] Antonis Chaldeos has produced an invaluable study of Sudan's Greek community based on Greek-language sources in Sudan.[12] The Condominium also saw private British and European investment in Sudan through local offices of multinational corporations, including banks and trading companies, and parastatals engaged in agricultural production and export. Many such companies withdrew their investments from the 1950s onwards, in response to the transfer of powers from a British executive to an independent government. Small- and medium-scale Sudanese businesses grew in number and size to occupy the space vacated, with larger Sudanese-owned corporations also consolidating their operations after independence.[13]

Tim Niblock provides a seminal study of Sudanese politics from 1898 until 1985 which he analyses in terms of 'class', 'power' and political economy. Niblock's analysis of class is mainly prosopographical, studying the social origins of members of Sudan's various representative bodies in the late-Condominium period. This produces a rich empirical offering that demonstrates the dominance of economic, tribal, religious, and military elites in these institutions.[14] Despite professional, denominational and partisan differences among Sudan's elite, Niblock points to aspects of their shared social homogeneity, for example, their being overwhelmingly graduates of Gordon College, an elite English-language institution in Khartoum with only 544 students in 1944, and which became the University of Khartoum after

[10] Robert Tignor, 'The Sudanese private sector. An historical overview', *The Journal of Modern African Studies* 25, 2 (1987), pp. 180-181.
[11] Ibid., pp.181-182.
[12] Antonios Chaldeos, *The Greek community in Sudan (19th to 21st century)*, (Athens, 2017).
[13] Tignor, 'The Sudanese private sector', pp. 182-212.
[14] Tim Niblock, *Class and power in Sudan: the dynamics of Sudanese politics, 1898-1985* (Macmillan Press: Basingstoke, 1987), pp. 60-81.

independence.[15] Indeed, nearly all of the presidents, prime ministers, finance ministers and central bank governors considered in this thesis attended Gordon College, and those who did not attended even more elite institutions, such as Victoria College, Alexandria in the case of Mamoun Beheiri. Gordon College played a role in Sudan akin to Oxford University in Britain or the École nationale d'administration in France, creating a socially incestuous elite that was nominally divided by partisan political identities, but socially and culturally separate from the majority of the population.

Niblock's weakness is his inability to account for conflict within Sudan's elite, notably those arising from economic and business interests. By pointing to economic, tribal, religious, military, and educational elites, Niblock defines the category of elite so broadly as to overlooked the 'dynamics' of Sudanese politics that he claims to reveal. Furthermore, Niblock's analysis is focused overwhelmingly on the Condominium period, which he justifies by stating that 'The emphasis given to the pre-1956 economic and social structures, and the detail with which they are described, may seem excessive. Such emphasis and detail, however, are crucial: without them, the political dynamics of post-independence Sudan cannot be understood.'[16] In contrast with the Condominium period and the presidency of Jaafar Nimeiri (1969 to 1985), the period that receives the scantiest attention by Niblock is the first thirteen years after independence, from 1956 to 1969. Niblock analyses this period in terms of continuity, as 'political influence and authority rested with those social groupings which had benefited from the distribution of resources under the Condominium' and 'those who framed government policy were not inclined to undertake a radical reformation of the country's socio-economic structure.'[17] In contrast, I will emphasise forces of change, rather than continuity in this period. In Sudan, the twenty years between self-government elections in 1953 and the settlement of compensation claims by nationalised foreign banks in 1973 saw four multi-party elections, four changes of governing coalitions outside of election years, two military coups, one popular revolution, and thirteen individuals serve fourteen appointments as Minister of Finance. Clearly, more was afoot in Sudan than the uninterrupted rule of a homogenous elite united in interests and purpose.

Conversely, I will qualify Niblock's claim that 'The Sudanese state which emerged after the coup carried out by free officers on 25 May 1969 was substantially different from that

[15] Ibid., pp. 125-133.
[16] Ibid., p. xvi.
[17] Ibid., p. 204.

which had existed prior to that date.'[18] I will demonstrate in Chapter Six that there were state experiments in economic intervention and regulatory challenges to foreign capital before 1969, and in Chapter Seven I will argue that the policy of nationalisation owed less to the radical left than it did to the influence of a class of nationalist civil servants and small businessowners that had grown in size during the previous two decades.

One scholar who does focus on the political economy of Sudan after independence is Fatima Mahmoud.[19] Mahmoud's monograph is based on interviews with Sudan's 100 wealthiest businessmen conducted in 1976 (she does not explain how she identified them by wealth, but reports their great willingness to participate). This anticipates more recent methodological invocations from Thomas Piketty and heterodox economists to analyse the 'elite of the elite'.[20] Mahmoud frames her analysis as an assessment of whether Sudanese capitalists constituted a national vanguard or reactionary compradors (categories taken from Marxist and dependency theories of postcolonial societies), and concludes the latter. The findings of Mahmoud's research are couched within an historical account of Sudanese politics, economy and society which, although much briefer than Niblock's, is conceptually far richer. Several scholars of Sudan highlight that the Umma Party and the NUP were backed by crop-growing and mercantile capitalists, respectively, but Mahmoud is perhaps alone in linking this with their respectively 'pro-British' and 'pro-Egyptian' alignments in the 1950s, as these were the principal markets of these parties' distinct financial backers.[21] Mahmoud provides the tools to move beyond accounts of Sudanese politics that are explained solely in terms of sectarian and personal rivalries, a tendency that is sadly common in the literature and to which even Niblock succumbs when describing the late 1960s.

There is very little literature examining the history of banks in Sudan before 1978. A handful of contemporary studies provide survey overviews and seek technical solutions to perceived problems in economic development.[22] Although privileging description over interpretation, these provide important empirical insights into the period. 1978 witnessed the beginning of Islamic banking in Sudan, initially funded by investment from Arab Gulf countries. The association of these banks with the Islamist regime that came to power in Sudan

[18] Ibid., p. 233.
[19] Fatima Mahmoud, *The Sudanese bourgeoisie: vanguard of development* (London: Zed Books, 1984).
[20] Thomas Piketty, *Le capital au XXIe siècle* (Paris: Seuil, 2013).
[21] Fatima Mahmoud, 'Businessmen and politics' in Muddathir Abd Al-Rahim et al. (eds), *Sudan since independence* (Aldershot: Gower, 1986), p. 13.
[22] Andrew Brimmer, 'Banking and finance in the Sudan', *South African Journal of Economics* 28, 1 (1960), pp. 23-34. El Waleed Mohamed Taha, 'From dependent currency to central banking in the Sudan: a survey', *Sudan Notes and Records* 51 (1970), pp. 95–104. Taha, El Waleed Mohamed Taha, 'Money and banking in the Sudan: an annotated bibliography' *Sudan Notes and Records* 53 (1972), pp. 196–201.

in 1989 has prompted a number of works examining the relationship between Islamic finance and Islamist politics.[23] Consequently, the role of this thesis is to extend research into Sudan's 'state-finance nexuses' backwards in time. Whereas relationships between Islamic banks and the Islamic Charter Front (later, the National Congress Party) were often ones of active collusion and partisan mobilisation, this thesis emphasises both moments of collusion and ways in which the routine activities of banks shaped the social and economic environments to which political actors responded.

In 2001, the Union of Sudanese Banks (formerly the Sudan Bankers' Association) published an historical study celebrating the centenary of banking in Sudan, with an appendix published in 2017 covering the intervening period. It relies on official bank publications and is the most comprehensive work examining banking in Sudan. While it provides a generalised survey rather than detailed interpretation and analysis, especially for earlier periods, it is an invaluable compendium examining Sudanese finance.[24]

Finally, I will consider a recent and deservedly influential monograph examining the economic history of Sudan in a period largely overlapping with the one studied by this thesis. Alden Young examines development, planning and national economic accounting in Sudan from 1945 until 1966.[25] By beginning his analysis in the 1940s, Young aligns with recent literature on African decolonisation, which argues that key policy turns towards public investment, planning and developmentalism occurred during this decade and under colonial rule, rather than at the moment of political independence.[26] I agree with this position and in Chapter Four I chart how a national economic space in Sudan emerged gradually from 1947 until 1960, often following a different chronology and dynamic to events that led to an independent political entity.

Despite Young's modest claim that 'my argument hinges not on the influence of specific officials, but on the spread of new types of cognitive infrastructures among economists and non-economist policy makers throughout the Sudanese government', one of his major contributions is to disaggregate abstract categories such as 'government' and 'the state' to

[23] Elfatih Shaaeldin & Richard Brown, 'Towards an understanding of Islamic banking in Sudan: the case of Faisal Islamic Bank,' *Development Studies and Research Centre Monograph Series* (Khartoum University Press, 1985). Endre Stiansen, 'Interest politics: Islamic finance in the Sudan, 1977-2001' in Clement Henry & Rodney Wilson (eds) *The politics of Islamic finance* (Edinburgh: Edinburgh University Press, 2004), pp. 155-167.
[24] 'Abd al-Hameed Muhammad Jameel, 'Abd al-Moneim Muhammad al-Tayeeb & 'Abd al-Basit Muhammad al-Mustafa, *Al-qata'a al-musrafi fii al-sudan* (Khartoum: Union of Sudanese Banks, 2008).
[25] Alden Young, *Transforming Sudan: decolonization, economic development, and state formation* (Cambridge: Cambridge University Press, 2017).
[26] Frederick Cooper, *Africa since 1940* (Cambridge: Cambridge University Press, 2002).

identify key individuals occupying positions in public economic administration.[27] Young focuses on the late-Condominium class of Sudanese civil servants, trained in public administration and financial orthodoxy by British officials. After independence, these individuals rose to senior positions in Sudan's Ministry of Finance, and other departments, driving the public policy of an independent state. In contrast with the vicissitudes of Sudanese political life, technical administrators in state bodies enjoyed a much more constant presence, imprinting a 'civil service view' (the phrase is mine, rather than Young's) on Sudanese policy that was ultimately orthodox, technocratic, and developmental.[28]

I concur in recognising the significance of this group of civil servants, and I follow Young in highlighting the 1953 class of deputy under-secretaries in the Condominium Finance Department – Mamoun Beheiri, Hamza Mirghani and Mansour Mahjub – who subsequently enjoyed prolific careers in the civil service, ministerial office, the private sector, and international financial bodies. However, I also reveal a countervailing tendency among Sudan's economic administrators in this period. Precisely because the late-Condominium class of senior civil servants espoused a financial orthodoxy that aligned with the interests of foreign capital, they were the first to exit the civil service for remunerative careers in other sectors. This left behind their erstwhile juniors and a new class of civil servants whose professional formation occurred in the late 1950s and 1960s, after independence. These years were characterised by domestic economic instability arising from Sudan's exposure to international markets, and many of these civil servants came to espouse a distinct 'civil service view' that favoured state intervention, controls, and economic nationalism. Young ends his analysis in 1966, when Hamza Mirghani was appointed Minister of Finance, the department where he was once a civil servant, thereby marking the triumph of the orthodox civil service view in political office. However, this end date excludes important events, namely the fall of Mirghani's government in 1967, legislation in 1968 requiring foreign banks to relinquish local shares, and nationalisation in 1970. I will argue that these can be accounted for by the influence of a 'heterodox' civil service view, which supported measures of public intervention and economic nationalism, and which was aligned with particular political factions and alliances of political investors.

[27] Young, *Transforming Sudan*, pp. 10-11.
[28] Ibid., p. 130.

Multinational and postcolonial banking

The scholarly literature on multinational and postcolonial banking can be found in two fields, namely business history, and Marxist and dependency theories. The former field is much larger and richer empirically with regard to multinational banking,[29] and I turn to it first.

The authoritative study of British multinational banking is by Geoffrey Jones.[30] Jones describes how British multinational banks came into existence in the mid-nineteenth century after British imperial and commercial expansion created a need for infrastructures to manage the global circulation of money, investments, debts, and commercial paper. Among industrialised capitalist countries, business could transfer capital between correspondent banks. In contrast, multinational banking headquartered in colonial metropoles but providing financial services overseas emerged to operate in imperial peripheries. The initial capital for these banks typically came from merchant capitalists active in a particular region, and who were also represented on these banks' boards of directors. Jones describes the typical 'free-standing' model of British multinational banks in the nineteenth century, whereby banks would operate a single head office in London and a network of branches in a particular region or territory. These banks would collect deposits, issue loans, and handle commercial paper in the territories where they operated. Any commercial paper collected by branches as well as deposits that were surplus to the bank's local liquidity requirements would be remitted to London for rediscounting, collection, and investment in financial securities. Specialisation was a characteristic of British finance before the First World War, be it multinational banks that specialised in a particular region or domestic institutions that would engage solely in commercial, investment, or mortgage banking.

The First World War and ensuing decades of capitalist crisis endangered the international regime of free trade and capital flows upon which these banks relied. As many multinational banks risked insolvency, a process of consolidation occurred with the emergence of larger banks serving wider, or even global, geographic spaces. Most significant was Barclays Dominion, Colonial & Overseas (DCO), which was the largest bank in Sudan from 1925 until 1970. The end of the Second World War institutionalised an international financial regime of capital controls, with surviving multinational banks operating in imperial, rather than global,

[29] Christopher Kobrak, 'From multinational to transnational banking' in Youssef Cassis, Richard Grossman & Catherine Schenk (eds), *The Oxford handbook of banking and financial history* (Oxford: Oxford University Press, 2016), pp. 163-190 provides an overview.
[30] Geoffrey Jones, *British multinational banking, 1830-1990* (Oxford: Clarendon, 1993).

monetary areas.[31] Political independence and associated monetary reorganisation required banks to balance assets and liabilities within smaller national territorial spaces, as I examine in Chapter Four.

Jones acknowledges the critiques levelled at multinational banks by anticolonial nationalists, namely that they maintained conservative lending ratios and dealt primarily with fellow multinationals and settler communities, rather than local business and industry. Jones argues that this criticism was often correct, but that these policies were driven by concerns for financial prudence among metropolitan investors in these banks. I return to this question below.

In contrast with the British banking model that specialised by geography and by sector, continental European finance pursued a universal banking model that combining commercial, investment, and real estate activities within single institutions. Moreover, many of these banks' international expansion was done through overseas branches of the metropolitan institution, rather than through dedicated international subsidiaries. This was the case for the French bank Credit Lyonnais, which opened in Sudan in 1953.[32]

Company histories provide another window into the history of multinational banks, benefiting from privileged access to banks' internal records and staff testimonies. That of Barclays DCO includes rich insights into the bank's forty-five years in Sudan.[33] Studies commissioned by the Ottoman Bank sadly neglect its Sudanese activities, while those of the National Bank of Egypt and Grindlays Bank, written to commemorate significant anniversaries of these institutions, were unfortunately published before they had opened in Sudan.[34] I am not aware of thematic studies of banks incorporated and owned within the (post)colonial world to supplement scattered case studies.[35] Five banks present in Sudan before 1970 fell into this category.

Scholarship informed by Marxism and dependency theories is conceptually rich, but lacking in dedicated studies of multinational and postcolonial banking. One exception is by Maurice Odle, who explores the relationship between multinational banks and

[31] Ibid.
[32] Samir Saul, 'Les agences du Crédit lyonnais en Egypte : l'insertion d'une banque de dépôts dans une économie d'Outre-Mer (1875-1956)' in Bernard Desjardins (ed.), *Le Crédit lyonnais (1863-1986)* (Geneva: Droz, 2003), pp. 521-548.
[33] Julian Crossley & John Blandford, *The DCO story: a history of banking in many countries, 1925-1971* (London: Barclays Bank International, 1975),
[34] National Bank of Egypt, *The National Bank of Egypt* (1948). Geoffrey Tyson, *100 years of banking in Asia and Africa, 1863-1963* (1963).
[35] Eric Davis, *Challenging colonialism: Bank Misr and Egyptian industrialization, 1920-1941*. (Princeton University Press, 1983).

underdevelopment and notes the surprising absence of comparable works.[36] Odle couches important political insights in his long-term historical analysis which are often overlooked in the field of business history. For example, Odle describes conspiracies between British banks and colonial regimes against local banks in Nigeria and the Caribbean which reserved banking licences and public deposits for British-owned institutions.[37] Such events make it clear that the long-term market dominance of financial institutions from the imperial and capitalist core was born of structural violence and collusion with imperial authorities. This should not be forgotten, even if the focus in this thesis is on how routine business activities reproduced and perpetuated the historically-established dominance of foreign capital in local markets. Odle also highlights how multinational banks were necessarily extractive since their ultimate purpose was to remit profits to metropolitan head offices, and this invisible deficit on peripheral jurisdictions increased in line with the banks' successful provision of financial services.[38] This point was not lost on political and regulatory authorities in Sudan following independence.

Odle risks attributing too much to the malign intent of multinational bankers themselves. He writes that 'The primary motive of the multinational banks is to maximize profits, both in the short and long run.'[39] This claim poses the immediate problem that these objectives are often in contradiction, and this thesis identifies moments when banks pivoted between either strategy. After a critical assessment of British banks, Odle asserts that 'U.S. banks are even more profit motivated'.[40] This indication of cultural and strategic diversity among banks is difficult to reconcile with the claim that banks always seek to maximise profits in any context. Nitzan and Bichler offer a conceptual tool to interpret this variation, namely 'differential accumulation'. They argue that capitalists merely seek a rate of return superior to their rivals and can therefore adapt themselves either to conditions of rapid inflation or generalised stagnation, both of which have existed as long-term states under capitalism.[41]

Odle also criticises multinational banks for abstaining from long-term and higher-risk loans to further development and industrialisation. He states 'The excessively risk-averting attitude of the multinational banks is especially unacceptable when we take into account the great industrialization needs of the periphery.'[42] To this, Odle adds the incisive observation

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[36] Maurice Odle, *Multinational banks and underdevelopment* (Pergamon Press: 1981), p. 16.
[37] Ibid., pp. 29-31.
[38] Ibid., p. 6.
[39] Ibid., p. 84.
[40] Ibid., p. 92.
[41] Jonathan Nitzan & Shimshon Bichler, *Capital as power: a study of order and creorder* (London: Routledge, 2009).
[42] Odle, *Multinational banks*, p. 58.

that banks in 'underdeveloped' societies held more long-term liabilities (notably in time and saving deposits, including in Sudan in the 1960s) than their metropolitan counterparts.[43] This would make matching capital lending with long-term liabilities a simple task. The limit to this critique, however, is that it denounces banks for failing to be other than what they were. Precisely because private banks existed to accumulate profits, they did not pursue redistributive or 'developmental' lending that did not serve this end, even if they had the technical means to do so. Multinational banks in this period were aware of charges that they neglected small-scale, long-term and under-collateralised lending, especially to local customers. However, they countered these charges by arguing that their lending policies were informed by business and banking principles which sought to minimise transaction and oversight costs relative to turnover; to match the maturities of assets and liabilities; and to ensure that loans were securitised. Foreign-owned banks did issue (some) long-term credits and lent considerable sums to (wealthy) Sudanese, but it was these internally consistent market considerations, rather than narrow imperialist prejudice, that prevented them from doing so in greater proportions.

Indeed, this period in Sudan saw banks that pursued dramatically different lending strategies for reasons of nationalism (Banque Misr) or developmentalism (state-investment banks). These institutions were highly successful in expanding access to bank credit and fostering new forms of economic activity. However, in moments of crisis they were disciplined by liquidity pressures and the lack of security held against bad debts. The internal logic of the capitalist market was confirmed. This thesis seeks to acknowledge the internal (albeit contradictory) logic of the capitalist system within which banks were operating, and understand banks on their own terms. I seek to explain how it was the routine business activities of business and finance, rather than deliberate conspiracies to perpetuate relationships of power inequality, that sustained these relationships within and between societies.

Finally, several recent works examining colonial and postcolonial Africa explore the interaction between local banking sectors, the creation of central banks and national currencies, and British sterling policy after 1945. In Kenya, Christian Velasvo highlights how multinational banks relied on public institutional deposits to finance their local lending.[44] As such, the colonial government could choose in different moments to allocate public deposits in a manner that either encouraged or tempered interbank competition, while also rewarding banks which opened branches in unbanked areas. This thesis highlights similar practices carried

[43] Ibid., p. 64.
[44] Christian Velasco 'Monopoly and competition: the Kenyan commercial banks at the end of the colonial period (1954–1963)', *Business History* (2020), pp. 6-9.

out both by the Condominium and independent governments in Sudan. Barclays DCO was present both in Sudan and Kenya, and the bank's savings campaign in Sudan, examined in this thesis, reproduced many strategies that it had deployed to great effect in East Africa.

Sarah Stockwell demonstrates how British multinational banks in Ghana rapidly expanded their branch network in the 1950s, as occurred in Sudan. In each case, this was in response to rising interbank competition and the dilution, and, subsequently, the withdrawal of the official patronage given by colonial states to a small number of European-owned banks.[45] As legislative and executive powers were devolved by colonial states to nationalist politicians, whose domestic constituencies included local businesses in competition with multinationals, banks in Ghana and Nigeria began to 'Africanise' their managerial structures, in a process presented by Stephanie Decker as a bid to renew legitimacy in a changing political environment.[46] This has clear parallels with policies and practices of 'Sudanisation' explored in this thesis. Again, Barclays DCO was present in each of the colonies discussed.

There is a consensus across this body of scholarship in pointing to 'The apparent time lag between political and economic decolonisation'.[47] Although I agree that distinct causative factors resulted in political and economic decolonisation obeying distinct chronologies, I do not go so far as Stockwell in stating that 'economic factors, while important, were ultimately subordinate to the political imperatives of metropole and periphery.'[48] While this might appear to be the case when analysing a particular point in time, and the moment of political independence in particular, economic and financial processes did produce their own significant moments of transformation and rupture. In sum, the works cited point to how the strategies of multinational banks analysed in this thesis formed part of wider regional strategies to renew liquid deposit bases, forge working relationships with independent governments, and justify their legitimacy when faced with nationalist political demands. The majority of scholarship in this field examines business, banking and monetary institutions in Africa in the late colonial period.[49] The focus of this thesis on banking in the decades following independence is, I believe, a novel contribution to the field.

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[45] Sarah Stockwell, 'Instilling the 'sterling tradition': decolonization and the creation of a central bank in Ghana', *The Journal of Imperial and Commonwealth History* 26, 2 (1998), p. 111.
[46] Stephanie Decker, 'Africanization in British multinationals in Ghana and Nigeria, 1945-1970', *Business History Review* 92, 4 (2018), pp. 691-718.
[47] Stephanie Decker, 'Decolonising Barclays Bank DCO? Corporate Africanisation in Nigeria, 1945-69', *The Journal of Imperial and Commonwealth History* 33, 3 (2005), p. 436.
[48] Stockwell, 'sterling tradition, p. 115.
[49] Velasco, 'Monopoly and competition'. Stockwell, 'sterling tradition'. Chibuike Uche, 'Banking developments in pre-independence Nigeria: a study in regulation, control and politics', (Unpublished doctoral dissertation: London School of Economics, 1997). A significant exception is the work of Stephanie Decker.

African economic history

This section considers historical and methodological approaches to African economic history. After the Second World War, a first generation of scholarship considering African economic history analysed African societies in terms of their 'development' through different economic stages. This school of thought coalesced behind 'modernisation theory' which understood societies as progressing from 'traditional' to 'modern' forms of existence.[50] Modernisation would replace rural living with urbanisation; agriculture with industry; subsistence with mass consumption; and traditional social attitudes with economic and scientific rationalism. Among global societies, Africa was firmly in the 'traditional' category, but this was something that policy interventions promoting development could alter. This is the liberal iteration of this position, but its teleological structuralism was reflected in many Marxist approaches which held that individual societies progress through succeeding modes of production. Although paradigms of 'modernisation' have since fallen into abeyance, for reasons described below, these paradigms informed the policies of many public and private actors in the period studied by this thesis, including progressive political projects which hoped that economic modernity would raise the material living standards of citizens in an independent Africa.

The subsequent critique of modernisation theories by Marxist and neo-Marxist 'dependency' theorists came to view the chronic non-development of the global periphery (from the vantage of capital) as an integral part of the developed 'modernity' of the industrialised capitalist core.[51] Economic relations were consequently recast as power relations with a spatial configuration, and an historical origin rooted in imperial and racist violence, and capitalist exploitation.

In liberal scholarship, meanwhile, a growing academic division of labour between history and economics in the second half of the twentieth century prompted a corresponding decline in economic history, including in the study of Africa. Mainstream (neoclassical) economics has pursued an ever-more positivist quantitative epistemology that obliterates historical time, reducing time to a variable in the measurement of output. The application of such methods to Africa has reproduced old ontologies of metropolitan/colonial dualities in the form of

[50] Walter Rostow, *The stages of economic growth: a non-communist manifesto* (Cambridge: Cambridge University Press, 1960).
[51] Raúl Prebisch, *El desarrollo económico de la América Latina y algunos de sus principales problemas* (1950). Samir Amin, *Unequal development: an essay on the social formations of peripheral communities* (New York: Monthly Review Press, 1976).

developed and lesser-developed countries, with little critical reflection on what is measured and priced as output.[52]

Outside of economics, humanities and the social sciences have abandoned the structuralist and teleological assumptions of modernisation theory. Post-structuralist or deconstructivist epistemologies have been mobilised to analyse the categories that once animated structuralist conceptual paradigms. In addition to emphasising how the categories used in social observation are themselves constructed through historical processes, many studies have highlighted the coercive potential of particular epistemological frameworks as they create their own reality through their unexamined application in public policy. 'Development' in Africa has notably been the targets of critique as its pursuit has imposed new forms of resource extraction, indebtedness and economic discipline in the second half of the twentieth century.[53] Much insightful scholarship examining African history and societies has flourished under the influence of the 'critical turn' in the social sciences, but the academic division of labour described above has meant that much of this literature has disengaged from economic methodologies and would not consider itself to be economic history.

After a generation of lamenting the decline of African economic history, it is perhaps time to celebrate its return.[54] By the end of the twentieth century, the qualified failure of the optimistic economic expectations that accompanied African independence caused scholars outside of economics to re-engage with this field. More recently, the financial crisis of 2007/08 has intensified critical engagement with economics from other scholarly disciplines. One early research agenda in Anglosphere scholarship sought to explore whether the British Empire was profitable (raising the question: for whom?).[55] Another body of literature examines the fiscal revenues and expenditures of African states to reveal 'the skeleton of the state, stripped of all misleading ideologies'.[56] Finally, economic historians have challenged economists on their

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[52] Young, *Transforming Sudan*, p. 12 makes this critique. Paul Collier, *The bottom billion: why the poorest countries are failing and what can be done about it* (Oxford: Oxford University Press, 2008) and Daron Acemoglu & James Robinson *Why nations fail: the origins of power, prosperity and poverty* (London: Profile Books, 2012) are perhaps the most notorious examples of this genre to have escaped into prose.
[53] James Ferguson, *The Anti-politics machine: "development", depoliticization, and political power* (University of Minnesota Press: Minnesota, 1994).
[54] Gareth Austin & Stephan Broadberry, 'Introduction: The renaissance of African economic history', *The Economic History Review* 67, 4 (November 2014), pp. 893-906.
[55] Lance David & Robert Huttenback, *Mammon and the pursuit of empire: the political economy of British imperialism* (Cambridge: Cambridge University Press, 1986). Andrew Porter, 'The balance sheet of empire, 1850-1914', *The Historical Journal* 31, 3 (1988), pp. 685-699. Paul Kennedy, 'The costs and benefits of British imperialism 1846-1914' *Past & Present* 125 (1989), pp. 186-192.
[56] Leigh Gardner, *Taxing colonial Africa: the political economy of British imperialism* (Oxford: Oxford University Press, 2012), quotation from Rudolph Goldscheid, cited p. 2. Ewout Frankema & Anne Booth (eds), *Fiscal capacity and the colonial state in Asia and Africa, c.1850–1960* (Cambridge: Cambridge University

own terms by revealing the poor quality of data underpinning measurements of gross domestic product (GDP) in African societies, which are regularly used in quantitative analysis by academic economists and policy bodies.[57]

African economic history is now a lively field producing new data series from primary sources and bringing a close understanding of economic institutions to historical analysis. However, the energetic search for 'the' data series that will reveal long-term trends in African history – be it private revenues, fiscal balance, price indices or aggregate output – lacks conceptual reflection on the significance of particular data series, not merely as measures of social reality, but as key components of power relations within the societies that produced them. What is the historical significance of particular aspects of social life becoming measurable, and why do particular measures acquire contemporary or subsequent significance over others?

The invocation to combine a close analysis of economic institutions with the critical methodologies of the social sciences comes from Timothy Mitchell, who writes in a study of Egypt that 'critical theory […] has critiqued the concepts of class, nation, culture, society, state, gender, race, personhood, and many other things, but not the idea of the economy.'[58] Mitchell's own contribution is to point to the colonial origins at the beginning of the twentieth century of the very concept of 'the' economy (in contrast with economy as a discipline applied to the management of public or household resources) as imperial administrators sought to measure the flow of financial resources across dependent territories.

Mitchell's approach has been influential in scholarship on the Middle East and Africa, particularly in approaches aligned with science and technology studies (STS) and actor-network theory (ANT), with which Mitchell has come to identify. STS highlights how social and scientific epistemologies themselves produce social reality due to how the perception of problems shapes human behaviour and interventions. ANT is a strong version of this position which argues that no higher form of social explanation is possible beyond the interaction of actors symmetrically arranged in networks. These 'actors' can be human or non-human, animate or inanimate, with agency vested in the networks themselves, rather than the actors at individual nodes. This emphatically horizontalising distribution of agency ('generalised

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Press, 2019). With regard to Sudan, Matthew Benson, '*Taxation, local government and social control in Sudan and South Sudan, 1899-1956', (Unpublished doctoral dissertation: Durham University, 2019).*

[57] Morten Jerven, *Poor numbers: how we are misled by African development statistics* (Ithaca: Cornell University Press, 2013). *Africa: Why economists get it wrong* (London: Zed Books, 2015).

[58] Timothy Mitchell, *Rule of experts: Egypt, techno-politics, modernity* (University of California Press: Berkley, 2002), p. 3.

symmetry') ranges ANT against approaches such as Marxism which privilege particular relationships – notably, the power of capital over labour – in social explanation.[59]

This depoliticisation of critique by STS and, especially, ANT, has enabled critique's institutionalisation and mass production, especially in the United States, where Marxism and communism in academia have historically been the object of official persecution.[60] To be sure, insightful scholarship has been produced using these approaches, emphasising how contingent networks of social, biological, and material factors have shaped historical events. Mitchell's own analysis of the biological life-cycle of mosquitos, hydraulic technologies in Nile dams, and markets for capital finance, and how these interacted to foil the naïve visions of economic planners in twentieth-century Egypt, has provided an influential model.[61] In the act of repetition, however, much work in this field has lost the analytical edge of Mitchell's original insights. So, the contingent turn towards 'calculating' and 'economising' logics by naïve economic officials hoping to quantify social life is discovered in each historical period. Reflecting the field of African economic history proper, there is little explanation as to why particular numbers are calculated or economised at particular points in time.

In this thesis, I attempt close engagement with primary sources in order to understand economic and financial institutions on their own terms. This close empirical analysis is the strength of business history and the new African economic history. However, I also advance conceptual arguments regarding the nature of money, price and value within capitalism, and how each of these categories is created and sustained through the very act of financial accounting.

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[59] Andrew Barry & Don Slater, 'Technology, politics and the market: an interview with Michel Callon' *Economy and Society* 31, 2 (2002), p. 297 and Timothy Mitchell, *Carbon democracy: political power in the age of oil* (London: Verso, 2011), fn15.
[60] David Montogmery (ed.), *The Cold War and the university: toward an intellectual history of the postwar years* (New York: New Press, 1998).
[61] Mitchell, *Rule of experts*, pp. 19-53.

Value and finance

This thesis makes arguments regarding how banks create and sustain the categories of money, price, and value in capitalist societies. The discussion in this section situates this thesis in debates regarding economic and financial ontology.

It is a foundational insight of heterodox economics that money within financialised capitalist economies exists in the form of transferable ledger entries within the banking system. Banks create these entries through their routine issuing of loans to customers, which creates bank balances, which in turn are transferable within and between banks as a means of payment.[62] An influential monograph by David Graeber demonstrates that payment systems based on debts and credits are not the recent creation of financialised capitalism; rather, they are primordial systems of exchange which predate and precondition the existence of markets, money, and prices.[63] However, the historical (pre-capitalist) systems of debts and credits described by Graber concern *commercial credit*, namely, agreements between buyers and sellers to defer payment, which rely on mutual knowledge and trust between parties to transactions. Although such commercial debt claims can be endorsed, discounted, and transferred, they are not generally negotiable for spot transactions between anonymous buyers and sellers.[64] The distinction of *financial credit* arises from the fact that banks simultaneously loan liquidity *and* provide a generalised payments system. Since banks accept the debt claims of other banks both for payment in anonymous spot transactions and for the final settlement of debts, financial debt claims are *both* a record of deferred payment and a means of settlement. Because financial debt claims are generally liquid – something that is not true of commercial debt claims – they can be accumulated as a form of wealth. This makes financial credit particular to the capitalist mode of production and distribution, as it resolves the historic conflict between circulation and accumulation within payment systems.[65] To be sure, this contemporary reality is not the pure result of technological innovation in payment systems, but

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[62] John Maynard Keynes, *A treatise on money* (1930). Karl Marx's concept of 'fictious capital' in Volume III of *Capital* (1894) is arguably an antecedent to this argument. However, the overall presentation of Marx's theory of value in *Capital* foregrounds the role of bullion commodity-money to an extent that is difficult to sustain against subsequent historical experience.

[63] David Graeber, *Debt: the first 5,000 years* (New York: Melville House, 2011).

[64] James Rogers, 'The myth of negotiability', *Boston College Law Review* 31, 2 (1990), pp. 265-334.

[65] Or, between liquidity and clearing, in the terminology of Luca Fantacci & Massimo Amato, *The end of finance* (Cambridge: Polity Press, 2012). Historically, commodity-monies were effective for spot transactions and accumulation, but their absolute scarcity posed a limit to overall exchange. Commercial credit facilitated expanding exchange without material limit, but could not be used for spot transactions or open-ended accumulation.

also historical processes resulting in societies accepting as money the measures and representations of value created by finance-capital.[66]

The relationships described above mean that finance-capital simultaneously creates, defines and enforces capitalist notions of value, as it determines what constitutes an acceptable means of payment; assesses the assets of credit-demanding customers; and sets out the terms of credit. As such, money and value take the form of accounting representations created in the financial sector. This thesis draws on insights from the field of critical accounting studies, which argues that financial accounting is not a technical and neutral process, but, rather, one that is historically and socially embedded, and worthy of analysis by critical and social science methodologies.[67] Furthermore, it is perhaps a necessary and foundational misunderstanding within financial payment systems that accounting is perceived – including by all but its best-paid practitioners – not as an act of social creation, but rather as an exercise in neutral and dispassionate recording of objective realities.[68]

Multiple instances exist in this thesis of economic, financial, and political actors seeking to apply appropriate normative and accounting conventions in contexts that escape the routine, in decisions that resulted in significant transfers of wealth and power. Examples include banks deciding how many private cotton debts to classify as doubtful and in suspense (Chapter Three); the Egyptian government deciding how much of its withdrawn currency in Sudan should be redeemed in foreign exchange (Chapter Four); Sudanese governments determining at what point financial aid to struggling parastatals ceased to constitute state-led development, and became an example of mismanagement or the corrupt diversion of funds (Chapter Five); financial regulators having to decide whether Sudan's exchange rate peg was with the dollar or sterling after the latter's devalution (Chapter Six); and, governments and investors negotiating to determine how much compensation was due to nationalised investors (Chapter Seven). Crucially, there was no 'correct' technical answer to each of these dilemmas – the norm was established through the decisions taken.

On this basis, I argue that value under capitalism is *performative*. Value is performed, in the first instance, by ongoing acts of routine financial accounting which determine the creation,

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[66] This mirrors, of course, the historical processes required to establish the class divide between capital and labour. Capitalist subjects sell their labour power for a wage, and act as if the measures and representations of value created by finance-capital constitute value in themselves, not because they choose to do so and need so believe, but because they cannot do otherwise without facing perdition.

[67] Robin Roslender (ed.), *The Routledge Companion to Critical Accounting* (London: Routledge, 2017).

[68] 'Accounting practices create the costs and the returns whose reality actors and agents are asked to acknowledge and respond to.' Peter Miller, 'Introduction' in Anthony Hopwood & Peter Miller (eds.), *Accounting as social and institutional practice* (Cambridge: Cambridge University Press, 1994), p. 1.

allocation, and transfer of money within the financial system. In the second instance, value is performed by the myriad social activities that occur in response to the loaning, deposit, and transfer of money along with movements in price arising from these decentred acts of accounting.

In moments of boom and expansion, value and price appear identical, with price posing as the uncontroversial representation of an underlying value. In moments of crisis, in contrast, all prices are suddenly revealed as contingent and open to negotiation and contestation, and actors compete to uphold the prices that are significant for their social power. In these moments, accounting escapes the routine control of company accountants and becomes an object of political and societal negotiation. States, capitalists, and organised labour seek to determine, in cooperation or conflict, which prices and flows of funds will be maintained, which new ones will be created, and which will be 'written off' to allow circulation and accumulation to return. Price is a symbol produced by financial accounting. Value, in contrast, is a power relationship – a claim on social labour – that reveals itself in crises through the capacity of different actors to enforce the prices necessary to their social power.

These arguments provide a framework for the function of each chapter in this thesis. Some chapters – notably, Chapters One and Four – describe the long-term historical processes through which financial infrastructures and conventions were established, and secured the compliance within Sudanese society. Other chapters – notably, Chapters Two, Five, and Six – explore the activities of banks and governments within particular financial and value regimes. Finally, Chapters Three and Seven explore moments of crisis, during which – among other things – accounting escaped the routine control of company accounts, and the definition, allocation, and circulation of value became objects of politicised negotiations between different social actors.

Discussion of sources

The most important sources used in this thesis are internal bank records held in company archives, as well as official bank publications held in a range of other locations. This constitutes a novel contribution to Sudanese historiography, not least given the insight banks received from their activities into myriad aspects of local economic life. By far the most extensive of these archives is that of Barclays DCO, held by Barclays Bank in Manchester, UK. Granular detail about the bank's activities in Sudan is given in half-yearly reports, broken down by branch, supplemented by extensive correspondence between the bank's local head office and its general managers in London. Also significant are reports following periodic visits by the bank's general managers to their Sudanese division, which recount interviews with company employees, government ministers, central bankers, and major business personalities. The other significant company archive is that of Credit Lyonnais, held by Credit Agricole in Montrouge, France. Although still voluminous, the French bank has pursued a much more stringent policy compared with its British counterpart in either classifying or destroying records, and the available documents are less systematic in their coverage. In addition, several minute books from the London Committee and sub-Committee of the Ottoman Bank are held by the London Metropolitan Archive. Although lacking in detail, these give insights into the general policy concerns of this bank in Sudan. I visited the archive of Al-Nilein Bank in Khartoum, but the documents on the shelves confirmed the librarian's claim that all documents were destroyed after ten years.

Annual reports by Al-Nilein, the Sudan Commercial Bank, the Industrial Bank and the Agricultural Bank are held by the National Record Office (NRO) in Khartoum. In contrast, the Real Estate Bank seems to have left no documentary trace in the NRO, the Central Bank of Sudan library, or anywhere else in Sudan or the world, as far as I have been able to identify.

Annual reports by the National Bank of Egypt and the Arab Bank, which are not specific to these banks' Sudanese operations, and those of several of the nationalised banks created after 1970 are held by the Middle East Documentation Unit (MEDU) of Durham University, which also holds publications and reports issued by nearly all of Sudan's banks from this period. Quarterly bulletins by the Bank of Sudan (later, the Central Bank of Sudan, CBOS) provide invaluable macroeconomic data on the financial system in Sudan and sundry 'special articles'. These are available in the NRO, the University of Khartoum, MEDU, and the CBOS library.

The availability of archival material by bank aligns approximately with the ordinal ranking of the size of these banks' Sudanese operations. Barclays DCO was the largest bank in Sudan and leaves the largest accessible archive. So, I draw extensively from its records and use its detailed half-yearly returns to produce data series that are not replicable from other banks' sources. The clear risk is that this internalises the perspective and prejudices of this imperial bank, notably its suspicion that smaller non-European challenger banks were less scrupulous in their lending policies and security margins. Aggregate quantitative data on lending by bank presented in Chapters Two and Seven can help assess these claims.

For some banks I rely on very scarce sources, especially the State Bank of Ethiopia. For this bank I rely on disparate studies of Ethiopia's banking system (which make little reference to Sudan), memoirs and obituaries of a former manager, and other banks' records. I particularly regret not having more information on the activities of Banque Misr in Sudan. Although other banks viewed this bank's arrival into Sudan in 1953 as politically orchestrated by the Egyptian government, the bank pursued an active lending policy, including to small-scale lenders neglected by its commercial rivals. Even after Sudanese independence, when the constitutional question of Sudan's relationship with Egypt had been settled, Banque Misr implemented a programme of provincial branch expansion in locations that were, again, neglected by the other banks. In 1960, the loss of this bank's capacity to borrow against its Egyptian assets halted its expansion, but it maintained a close relationship with Sudan's wealthiest business family, the Abu Al-Ela. It no doubt had a different experience of banking in this period than the banks that I ultimately foreground in my narrative. Archives in Egypt, Jordan and Ethiopia may hold records on Banque Misr, the Arab Bank, and the State Bank of Ethiopia in Sudan that I have not consulted.

I also consult British state archives, notably those of the Treasury and Foreign Office, held at the UK National Archives, and those of the Bank of England. These reveal how Sudan's erstwhile co-dominus continued to operate within the financial and political path dependencies of imperial rule after independence. The NRO in Khartoum naturally contains Sudanese public records, but I have not found accounts of internal policy discussions and debates parallel to those within British officialdom. I wish I knew more about the Sudanese government's decision to adopt an independent currency in 1955, and a later government's decision not to devalue the Sudanese Pound against the dollar in 1967. Significant archives that I have not consulted are those of the French state. Unlike the British, Egyptian, and Jordanian banks in Sudan, Credit Lyonnais was publicly-owned and it belonged to the French state throughout its existence in

Sudan. In particular, the French state's role in negotiating compensation after the nationalisation of Credit Lyonnais in Sudan is a story I do not tell.

Banking was a gendered activity, a reality that did not vary based on whether the bank was public or private, foreign- or Sudanese-owned. Female names are almost entirely absent in the primary records of any bank, and I have not come across a single woman in a managerial or senior clerical position in any bank, or a female customer of sufficient import to be named in a bank's records. This reflected a patriarchal ideal of gendered public and private economic spheres, an ideal that was largely upheld in this particular sector. The only women named are the wives of senior clerical staff in visit reports by Barclays DCO. These reports reflected on the adequacy of allowances and amenities (such as social clubs and facilities in staff apartments) available to staff with families. Visiting officials did not refrain from including their personal reflections on their employees' choice of partner in their written reports, and these were not always favourable. Barclays DCO and the Ottoman Bank, and possibly other banks, actively recruited local female staff into junior clerical positions in the 1960s in a bid to lower staff costs through the application of gendered and racialised pay scales.

I am especially grateful to the retired bankers I met in Sudan, from the Bank of Sudan, the Industrial Bank, the Sudan Commercial Bank, and Barclays DCO. Visiting and becoming an honorary member of the Barclays Bank retired staff club in Sudan (which is operated by the Bank of Khartoum rather than Barclays International) was a great honour. The formal and informal interviews I conducted helped me to understand how banks implemented their policies through a close relationship with their staff, as well as how these employees understood the role of foreign business in the full sweep of Sudan's postcolonial history. Proficient in Arabic, English, banking, and financial accounting, many of these individuals left Sudan to enjoy successful careers in the Gulf from the 1970s, before returning to Sudan for their retirement. Direct quotations of interviews are rare in the thesis, where the focus is on macroeconomic shifts in finance and policy, but these discussions helped me to understand how economy, society, politics, and daily working lives wove together in this period.

Thesis structure

This section sets out the structure of the thesis. As explained previously, different chapters perform different functions: Chapters One and Four analyse long-term historical processes that gave rise to particular financial and value regimes, and their institutionalisation in Sudanese society. Chapters Two, Five, and Six explore the actions of banks and governments within those regimes. Finally, Chapters Three and Seven consider moments of crisis which reconfigured financial infrastructures, distributions of wealth, and the normative beliefs governing routine economic activity.

Chapter One examines economy, finance and society in Sudan before 1956. In addition to providing historical context for subsequent chapters, this chapter emphasises the long-term importance of Islam, the Egyptian economy, and a memory of racialised slaving and trading violence in shaping the economy and society Sudan. This chapter also analyses two banks which opened in Sudan in the early twentieth century, and which were present in the country after independence. Finally, the first period of party politics in Sudan is analysed in terms of the investment theory of party competition.

Chapter Two examines banking in Sudan upon independence. I use contemporary economic data to demonstrate how the banks that opened in the early years of the Condominium maintained their leading positions in commercial and central banking functions. However, I also demonstrate that the many foreign-owned banks that opened in Sudan between 1949 and 1958 successfully secured a share of the local lending market, and that Sudan's different banks pursued varying strategies in branch expansion, lending by sector, and ratios of loans to deposits. I also analyse the political and administrative leadership of the Ministry of Finance in this period, which was the government department with responsibility for overseeing the financial sector.

Chapter Three examines the 1958 cotton crisis. This crisis in production and external demand threatened to render investments in cotton by large swathes of Sudanese society irrecoverable, including capital and cultivation loans by commercial banks. Public authorities, commercial banks, scheme owners and tenant labourers struggled to recoup investments, refinance their positions, and realise security against bad debts. I argue that the significance of this crisis, the military coup that occurred in Sudan in 1958, and the policies of the resulting government, have been overlooked in the existing historiography.

Chapter Four analyses Sudan's trajectory from being a territory in an imperial economy towards a national economy subject to commercial, fiscal, and monetary policies exercised by a sovereign national government. I highlight the gradual, rather than wholesale, relocation of monetary competencies from London and Cairo to Khartoum as a result of regional political conflicts and changes in international political economy. The erection of capital controls against Egypt and the sterling area required Sudanese authorities and commercial banks to balance local and external resources within a national economic space. This chapter analyses these parallel efforts, including the many moments when they came into conflict.

Chapter Five examines the five banks incorporated in Sudan before the nationalisation of commercial banking in 1970. I assess each as an experiment in mobilising new sources of funds in order to promote new types of social activity and secure pecuniary profit. Each enjoyed qualified successes in achieving its objectives. However, all were ultimately disciplined to the crises and imbalances identified in the previous chapter as these worked their way through Sudan's economy.

Chapter Six offers a major reinterpretation of Sudan's second parliamentary period based on the investment theory of party competition. I explore the policies of governments in this period towards the financial sector which included direct regulatory challenges to foreign-owned banks.

Chapter Seven examines the nationalisation of the banking sector in 1970 and subsequent negotiations between the Sudanese government and foreign investors regarding valuation and compensation for nationalised assets. I argue that nationalisation responded to a nationalist desire by public officials to challenge the local influence of foreign capital and exert direct control over exchange operations. I then argue that negotiations regarding valuation and compensation were acts of accounting that escaped the routine control of company accountants, as historic prices and values were suddenly called into question.

The conclusion considers the enduring power of capitalist finance in enforcing normative definitions of value during the colonial and postcolonial periods. Sudanese governments pursued multiple strategies after independence to engage with local and global capitalist structures, often with a view to extracting particular benefits and creating a new class of local capitalists. In this, they were far from unsuccessful. However, adherence to the normative definitions of value created by international capitalist finance, especially during the crucial confrontation following nationalisation in 1970, entrenched Sudan's peripheral position within capitalism's international value regime. This remains the case in the absence of political projects to challenge and recreate property, ownership and value on an alternative basis.

Note on the presentation of quantitative data

Several graphs of long-term financial data are presented in this thesis, and I have chosen not to deflate these by an indicator of inflation or GDP. Any chosen index is necessarily arbitrary and risks hiding as much as it reveals, and aforementioned work by Morten Jerven persuasively highlights the absence of robust GDP statistics for Africa.[69] Although Jerven and other scholars have focused their research efforts on improving the quality of long-term GDP and inflation indices, I consider that this exercise in ever-better historical measurement is unlikely to arrive at a methodologically satisfactory final conclusion. Accordingly, I seek out other consistent measures of long-term quantitative change, most notably the calculation of ratios between different primary data series (for example, between revenues and expenditures, or deposits and advances). Such simple strategies allow for meaningful analysis, and escape many theoretical and methodological controversies in the presentation of final conclusions.

I apply to logarithmic scale to graphs, such that proportional changes in magnitude can be compared at any point on the resulting curve. This does not remove monetary inflation from the shape of the curve. However, monetary inflation is an important part of historical context, and I perceive no virtue in hiding it from sight. Contemporaries who recorded the data that constitute primary sources were faced with the same question of interpreting how big their local turnovers really were relative to local inflation, and whether, at any rate (or, rather, not), it mattered ultimately if profits were to be remitted at a fixed exchange peg.

An annex discusses these decisions at greater length and presents deflated graphs for indicative and comparative purposes.

[69] Jerven, *Poor numbers* and *Africa: why economists get it wrong.*

Chapter One: Economy, society and finance in Sudan before 1956

This chapter describes finance and society in Sudan before 1956. In addition to providing historical context for subsequent chapters, this chapter aligns the thesis with multiple key arguments from the historical literature on Sudan. The first section, which considers Sudan before the Egyptian conquest in 1821, emphasises the importance of Islam in structuring society and economy in Sudan and the relationship of both with the outside world. The second section examines the period between 1821 and the creation of the Anglo-Egyptian Condominium in 1899. This section highlights the economic importance of Egypt for Sudan, as well as the memory of racialised violence created by slaving and raiding campaigns in this period. The third section examines Sudan under the Anglo-Egyptian Condominium, and the arrival of banks that were still present in Sudan after 1956. This section explores the institutional underpinnings of Sudan's annexation to an international capitalist regime of value, as theorised in the Introduction. The final section uses an investment model of party competition to analyse the origins of Sudanese party politics in the 1950s.

'Sudan' in this chapter is mostly used anachronistically to refer to regions coinciding approximately with the political unit of Sudan that existed from 1899 until 2011 (the latter date corresponds with the secession of southern Sudan to become the Republic of South Sudan). 'Northern Sudan' in this chapter and throughout the thesis refers to the region between the confluence of the Blue and White Nile (present-day Khartoum) and Egypt, rather than all regions of pre-2011 Sudan outside of southern Sudan. This narrower definition of northern Sudan largely corresponds with the Northern Province of Sudan in 1956.

Sudan before 1821

This section examines trade, economy and society in Sudan before the Egyptian invasion in 1821. The narrative emphasises the importance of Islam in shaping social and economic institutions in Sudan, and the relationship of both to the outside world. The growing importance of Sudan's commercial relationship with Egypt is also highlighted.

Sudan formed part of global flows of trade and exchange from at least the fourth century AD, when gold mined in Sudan was exported via Axum in Ethiopia and used for coinage in the Mediterranean economy of the Eastern Roman Empire.[70] From the seventh century, large parts of the Middle East and North Africa bordering Sudan experienced rapid waves of Islamic migration, conquest and conversion. Even as this region splintered politically in the following decades and centuries, it retained a religious and commercial unity, as coins with a fiduciary value and commercial paper dependent upon mutual trust circulated across a vast geographic area reaching from Western Africa to the Indian Ocean. Islam carried with it the shared language of Arabic for communication and written records of transactions between merchants from different regions, as well as a moral and religious coding that underpinned shared expectations of acceptable commercial practice.[71] Although Sudan was not yet Arabised or Islamised, Ibn Khaldun in the fourteenth century described the transport of goods from Sudan towards Islamic markets on both boats and pack animals along the Nile valley.[72] These commercial relationships prompted the gradual grassroots Islamisation of Sudan, as small Muslim merchant communities were established in Christian kingdoms at Danqala on the Nile and Soba on the Blue Nile, while Arab farming populations migrated from southern Egypt to northern Sudan to cultivate lands by the Nile river.[73]

These processes were accelerated when the Christian kingdoms in Sudan entered periods of political decline, which opened a space for new political elites to convert to Islam and secure access to networks of trade and commerce across a wide geographic space. This was the case with the Funj Sultanate, which was established in the sixteenth century and which came to rule over much of modern-day Sudan from Sinnar on the Blue Nile. Another Muslim polity, the Sultanate of Darfur, emerged in western Sudan in the seventeenth century.[74] Also in the late-

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[70] Peter Spufford, *Money and its use in medieval Europe* (Cambridge: Cambridge University Press, 1988), p. 8.
[71] David Graeber, *Debt: the first 5,000 years* (Brooklyn: Melville House, 2011), pp. 271-282.
[72] Abd Al-Rahman bin Muhammed ibn Khaldun, translated by Franz Rosenthal, *Al-Muqaddimah* (1378), Chapter 1, Section 2.
[73] Peter Holt & Martin Daly, *A history of Sudan: from the coming of Islam to the present day* (Harlow, Longman: 2011), p. 18.
[74] Ibid., pp. 22-23 & 27.

seventeenth century, Arab tribes such as the Ja'aliyyin, Danaqla and Shayqiyya in northern Sudan rebelled from direct Funj overlordship, and this region was consequently ruled by a number of smaller entities that administered the lucrative trade between Sudan and Egypt.[75] Tignor describes the flow of goods between Sudan and Egypt in the eighteenth century:

> Sudanese caravans often had as many as 5,000 travellers and an equal number of camels; they brought with them slaves, ivory, [ostrich] feathers, gold, vegetables, [gum arabic] and minerals, and in return they received textiles, metals, hardware, beads, semi-precious materials, and firearms.[76]

It is noted that these consisted mostly of luxury goods that were not central to the reproduction of daily life for the majority of people in Egypt or Sudan. The goods transiting through northern Sudan to Egypt would have originated from across a wide geographic area, corresponding approximately with modern-day Sudan and, to a lesser extent, South Sudan.

Shared communities of language and religion between the wider Islamic world and rulers, merchants and tribes in northern Sudan provided a bridgehead for important reorganisations in economy, religion, and society in Sudan between the mid-seventeenth and early-nineteenth centuries. First, several merchants from Egypt who migrated southwards into Sudan from the eighteenth century onwards grew rich from the trade between these territories and founded business dynasties that remain important to the present day. Business families in Sudan such as the Abu Al-Ela, Abd Al-Moneim, Salih, and Tabidi trace their origins to this trade. In the twenty-first century, members of these families still speak with Egyptian, rather than Sudanese, dialects as a marker of social distinction.

Second, the passage through Sudan of itinerant merchants was mirrored by the arrival of itinerant holy men connected with centres of religious learning in Egypt, Tunisia and the Hijaz. These individuals proselytised in sufi iterations of Islam which emphasised popular organisation, ritual, and group moral codes as paths towards inner religious experience. Sufi religious orders named 'tariqas'[77] that were founded or introduced in Sudan by these individuals became important means through which non-elite populations gained access to Islamic belief, teachings, and practices. Religious and mercantile communities often overlapped as merchants within a tariqa engaged in shared ventures, mutual credit, and principal-agent relationships based on the reciprocal trust arising from shared membership of these intimate spiritual communities.

[75] Ibid., p. 25.
[76] Robert Tignor, 'The Sudanese private sector: an historical overview', *The Journal of Modern African Studies* 25, 2 (June 1987), pp. 180.
[77] In Arabic, *tariqa* (singular) and *turuq* (plural).

Many tariqas became lasting social organisations with leadership usually being transmitted dynastically within the family of the founder. These included the Hindiyya, which acquired a base in Kordofan in western Sudan from the seventeenth century, and later in Barri near Khartoum; the Sammaniyya which gained a following in northern and central Sudan from the late-eighteenth century; and the Ismailiyya which was formed in Kordofan in the 1820s.[78] The largest tariqa in Sudan by far was the Khatmiyya, which was founded in 1817 by Muhammad Uthman Al-Mirghani Al-Khatim. This tariqa gained significant support in eastern and northern Sudan, including among wealthy merchants engaged in trade with Egypt. With followers from Sudan's wealthiest merchant communities, the Khatmiyya bolstered its local influence by allying with Sudan's Egyptian rulers after 1821. Subsequent chapters will describe how the Khatmiyya remained a powerful vehicle for spiritual guidance, charitable activity, business relationships, and political mobilisation in the following century.[79]

As for the organisation of production, exchange, and value within Sudan in this period, scholars are indebted to a body of literature primarily by Lidwien Kapteijns and Jay Spaulding. Although exchange, markets, and forms of money existed to some degree, these were not capitalist societies wherein most individuals secured their material reproduction through the purchase of goods from markets with money received from waged labour. In societies such as Dar Fur, Dar Masalit and the Funj, Kapteijns and Spaulding point to a combination of production for family and local consumption, and taxation in goods and labour donations by political authorities with subsequent redistribution.[80] Trade between these societies and itinerant merchants from Egypt or the Red Sea littoral was subject to substantial political controls. Merchants entering the Funj or its suzerain polities would see the entirety of their goods deposited with the local ruler as an obligatory purchase. The merchant would reside within the polity, possibly for several months, while the ruler would gradually clear the imported goods by exchanging them with goods for export at rates of exchange that were politically determined, but no doubt also subject to a degree of negotiation and sensitivity to local and external markets.[81] Metal coinage probably played an important role in final settlements in these exchanges. This confirms David Graeber's contention that barter is not a

[78] Mahmoud Ibrahim, 'The history of the Isma'iliyya Tariqa in the Sudan, 1792-1914' (Unpublished doctoral dissertation: SOAS, University of London, 1980).
[79] Ahmed Al-Shahi, 'A Noah's Ark: the continuity of the Khatmiyya order in northern Sudan' *Bulletin (British Society for Middle Eastern Studies)* 8, 1 (1981), pp. 13–29.
[80] Lidwien Kapteijns & Jay Spaulding, 'Precolonial trade between states in the Eastern Sudan, ca 1700 - ca 1900' *African Economic History* 11 (1982), p. 29. Jay Spaulding, 'Taxation in Sinnar in about 1700' *Northeast African Studies* 6, 1/2 (1984), pp. 127-146.
[81] Kapetijns & Spaulding, 'Precolonial trade.'

primordial form of exchange prior to the use of money, but rather a form of exchange between societies familiar with money and prices but without a shared exchange standard.[82]

Social infrastructures for organising routine localised exchange and more occasional purchases no doubt existed, and there is evidence of monies-of-account in operation (specifically, to ascribe a value to tax obligations that were subsequently collected in kind).[83] External trade increasingly brought metallic commodity-monies such as Spanish dollars, the Maria Theresa Thaler, and Egyptian and Ottoman coins into Sudan, and these could also have been used to occasionally settle outstanding debts in local monies-of-account. There is no evidence of financial institutions that used hoarded liquid assets to issue credit and accumulate profits from repayment, and Islam contains strong prohibitions against usurious lending. Naturally, there were also no mechanisms for local records and representations of value to become commensurable and transferable within a larger capitalist value regime.

[82] Graeber, *Debt*, p. 29.
[83] Jay Spaulding, 'Pastoralism, slavery, commerce, culture and the fate of the Nubians of northern and central Kordofan under Dar Fur Rule, "ca." 1750-"ca." 1850', *The International Journal of African Historical Studies* 39, 3 (2006), p. 400.

Turkiyya and Mahdiyya

This section considers Sudan under Egyptian rule in the nineteenth century, and the subsequent armed religious uprising against Egyptian rule which occurred between 1881 and 1898. It argues that this period institutionalised a moveable racialised boundary between the centre and peripheries in Sudan, structured by memories of violent raiding and slaving, with a neurosis in the centre based on demonstrating adherence to Islam and Arab-ness, and consequent claims to non-enslavability.

In 1820, Egypt launched an invasion and campaign of territorial conquest in Sudan. The trade between Sudan and Egypt was lucrative, but the previous section has described how supply and exchange rates were controlled by fragmented political authorities within Sudan. Egypt was a province in the Ottoman Empire governed by Muhammad Ali, for whom military slaves from Sudan were an important pillar of his local rule and regional wars of expansion. Although Sudan had been the site of military incursions from Egypt before 1820, the invasion of that year ultimately conquered a vast area from the Nile cataracts in northern Sudan to the Ethiopian mountains in the east and the marshlands of the White Nile in the south. Egypt administered Sudan from the new settlement of Khartoum, situated immediately south of the Blue and White Niles' confluence.[84] Sudan was nominally ruled as part of Egypt, but 'Egyptian' rule in Sudan has since been deemed the 'Turkiyya', in recognition of the fact that Egypt was part of the Ottoman Empire, and many of its administrators and commanders in Sudan were members of the administrative class of the Ottoman Empire, including Turks, Greeks, Levantines, Albanians, and other Balkan nationalities. The slaving objectives of the Turkiyya pushed its borders beyond the territory of the Funj through raiding and slaving campaigns into non-Muslim areas that lie in modern-day South Sudan.

Religious identification was important due to the Islamic prohibition against enslaving fellow Muslims. In northern Sudan, Arab tribes had initially resisted the Egyptian invasion. However, once Egyptian rule was established, the language, religion, and economic status of these tribes meant that members of these tribes could position themselves within a class of local elites alongside Egyptian military, commercial, and administrative personnel. Merchants from these tribes continued to accumulate wealth under the Turkiyya, including through the trade in enslaved people. This cemented the lasting prominence of these tribes as a 'northern riverain elite' from which many of Sudan's future political, military and cultural leaders would trace

[84] Holt & Daly, *History of the Sudan*, p. 35.

their origins.[85] In contrast, military and armed commercial ventures to enslave people from non-Arab and non-Muslim communities in southern Sudan created a lasting practice and memory of racialised violence in that region.[86]

Sudan's conquest by Egypt provided the conditions for its gradual incorporation into the international capitalist regime of value centred on Western Europe. In the 1820s and 1830s, Egyptian commerce in the Turkiyya had been organised through state-trading monopolies. In 1838, however, the Ottoman Empire agreed by treaty with the United Kingdom to open its territories to free trade. European capital consequently flocked to Egypt, the most prosperous province of the Ottoman Empire, transforming it into a 'colonial laboratory for financial investment and experimentation.'[87] Egypt provided a market for goods from a vast hinterland in Africa and the Middle East that could be re-exported to European markets, along with Egypt's own agricultural produce. Chief within this was raw cotton, Egypt's principal cash crop. Various merchant-houses were founded in Egypt's port city of Alexandria that specialised in purchasing goods for export to Europe. These trading houses were operated either by the agents of European capitalists, or business families from resident non-Muslim communities in Egypt, including Jews, Copts, Armenians, Greeks, and Italians. These included families such as Ben Lassin, Cicurel, Escher, Hohmann, Pinto, Ralli, Suares and Salvago, many of whom would also have investments in Sudan in the twentieth century. From the 1840s, merchants from Egypt and other Ottoman territories within Sudan were gradually joined by Europeans who, by the end of the century, were also being appointed to administrative positions in the Turkiyya.

In the 1860s, the American Civil War led to a collapse in the global supply of cotton from the southern United States, resulting in a meteoric rise in the export sale price of raw cotton from Egypt. In turn, this prompted a rapid increase in the cultivation and production of cotton in Egyptian territories, including experimentation with cotton production in Sudan at Tawkar, near the Red Sea. As Egyptian private and public revenues swelled, the state committed substantial funds to capital expenditure for irrigation, transport, and urban development. This included the ambitious plan for a canal between the Red Sea and the Mediterranean that would reorganise global shipping. To finance this expenditure, Muhammad Ali's son and eventual

[85] John Ryle, 'People and culture of two Sudans', in Ryle et al. (eds), *Sudan handbook,* pp. 75-78.
[86] Cherry Leonardi, *Dealing with government in South Sudan: histories of chiefship, community & state* (Woodbridge: James Currey, 2013), pp. 18-19.
[87] Aaron Jakes, *Egypt's occupation: colonial economism and the crises of capital* (Stanford: Stanford University Press, 2020).

successor, Said, issued bonds in local and, from 1862, European financial markets.[88] This accompanied the financialisation of European investment in Egypt as a number of banks opened in that country to finance the trading activities of merchant capitalists, participate in financing large capital projects, and invest in Egyptian public debt. The British-owned Bank of Egypt was an early entrant in 1856, followed by the Anglo-Egyptian Bank (1864), the Imperial Ottoman Bank (1866), Credit Lyonnais (1874) and the Banco di Roma (1880).[89]

The 1860s also saw Said's successor, Ismail, create the Banque du Soudan to finance commerce in Sudan, but which failed in 1873.[90] From scant references in secondary sources, it is difficult to paint a picture of this institution, the first bank in Sudan. Its purpose would presumably have been to collect deposits from merchants and administrators in Khartoum, finance local trade, handle commercial paper, and re-employ any surplus balances in Egypt or, possibly, European financial markets. There was a shortage of ready cash in Sudan to which this bank may have appeared as the solution, but which may also have been the cause of its failure.

When international cotton prices fell away from their transient heights, the Egyptian state saw its revenues fall beneath its capacity to service its debts. European creditors were threatened from 1875 by a potential Egyptian bankruptcy, prompting a series of countermeasures. In 1876, the Egyptian public debt was consolidated and reorganised with stringent mechanisms for creditor oversight; in 1879, Ismail was deposed under a British military threat; and, in 1881, an attempted military and popular revolution against European influence in Egypt led to the country's invasion and occupation by Britain in 1882, inaugurating a 'veiled protectorate'.[91]

The third quarter of the nineteenth century saw Egypt's relationship with international capitalism transformed from one of opportunistic engagement to forceful subjugation as France and, especially, Britain intervened militarily to protect their investors. Caught between the hope of future profits and creditworthiness on the one hand, and the risk of direct coercive violence on the other, Egyptian society was restructured towards adherence to capitalist value.[92] The natural culmination of such a process was an outcome wherein individuals adhered to capitalist norms of value not because they hoped to profit or faced direct coercion to do so, but because

88 Peter Cain & Anthony Hopkins, *British imperialism, 1688-2015* (Abingdon: Routledge, 2016), p. 340.
89 National Bank of Egypt, *National Bank of Egypt, 1898-1948* (1948), pp. 13-14.
90 Richard Hill, *Egypt in the Sudan, 1820-1881* (London: Oxford University Press, 1959), p. 98.
91 Cain & Hopkins, *British imperialism*, pp. 340-341.
92 Jakes, *Egypt's occupation.* Timothy Mitchell, *Colonising Egypt* (Berkley: University of California Press, 1991).

historical processes caused all others in society to so adhere, such that there was no other way to earn one's sustenance and avoid perdition.

Edward Thomas describes how, as Egypt was transformed 'from an autonomous province of the Ottoman empire into a British-occupied debt farm', debt-financed and debt-incumbent traders of all nationalities ventured further in Sudan, such that 'Egypt's booms and busts were played out in its Sudan colony'.[93] The trading and raiding economy of the Turkiyya brought armed merchants, administrators, clerks and mercenaries who were increasingly animated by a capitalist regime – and discipline – of value into contact with populations that had no spontaneous adherence to capitalism's measures and expressions of value. Securing goods through from these societies through exchange could only be done through payment in coins that were valued for their metallic content (Spanish dollars, Maria Theresa Thalers, Egyptian Pounds…), or the provision of other use-values in exchange. (In other colonial societies, colonial production or counterfeiting of local currencies to purchase goods was a common practice. This may also have taken place in Sudan).[94] Conversely, violence was also used to command labour or raid goods. As Britain established undeclared authority in Egypt, its nationals sought to suppress the trade in enslaved people in Sudan. However, this was never total, and a violent economy of raiding and trading endured.

The failure to establish lasting financial institutions in the Turkiyya meant that money and coinage could not act as the capitalist money-form in circulation or accumulation, as 'they were not convertible, could not be banked, and were not applicable to the acquisition of […] assets' within the international capitalist economy,[95] unless they were transported as commodities over significant distances to Egypt and exchanged there for money in the form of financial accounting entries. Merchants' ventures into Sudan were doubtless financed from Egypt, which would also have been where many local debts were ultimately settled. On the challenges of organising small spot exchanges in the Turkiyya, the German merchant Ignatius Pallme describes how, in Kordofan, tufts of cotton were used in exchange. Although this solved problems in circulation, it was clear that tufts of cotton could not be used for significant accumulation.[96] In northern Sudan, meanwhile, public authorities made increasingly desperate attempts to tax a very small circulation of coinage from local farmers and merchants to serve

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[93] Edward Thomas, *South Sudan: a slow liberation* (London: Zed Books, 2015), p. 61.
[94] Marie-Claude Dupré, 'Raphia monies among the Teke: their origin and control', in Jane Guyer (ed.), *Money matters: instability, values and social payments in the modern history of West African communities* (London: James Currey, 1995), p. 40.
[95] Jane Guyer, 'Introduction' in Guyer (ed.), *Money matters*, p. 7.
[96] Ignatius Pallme, *Travels in Kordofan* (1844), p. 304.

the local and central revenue requirements of the Egyptian state. When cash was wanting, farmers were taxed in grain which administrators sought to sell for cash in Khartoum, All of this entrenched indebtedness, illiquidity, and insolvency in Egypt's Sudan colony.[97]

The nexus of taxation, indebtedness and violence in the Turkiyya collapsed from 1881. In that year, Muhammad Ahmad, a northern Sudanese who was prominent in the Sammaniyya, abandoned sufism and declared himself the 'Mahdi', the millenarian redeemer of Islam in a fundamentalist revival movement. He made this declaration from Aba Island on the White Nile and launched an armed uprising against the Turkiyya. Al-Mahdi's followers, the Ansar, first moved west and conquered Al-Ubayyid, the provincial capital of Kordofan, before capturing Khartoum and defeating the Turkiyya in its capital in 1885. Thomas argues that Al-Mahdi was 'the only Sudanese in history to lead a successful revolt from Sudan's violent periphery.'[98]

That said, the peripheral identity of the Mahdist uprising must be qualified. The Ansar were certainly peripheral with relation to the colonial authorities of the Turkiyya, and secured a significant following in marginalised western Sudan. The Mahdiyya's early leadership, however, was from religious and social communities that had been elite among Sudanese during this period who had previously participated in trading, raiding and slaving at the expense of non-Muslim populations. Moreover, the Mahdiyya opposed the anti-slaving policies of the Turkiyya under British influence, and it reflected the desire of Muslim Sudanese to re-enter this lucrative trade. Like other Islamic revolutions across West Africa and the Sahel in the nineteenth century, the Mahdiyya espoused a devout Islamic identity to proclaim the non-enslavability of its followers, while maintaining their own right to enslave other populations.[99] The Mahdiyya duly restored open slaving campaigns in Sudan and designated as non-Muslim – and, therefore, ensalvable – several populations of the former Funj Sultanate that the Egyptians had recognised as Muslim.[100] It seems, therefore, that the Mahdiyya was in large part a revolt by Muslim Sudanese to defend against encroaching impoverishment and indebtedness to Ottoman merchants and administrators that was beginning to dangerously resemble the status of enslaved servitude.[101]

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[97] Jay Spaulding, 'Land tenure and social class in the northern Turkish Sudan,' *The International Journal of African Historical Studies* 15, 1 (1982), pp. 1-20.
[98] Thomas, *slow liberation,* p. 68.
[99] Paul Lovejoy, *Jihad in West Africa in the age of revolutions* (Athens, USA: Ohio University Press, 2016).
[100] Jay Spaulding, 'Toward a demystification of the Funj: some perspectives on society in southern Sinnar, 1685-1900' *Northeast African Studies* 2, 1 (1980), p. 9.
[101] Anders Bjørkelo, *Prelude to the Mahdiyya: peasants and traders in the Shendi region, 1821-1885* (Cambridge: Cambridge University Press, 2009).

Muhammad Ahmad died shortly after his triumph in 1885. He was succeeded by Abdullahi ibn Muhammad who ruled the Mahdiyya as Khalif, with Egypt successfully driven from Sudan apart from the Red Sea coast. Forthcoming research by Anaël Poussier examining the taxation system of the Mahdiyya will do much to reveal the organisation of economy, money, and value in this period.[102] The Mahdiyya was under various degrees of blockade from Egypt and the British military in Egypt from its creation, including to the point of famine being induced in eastern Sudan while the Khalif struggled to tax and redistribute resources in sufficient quantities to counter this. The Mahdiyya minted its own coinage from its capital in Omdurman, across the White Nile from Khartoum. When Egyptian and British armies re-invaded Sudan in the late 1890s and approached Omdurman, the Khalif's entourage began issuing currency on stamped sections of kerosene cans in a desperate attempt to sustain a measure and circulation of value under the authority of the embattled movement.

[102] Anaël Poussier, 'Le pouvoir des chiffres : les pratiques comptables de l'autorité mahdiste au Soudan-Est (1883-1891)' (forthcoming doctoral dissertation, Université de Paris I).

The Anglo-Egyptian Condominium of Sudan

If the Turkiyya had enabled Sudan's gradual incorporation into a capitalist regime of value, with the coercive activities of soldiers and armed traders forcing local populations to respond to the demands for profit and debt repayments in Egypt, then the Mahdiyya broke this gradual process and instituted a contained regime of value that responded to dynamics other than those of the international capitalist economy. This then made Sudan's re-annexation to an international capitalist regime of value after 1899 – through the introduction both of financial institutions that facilitated monetary circulation in the form of financial ledger entries, and companies and individuals who recognised these acts of accounting as expressions of value – an all the more decisive moment of rupture. After several limited military campaigns against the Mahdiyya, French colonial expansion towards Sudan from equatorial Africa in the 1890s prompted the British in Egypt to launch a full-scale invasion of Sudan with British officers leading Egyptian armies in the name of Egypt's territorial claim to the Turkiyya.

Military victory was followed in 1899 by the formalisation of British and Egyptian rule through the creation of the Anglo-Egyptian Condominium of Sudan. Egypt's currency, the Egyptian Pound, was established as the official currency of the Condominium. Although Sudan was nominally co-administered by Britain and Egypt, the latter was in fact side-lined in many aspects of Sudan's internal administration. Consequently, the Condominium resembled a British colony with executive and legislative powers vested in a British governor-general and a Sudan Government, respectively, with the latter formed of departmental secretaries who were also British nationals. (In this thesis, as elsewhere, 'Sudan Government' refers to the executive of British departmental secretaries that administered Sudan until 1953, whereas 'Sudanese government' refers to cabinets of Sudanese government ministers from 1954 onwards).

The first bank to open in the Anglo-Egyptian Condominium was a branch of the National Bank of Egypt (NBE) in Khartoum in 1901. The NBE had been founded three years earlier in Cairo. Whereas all of the banks operating in Egypt listed in the previous section were incorporated in Europe or Turkey, the NBE in 1898 was the first bank to be incorporated in Egypt under Egyptian law. The bank would subsequently claim that 'The intention was that it should be a truly Egyptian National Bank.'[103] Lofty ambitions aside, the bank was only 'truly' Egyptian in the legal system under which it was incorporated. In its ownership and management, the NBE resembled the other multinational banks that operated in Egypt and

[103] NBE, *National Bank of Egypt*, p. 14.

other colonial peripheries. Half of the bank's initial capital of £1,000,000 (£E.975,000) was provided by a British merchant banker, Ernest Cassel, with the other half provided by members of Egypt's resident non-Muslim business community from the Suarès and Salvago families. Similarly, the NBE was staffed in its most senior positions by Europeans, primarily Britons, with Muslim Egyptians only employed in the most junior clerical and messenger positions. Although managed from Cairo, the NBE also answered to a London Committee that represented shareholders. Nominally, the London Committee was merely advisory on most issues, but it had voting rights alongside the board of directors in Cairo regarding transactions over £100,000, new share issues, amendments to the bank's statutes, and other specific issues.[104]

Although the NBE was unoriginal in its ownership and management, it was granted the novel legal authority in Egypt to issue bank notes for general circulation. Hitherto, Egyptian currency had taken the form of gold Egyptian Pound coins with circulation supplemented by piastres, sub-denominations that were not minted in precious metal, as well as commercial credit contracted between private parties. Egypt was part of the international gold standard, and the notes issued by the NBE were convertible into gold from the bank's reserves upon presentation. The NBE became the principal banker to the Egyptian and Sudan governments which ensured a generous reserve backing for its currency issue, from which the bank earned seignorage (the difference between the cost of issuing currency and its nominal value). The bank still practiced commercial deposit-taking and loan-issuing in Egypt and Sudan, as the concept of a dedicated central bank in this period was anachronistic outside of core imperial and industrialised jurisdictions. Unlike in Egypt, banknotes were not recognised as official currency in Sudan until 1914, under the economic pressures imposed by total war.[105] In Sudan, the NBE opened a seasonal agency in Tawkar in 1904 to service revived cotton schemes; the Red Sea port of Suakin (1906), which later moved to the new artificial port of Port Sudan; Wad Madani (1912), a provincial town by the Blue Nile; and Al-Ubayyid (1913), an entrepot market for goods in western Sudan.[106]

The second bank to open in Sudan was the Anglo-Egyptian Bank. Some accounts, including anniversaries observed by its local successors, date its arrival to 1913.[107] An official

[104] Ibid., pp. 16-18.
[105] Zbigniew Siemienski, The Sudan Currency Board (20 July 1961), p. 2. OV 134/4. Private individuals could accept banknotes in transactions before this date.
[106] Ibid., p. 21.
[107] Barclays DCO and the Bank of Khartoum celebrated the half centenary, and centenary, of their institutions in Sudan based on the Anglo-Egyptian Bank having begun operations in 1913. Barclays DCO, Chairman's visit to Sudan, (22/27 March 1964). BB0080/3647.

history of Barclays DCO, however, gives both 1903 and 1913 as dates on different pages.[108] Furthermore, the 1902 Governor-General's report in Sudan (written in early 1903) commented that 'Two British banks are established in Khartoum, and appear to be thriving'.[109] (This indicates that contemporaries considered the NBE to be a British bank rather than a 'truly Egyptian' institution). One is inclined to date the Anglo-Egyptian Bank's arrival in Sudan in line with the earlier dates in primary sources. However, the discrepancies pointed to may indicate an expanding form of service provision, for example, from a presence through agents receiving deposits towards a branch with full banking services. Banking in Sudan remained a duopoly until 1949.

The Anglo-Egyptian Bank was founded in 1864 as a typical free-standing multinational bank, with a head office in London and a network of branches in one territory, Egypt, which later expanded to cover the British Mediterranean in Gibraltar, Malta, Cyprus, and Palestine. During its twelve years in Sudan, the Anglo-Egyptian Bank opened branches in Omdurman, Port Sudan, Tawkar, Wad Madani and Hassa Heissa.[110] The latter two locations were alongside the Blue Nile in an area irrigated by the Sinnar Dam, a large-scale infrastructure project which was begun in 1913.[111] The managers of the NBE and the Anglo-Egyptian Bank in Sudan served as the first president and vice-president, respectively, of the Sudan Chamber of Commerce, founded in 1908.[112] Early membership lists of the Chamber of Commerce include many banks present in Egypt but which never opened branches in Sudan, suggesting that significant financing of business and investment in Sudan in the early years of the Condominium was organised from Egypt, no doubt in correspondence with agents in Khartoum.[113] The organisation of business, money and finance in the earliest years of the Condominium is an intriguing avenue for future detailed research that is beyond the scope of this thesis.

In 1925, the Anglo-Egyptian Bank was acquired by the British domestic bank Barclays, which also acquired the Colonial Bank, which operated in British West Africa and the Caribbean, and the National Bank of South Africa. These three institutions were merged to form Barclays Dominion, Colonial & Overseas (DCO), the international subsidiary of Barclays Bank. The event embodied the culmination of multiple trends in British finance. First, British

[108] Julian Crossley & John Blandford, *The DCO story: a history of banking in many countries, 1925-1971* (London: Barclays Bank International, 1975), p. xxi & 272.
[109] Sudan Governor-General, *Report on the finances, administration and condition of the Sudan* (Khartoum, 1902), p. 6.
[110] Crossley & Blandford, *The DCO story*, p. xxi.
[111] See Chapter Three.
[112] Tignor, 'The Sudanese private sector', p. 187.
[113] Sudan Chamber of Commerce, *Monthly journals* (1908 onwards). MEDU 17/4/BUS.

domestic banking had undergone rapid consolidation from the 1890s onwards, reflecting global trends in international capitalism. A multitude of small provincial banks were replaced by the end of the First World War with the 'big five' clearing banks (so-named for their ability to clear bankers' cheques), including Barclays.[114] Second, disruptions to international free trade and finance from the First World War onwards threw the business model of free-standing multinational banks into crisis, accelerating mergers and acquisitions in this sector. The inequity of international distributions of capital was reflected by the fact that a British domestic bank could acquire three banks operating across a vast global space that included the Nile Valley, the Mediterranean, South Africa, West Africa and the Caribbean.

Barclays DCO pioneered a new model of British multinational banking that was not based on servicing a particular territory or region to the benefit of merchant-capital in that region. Rather, Barclays DCO sought a global presence to serve the interests of Barclays Bank's importing and exporting clients in the consolidated industrial sector of the British economy, aiding them in reaching external markets and circulating commercial paper, while balancing liquidity needs across the rhythms of business in a global space.[115] If the crises of world war and great depression disrupted the global free flow of capital, Barclays DCO could still organise its geographical expansion across an imperial, rather than global, space.

As the ultimate imperial bank, Barclays DCO formed an intimate relationship with British colonial authorities across the Empire, from whom it frequently received important public deposits as the preferred or sole local bank. It was also capable of rewarding this cooperation with a revolving door between public and private service. For example, James Robertson was a civil servant in the Anglo-Egyptian Condominium from 1922 until 1953, and the last Civil Secretary in the Sudan Government, serving from 1945. After Sudanese self-government elections in 1953, he worked for the UK Colonial Office in British Guiana (until 1954) and as Governor-General in Nigeria (until 1960). Thereafter, Robertson retired from public employment and was appointed as a director of Barclays DCO in London, a position he held throughout most of the period of this thesis and in which capacity he returned to Sudan for company visits in the 1960s.[116]

Before 1953, Barclays DCO's branches in Sudan were considered part of its Egyptian division and were managed from the bank's Local Head Office (LHO) in Alexandria. The

[114] Forrest Capie, 'Structure and performance in British banking' in PL Cottrell & DE Moggridge (eds), *Money and power* (Basingstoke: MacMillan, 1988). pp. 74-79.
[115] Crossley & Blandford, *The DCO story*, p. 1.
[116] Ibid., p. 273.

bank's archival record reveals detailed auditing and controls of the bank's local operations from its head office in London, with all correspondence between London and the territory passing strictly through the LHO in Alexandria and, after 1953, Khartoum. In 1928, Barclays DCO opened a branch in Kassala in eastern Sudan, but its branches in Kassala, Hassa Heissa and Tawkar all closed during the 1930s. Global depression in that decade restrained business in Sudan, as elsewhere, and no bank branches existed in Sudan in 1949 that had not existed in 1925. Meanwhile, the NBE increasingly retrenched behind its activities as a government banker and bank of issue in Sudan while withdrawing from commercial lending. This transformed Sudan's banking duopoly into an effective commercial banking monopoly by Barclays DCO. Barclays DCO was the largest bank in Sudan throughout its existence in that country.

The business community under the Condominium was dominated by foreign corporate investors engaged in the export of primary commodities. Gum arabic was initially Sudan's most important export in this regard, but it was soon overtaken by a vast cotton production and export economy. The land irrigated by the Sinnar Dam was transformed into the Gezira Scheme, the largest farm in the world, which produced cotton and which was financed by the Sudan Government and the Sudan Plantations Syndicate. Profits were divided between the government (20%), the syndicate (40%) and tenant farmers (40%).[117] There were also resident non-Sudanese communities in the Condominium, including Greeks, Copts, Syrians, Armenians, Italians, and Jews. Members of these communities originally worked in small-scale business and clerical positions in the Sudan Government, but some of whom went on to found significant business conglomerations. These include Contomichalos, Tsakiroglou (Greeks), Hajjar, Kfouri, Boxall, Bittar (Lebanese and Syrians), Jerjian (Armenian), and Virani (Indian). Sudanese business families, sometimes active in trade from the eighteenth century, somehow also managed to retain or regain leading positions in commercial trade with Egypt after the conflict of the 1880s and 1890s.[118]

The Condominium authorities also approached religious notables in Sudan with a view to consulting or co-opting these local power brokers for the purposes of public administration. These included the sufi leaders Yusuf Al-Hindi of the Hindiyya, and Ali Al-Mirghani of the Khatmiyya. Ali Al-Mirghani was the grandson of Muhammad Uthman Al-Mirghani. The Khatmiyya had been close allies of Egypt in Sudan before 1885 and many of its members,

[117] Simon Mollan, 'Economic imperialism and the political economy of Sudan: the case of the Sudan Plantations Syndicate, 1899-1956' (Unpublish doctoral dissertation: Durham University, 2008).
[118] Tignor, 'The Sudanese private sector', pp. 180-182.

including Ali himself, were merchants who were active in the trade with Egypt. Nevertheless, the Khatmiyya shifted to being an ally of Britain in Sudan when tensions between the co-domini flared up in the 1920s.[119] The Ansar was also reorganised in the 1910s under the leadership of Abd Al-Rahman Al-Mahdi, the posthumous son of Muhammad Ahmad. Al-Mahdi departed from the movement's origins as an armed religious uprising, and transformed it into a social, charitable and business network of religious adherents. In this, the Ansar came to resemble the sufi tariqas which had a large following in Sudan, even though the Mahdiyya had originally been a fundamentalist movement opposed to these popular iterations of Islam. After an initial period of suspicion, the British and Abd Al-Rahman Al-Mahdi developed a cautious relationship of mutual co-option and collaboration. The Sudan Government enabled Al-Mahdi's transformation into a major local business owner by granting him a licence for private cotton production on Aba Island in 1926. From this, Al-Mahdi built a sizeable corporate empire founded on cotton production, but with a range of investments and shareholdings across other types of businesses.[120]

During the Condominium the economic geography of Sudan coalesced around multiple axes that continued to shape Sudan during the period examined by this thesis. By 1956, the Condominium was divided into nine provinces. The political capital of Sudan was Khartoum situated immediately south of the confluence of the Blue and White Niles. Across the White Nile from Khartoum, between the White Nile and the Nile, was the demographically-larger city of Omdurman. Omdurman hosted Sudan's largest market, which was an important wholesale market for trade between Sudan's different regions. Between the Blue Nile and the Nile was the much smaller, but growing, settlement of Khartoum North (later, Bahri) which by the 1950s was becoming an important site for new elite waterside residences and the expansion of industrial suburbs. Together, these 'Three Towns' formed Khartoum Province.

In central Sudan, Blue Nile Province contained both the Blue Nile and the White Nile between Khartoum and southern Sudan. The land between the Blue and White Niles was referred to as the 'Jazira' (island). The name of the province reflected the superior economic importance of the Blue Nile within the Condominium, the waters from which irrigated the aforementioned Gezira Scheme (the different transliteration reflects what was used by the

[119] This was in response to nationalist uprisings in Egypt and Sudan. Ahmed Ibrahim Abushouk, 'The Anglo-Egyptian Sudan: from collaboration mechanism to party politics, 1898–1956', *The Journal of Imperial and Commonwealth History* 38, 2 (2010), pp. 212-214.
[120] Fergus Nicoll, 'Dā'irat al-Mahdī: Money, Faith and Politics in Sudan', *Sir William Luce Paper no. 14* (2013). Available online: https://www.dur.ac.uk/resources/sgia/imeis/lucefund/Luce2013Lecture.pdf.

Anglophone company). Chapter Three describes the rapid expansion of private cotton production along the White Nile from 1949.

Kordofan Province in western Sudan was an important pastoral and agricultural region producing many of Sudan's non-cotton export goods, such as gum arabic, groundnuts, sesame, flours, hibiscus, and livestock. With the exception of gum arabic, which was also sold to European markets, these products were mostly sold to neighbouring markets in Egypt and Saudi Arabia, or else were for domestic consumption. The provincial capital of Al-Ubayyid had an established history as an entrepot market town for goods from Kordofan and Darfur, and until the Second World War it was Sudan's largest settlement after Khartoum and Omdurman.

In Kassala Province in eastern Sudan, Sudan's exports to markets other than Egypt were transported by rail to Port Sudan on the Red Sea, which overtook Al-Ubayyid as Sudan's third city after 1945. Port Sudan's two railway links ran to Khartoum via northern Sudan, and the Jazira via the small eponymous provincial capital of Kassala which was near Sudan's border with Eritrea.

Northern Province included an industrial city at Atbara, situated at the intersection of the railway lines to Port Sudan, Khartoum, and Egypt, and was where Sudan Railways were headquartered. Downriver on the Nile from Atbara, Northern Province consisted of agricultural and market towns on the trade route between Khartoum and Egypt. This chapter has described how many of Sudan's elites trace their tribal and family origins to this region. The province's own agricultural production consisted mostly of goods for local consumption, most notably dates.

Southern Sudan contained three provinces, namely, Equatoria, Bahr Al-Ghazal and Upper Nile. These were populous provinces with an environment and natural resources distinct from the rest of Sudan. However, the British rulers of the Condominium, influenced by imperial ideologies of preserving the 'traditional' existence of these non-Muslim communities from the disrupting influence of commercial penetration, enforced a policy of 'Closed District Ordinances' which prohibited access to these provinces by merchants and businesses from the rest of Sudan. These measures were applied not only to non-Muslim areas in the south, but also to Muslim Darfur in Sudan's far West, which was also perceived as 'traditional' and 'underdeveloped'.

The depressed conditions of the 1930s gave way to much larger public expenditure during the Second World War. Uncertainty and controls imposed by the war prevented the resident balances so accumulated from being re-invested in business expansion. After 1945, controls were lifted and a global boom in primary commodity prices associated with reconstruction and, subsequently, rearmament, allowed for substantial new public and private investment in Sudan, including debt-financed investment by the established banks and new entrants. This is described in Chapters Two and Three. The Second World War also transformed the relationship between Egypt and Great Britain, with British military spending in Egypt transforming the latter country into a creditor, rather than a debtor, of its military occupier. This reversed the founding principle of Britain's 'veiled protectorate' in Egypt which had existed from 1882. When the NBE's charter was due for renewal in 1948, the Egyptian government imposed as conditions that it pursue the Egyptianisation of its junior management and evolve towards a proactive central bank role serving the interests of the Egyptian state.[121] Chapter Four will describe how Anglo-Egyptian conflict played out with regard to Sudan's monetary and financial arrangements. Meanwhile, the following section will describe how this conflict shaped Sudan's first party system during the 1950s.

[121] NBE, *The National Bank of Egypt*, pp. 116-118.

Business structure and party competition 1

This section provides the first part of an investment theory of Sudanese party competition, describing the origins of the party system that shaped the first parliamentary period in Sudan from 1953 until 1958. Chapters Two and Three describe the subsequent evolution of that system as political parties and political investors responded to independence in 1956, renewed elections in 1958, and a deep economic crisis later that year. Chapter Six presents the second part of an investment theory of Sudanese party competition, analysing Sudan's second parliamentary period from 1965 until 1969.

From the 1930s, British administrators in Sudan experimented with multiple forms of representative bodies. These included provincial and municipal councils, which were gradually brought into existence after 1937; an Advisory Council for Northern Sudan in 1943; and a Legislative Assembly in 1948. In 1938, a Graduates' Congress was formed by graduates of Gordon College, an influential group of Sudanese who were capable of making claims on the Sudan Government in its own terms. Although the body lacked public official status, it was tolerated by British authorities as a useful formal structure through which to engage with this otherwise disperse group. All of these bodies that existed before 1953 had merely consultative or devolved powers, with membership decided by a mixture of indirect elections, ex-officio appointments from entities such as the Chamber of Commerce, and nominations by the central Sudan Government.[122]

In 1945, the National Umma Party[123] became the first registered political party in Sudan. The party was founded by Imam Abd Al-Rahman Al-Mahdi and was financed to a great extent by his cotton estates. Abd Al-Rahman's son Siddiq Al-Mahdi was the party's president while the former army officer Abdallah Khalil was its secretary. Unlike other political clubs and groupings among Sudan's educated elite in the 1940s, the Umma pursued a strategy of mass membership to advance its political objectives, including supporting the election or appointment of its endorsed candidates to Sudan's representative bodies. Abd Al-Rahman Al-Mahdi used the Umma Party to advocate immediate independence for Sudan under the slogan 'Sudan for the Sudanese.'[124] In the context of the period, this was understood as a 'pro-British' position in Sudan, as it clashed with Egyptian calls for 'unity of the Nile Valley' under the

[122] Ibid., pp. 215-216. Tim Niblock, *Class and power in Sudan: the dynamics of Sudanese politics, 1898-1956* (Basingstoke: Macmillan, 1987), p. 159.
[123] *Umma*: 'community of believers.'
[124] Alexander Solon Cudsi, 'The rise of political parties in the Sudan: 1936-1946', (Unpublished doctoral dissertation: SOAS, University of London, 1978), pp. 293-294.

Egyptian crown. Notwithstanding, British administrators viewed Sudanese independence as a distant ideal that ought to be guarded against Egyptian menaces, rather than an imminent prospect as advocated by the Umma Party. Although Al-Mahdi's patronage brought with it the support of his religious order, the Ansar, the Umma sought to be a national party, rather than a sectarian one. It included among its leading members individuals such as the civil servant Ibrahim Ahmad and the lawyer Muhammad Ahmad Mahjub who were not Ansari, but who supported the party's pro-establishment and pro-independence leanings.

The dispersed political clubs and small-scale parties opposed to the Umma Party did not coalesce into a single organisation until 1952. In this year, four 'pro-Egyptian' parties (the Ashiqqa, Unionists, Liberal Unionists and Wadi Al-Nil)[125] combined to form the National Unionist Party (NUP) under Egypt's instigation. However, the 'pro-Egyptian' predilections of the NUP and its already faction-ridden predecessors arose from a variety of contradictory sources. The party received support from wealthy Sudanese merchants who traded with Egyptian markets; the religious leadership of the Khatmiyya, who wished to counter the influence of the Ansar; secular nationalists who looked to Egypt as a model of anti-colonial nationalism; and political pragmatists who viewed association with Egypt as a means towards Sudan's independence from Britain. Whereas the Umma Party was financed by the cotton-growing interests of Al-Mahdi, the NUP received its financial backing from merchants in Sudan's urban centres and its fraternal religious orders. Alongside the influential Khatmiyya, smaller sufi order such as the Hindiyya and the Ismailiyya were identified with the NUP, rather than the Umma Party.[126] The NUP was led by Ismail Al-Azhari, a former schoolteacher who was related to the religious leadership of the Ismailiyya. The party advocated the 'unity of the Nile Valley' and was cast as the 'pro-Egyptian' party in Sudanese politics.

Later in 1952, the Umma Party, the NUP, and Egypt, issued a joint call for self-government elections in Sudan that would create a representative body capable of determining Sudan's future constitutional status. This was a strategic act of alliance which served multiple ends, including most immediately the transfer of legislative power from the British to Sudanese. Faced with such a united front, Britain conceded to self-government elections in November 1953. These elections were a significant milestone. For the first time, they would produce a legislative body of Sudanese who were overwhelmingly appointed through direct

[125] *Ashiqqa*: blood brothers. *Wadi Al-Nil*: Nile Valley.
[126] Niblock, *Class and power*, pp., pp. 202-203.

elections from across the entire territory of the Condominium (elections in most of southern Sudan and parts of western Sudan were held indirectly through tribal leaders).

British officials anticipated an electoral triumph for the Umma Party in 1953, as this party enjoyed tacit support from Sudan's 'senior' co-dominus, active support from its largest religious movement and wealthy patron, and stood as a bulwark against encroaching Egyptian influence. Indeed, Umma lists would garner the largest number of votes in all subsequent free multi-party elections in Sudan (as of 2021). In 1953, however, the NUP outpolled the Umma Party and secured the only absolute majority of seats in Sudan's history of free elections with 50 out of 97 seats.[127]

One interpretation of this result, which surprised contemporaries, was that it revealed a deep affinity with Egypt within the Sudanese electorate. It is difficult to find evidence for this beyond the elections themselves, and an Egyptian state visit to Sudan for the opening of the parliament in 1954 was met by anti-Egyptian protests in Khartoum (where the NUP won all nine seats). Furthermore, such an explanation must account for the fact that the NUP did not act on its mandate to pursue union with Egypt once in government, as described below. A less positive, but more plausible interpretation of the vote was that it was 'anti-British' rather than 'pro-Egyptian'.[128] Alternatively, one could hold a 'primordialist' interpretation of the election, which was that it revealed the respective electoral power of the Ansar, which supported the Umma Party, ranged against the Khatmiyya, Hindiyya and Ismailiyya. However, this does not account for the geographical distribution of results, as I detail below, or the reverse result occurring in all subsequent elections. Institutionally, Justin Willis points to a franchise and constituency boundaries which favoured urban residents and college graduates (who had reserved non-territorial constituencies) which favoured the urban NUP over the rural Umma Party. However, Willis qualifies this by highlighting much higher participation rates in the rural north (over 60%) than in Khartoum.[129] Finally, Willis points to more materialistic explanations of the result, writing that 'sceptical British administrators on the ground, felt more simply that the Egyptians were better at bribery and influence than the British.'[130] Crucially, I argue that private business investors must be considered alongside state actors.

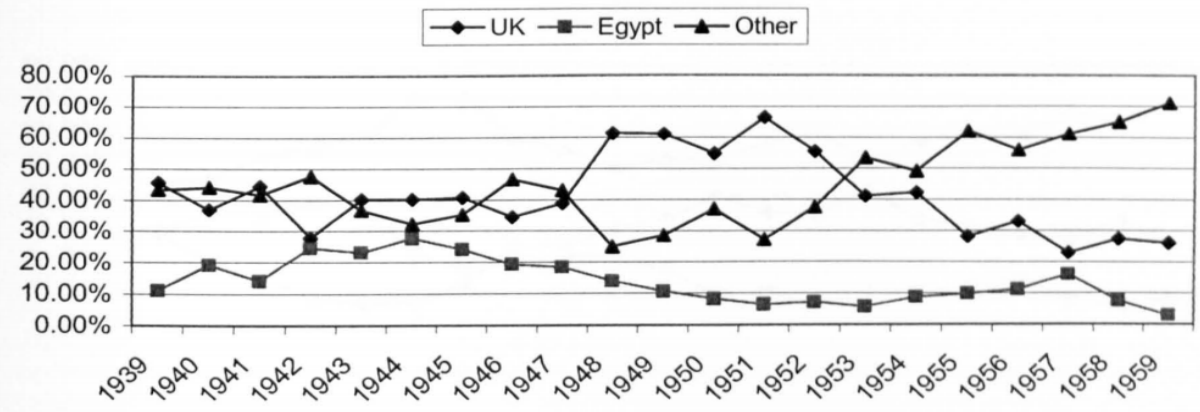
Only an investment theory of party competition can explain the surprise and unrepeated triumph of the NUP in Sudan's 1953 elections, and its subsequent dynamics in government.

[127] Justin Willis, 'A model of its kind': representation and performance in the Sudan self-government election of 1953', *Journal of Imperial and Commonwealth History* 35, 3 (2002) pp. 496-498.
[128] Ibid., p. 496.
[129] Ibid., pp. 496-497.
[130] Ibid., p. 496.

The Umma and NUP's support from cotton-growing and mercantile capital, respectively, is well-established in the literature,[131] but the implications for these parties' policies are not considered. I argue that the 'pro-British'/'pro-Egyptian' opposition between the Umma and the NUP was not an ideological, geopolitical, or sectarian split, but a commercial one. Great Britain and Egypt were Sudan's largest export markets, with the former acting as a market for Sudan's raw cotton, and the latter absorbing goods traded by the mercantile supporters of the NUP.[132] Sudan's merchant class relied on exports to the Egyptian market and for this reason supported the pro-Egyptian policies of the NUP. In contrast, Sudan exported cotton to the United Kingdom and the sterling area, and, for Sudan's private cotton growers such as Al-Mahdi, Egypt was a rival, not a market.

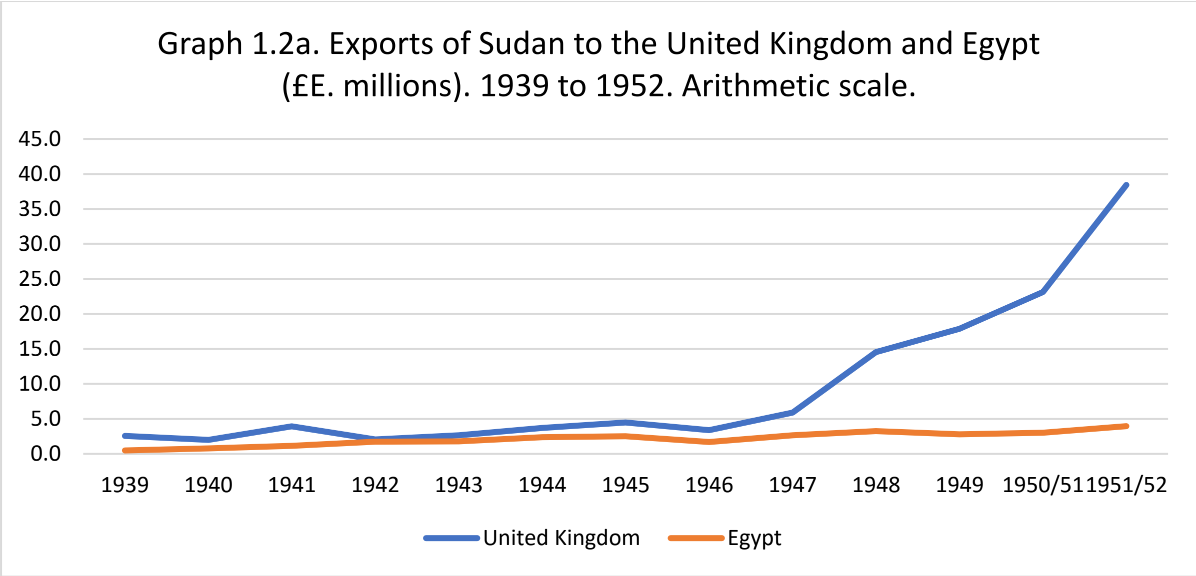
Furthermore, it is regrettable that Sudan's political and economic history are consistently treated as separate in the scholarly literature, whereas events in the latter explain what was at stake for political investors in Sudan's 1953 elections. For over fifty years, residents of Sudan had been able to trade and transfer capital between both Britain and Egypt unhindered by commercial and capital controls. However, this arrangement was threatened by Anglo-Egyptian rivalries after 1945, summarised in the previous section. In 1947, Egypt left the sterling area and, in 1952, it imposed capital controls against Sudan for the first time (This is explored at length in Chapter Four). Graphs 1.1 and 1.2 reveal the falling the share of Sudan's exports destined to Egypt from 27.6% of total exports in 1944 to under 5% in 1953.

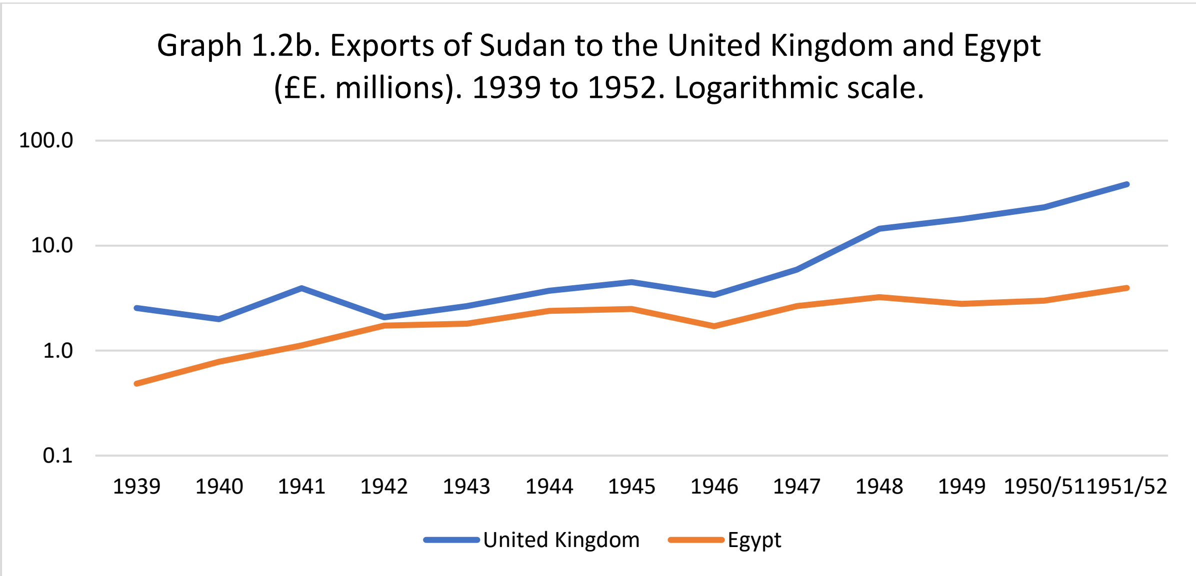
Graph 1.1. Sudan Export Destinations, 1939-1959 (%)



Source: Graph reproduced from Simon Mollan, 'Economic imperialism and the political economy of Sudan: The case of the Sudan Plantations Syndicate, 1899-1956' (Unpublished doctoral dissertation: Durham University, 2008), p. 262.

131 Peter Woodward, 'Sudan's fragile state, 1956-1989,' in John Ryle et al. (eds), *The Sudan handbook* (Woodbridge: James Currey, 2011), p. 86.
132 Mollan, 'Economic imperialism', p. 262.





Source: Sudan Governor-General's Reports (1939 until 1952). 1950/51 is 2/3 of 18-month period from 1.1.1950 to 30.6.1951 as the Sudan Government changed the financial year used for reporting.

Graphs 1.1 and 1.2 reveal how Anglo-Egyptian rivalries were threatening ruin for merchants in Sudan who exported to Egypt relative to their counterparts who exported to sterling-area markets. I argue that the former class of investors unleashed a flood of political money in the 1953 elections that determined the result in favour of the 'pro-Egyptian' NUP. Contrastingly, most of the businesses in Sudan which exported to sterling-area markets were companies owned by foreign investors, who may not have deemed it necessary or appropriate to spend money in a Sudanese election campaign while the territory was still under British executive control. The UK Foreign Office did arrange financial support for Al-Mahdi, including in ways revealed in Chapter Three, but this was not enough to outstrip the combined support of Egypt and Sudan's resident business class behind the NUP. Even local British support for the Umma dissipated suddenly during the 1953 elections, when official funds were covertly directed to the short-lived Republican Socialist Party (RSP) which advocated independence on a more gradual schedule than Al-Mahdi through close alignment with Great Britain. Largely a front for the Sudan Government, the RSP secured three seats.[133]

This argument can be demonstrated with the results from Kordofan. Holt and Daly explain the geographical distribution of party support in Sudan in primarily sectarian terms: 'The voting showed that the NUP drew most of its support from the towns, settled riverain areas and areas of Khatmiyya strength. The Umma won all but one of its seats in Darfur, Kordofan and Blue Nile Provinces, where Mahdism was strong.'[134] Notwithstanding, the NUP outpolled the Umma Party in Kordofan and secured eleven seats to the Umma's six, despite this province being an historic seat of the Ansar since its creation. Although the Khatmiyya had no meaningful presence in Kordofan, it could be argued that the Ismailiyya and the Hindiyya – which did have local followings – swung the province for the NUP. It would be surprising if these two small fraternities were able to defeat Sudan's largest religious movement in its historic seat and, indeed, Umma lists triumphed in Kordofan in all subsequent elections.

Business structure can account for this variation. The previous section described how Kordofan was a transit market for goods from across western Sudan that were exported to Egypt, and merchants invested in this trade would have been highly exposed to the looming crisis in Sudan's trade with Egypt. I have argued that it was political money and support from these groups that secured the election for the NUP, and this is demonstrated by Kordofan which returned parliamentarians according to its business structure rather than its religious alignment.

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[133] Holt & Daly, *History of the Sudan*, p. 110.
[134] Ibid.

Table 1.1. Provincial distribution of candidates elected in the 1953 self-government elections

PROVINCE	National Unionist Party	Umma Party	Socialist Republican Party	Anti-Imperial (Communist)	Southern Liberals	Others	Total
Khartoum	9						9
Kassala	6	1				1	8
Blue Nile	6	10	2				18
Northern	7						7
Kordofan	11	6					17
Darfur	2	6	1			2	11
Southern Sudan (3 provinces)	5				9	8	22
Graduates' constituencies	4			1			5
Total	50	23	3	1	9	11	97

Areas with a strong Khatmiyya presence are eastern and northern Sudan (Kassala and Northern provinces). Areas with a strong Ansar presence are in western Sudan (Darfur, Kordofan, and the White Nile region within Blue Nile province).

The defeat of the Umma Party in its historic seat of Kordofan was an astonishing outcome of these elections that I have not seen acknowledged or discussed in scholarship, including in works that reproduce the results of this table.

Source: Tim Niblock, *Class and power in Sudan: the dynamics of Sudanese politics, 1898-1985* (Basingstoke: MacMillan, 1987), p. 208.

In 1954, the NUP formed the first Sudanese government and Ismail Al-Azhari became Prime Minister. Egypt welcomed this development with gifts, aid and diplomatic rapprochement.[135] Graph 1.1 demonstrates the subsequent uptick in trade between Egypt and Sudan. In this section, I have argued that the 'pro-Egyptian' stance of the NUP was adopted to secure continued Sudanese access to Egyptian markets, rather than political union between these countries, and that this secured the NUP's electoral victory. Once this objective was achieved, it was therefore unsurprising that the NUP pursued policies that contrasted markedly with a political interpretation of its slogan 'unity of the Nile valley'. These included, in April 1955, deciding to retire use of the Egyptian Pound in Sudan and to introduce a separate Sudanese currency, and, in December 1955, NUP support for a cross-party motion in parliament declaring Sudan's independence from both Britain and Egypt. [136]

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This chapter has examined economy, society and finance in Sudan before 1956. It has argued that specific Islamic practices and organisations had major long-term impacts on Sudanese society, as did a memory of racialised raiding and slaving established in the nineteenth century. Both exerted major influences on politics and business in Sudan in the twentieth century. Business structures in Sudan were shaped extensively by the territory's relationship with neighbouring Egypt from at least the eighteenth century onwards. The Anglo-Egyptian Condominium added to this the influx of European-owned multinationals in a territory under British executive control. Anglo-Egyptian rivalry from the 1940s onwards created a Sudanese party system shaped by political investors who traded with British and Egyptian markets, respectively. This system was by no means stable, and it would evolve in response to new concerns in the local business sector in ways outlined in later chapters. The two multinational banks examined in this chapter were among the European-owned companies that entered Sudan when independence appeared a distant prospect. They had to adapt to new political environments after 1953, when a Sudanese government was elected, and 1956, when British executive authority came to an end. How they did so is the topic of the next chapter.

[135] Tareq Ismael, 'The United Arab Republic and the Sudan', *Middle East Journal* 23, 1 (1969), p. 18.
[136] Douglas Johnson, 'Introduction' in Douglas Johnson (ed.), *British documents on the end of Empire: Sudan* (London: University of London, 1998), pp. xxxi-lxxxvii.

Chapter Two: Banking at the end of empire

This chapter examines Sudan's banking sector upon independence in 1956. The first section examines the increase in the number of banks operating in Sudan between 1949 and 1953, as new entrants were attracted by a global boom in primary commodity prices and a liberal commercial and capital regime in Sudan.[137] The second section uses contemporary data to analyse the business of banking in this period, and the distinct strategies adopted by banks with regard to branch expansion, liquidity ratios, and lending by sector. The impact of competition in a banking sector that had been a duopoly until 1949 is also considered. The third section examines two banks that entered Sudan after independence. Unlike their European-owned competitors, these banks were engaging in intraregional expansion within the Arab World and the Horn of Africa, respectively. I consider whether this resulted in distinct business strategies. The final section examines the Ministry of Finance, which was the government department with responsibility for regulation and oversight of the banking sector. This section analyses both the institutional power of career civil servants in the ministry, and the effects of successive ministerial appointments resulting from the dynamics of Sudan's coalition politics. In sum, this chapter argues that banks did not anticipate that independence would be a major economic or financial event. Nevertheless, they adapted their local strategies to seek the favour of new political authorities and to hold their own against their competitors.

The first Sudanese governments did not seek to challenge the presence of foreign capital in the country's business sector, merely to encourage the simultaneous creation and consolidation of a new class of Sudanese capitalists. However, investments and policy decisions made in this period would shape future crises, and the exposure of both the Sudanese state and individual banks. This would ultimately drive much more profound changes in the country's business and regulatory environments than occurred as an immediate result of political independence.

[137] This is analysed in detail in Chapter Four.

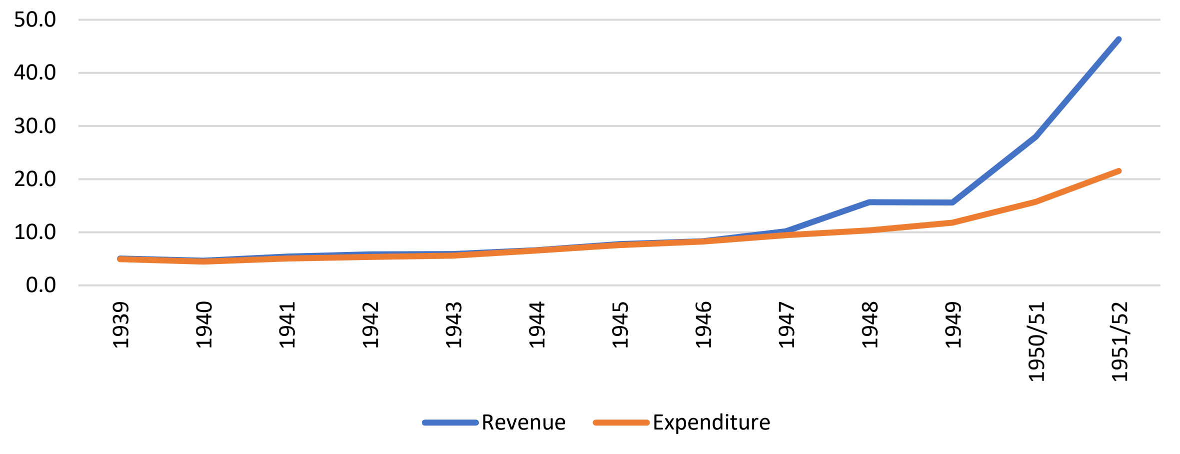
Competition and collusion in Sudan's banking sector

This section examines how, between 1949 and 1953, Sudan was transformed from an effective commercial banking monopoly into a territory with a highly competitive banking system that hosted five institutions. Although this newfound competition had important effects, examined throughout this chapter, this section also examines measures taken by banks to manage competition through a local Bankers' Association and an agreed schedule of rates.

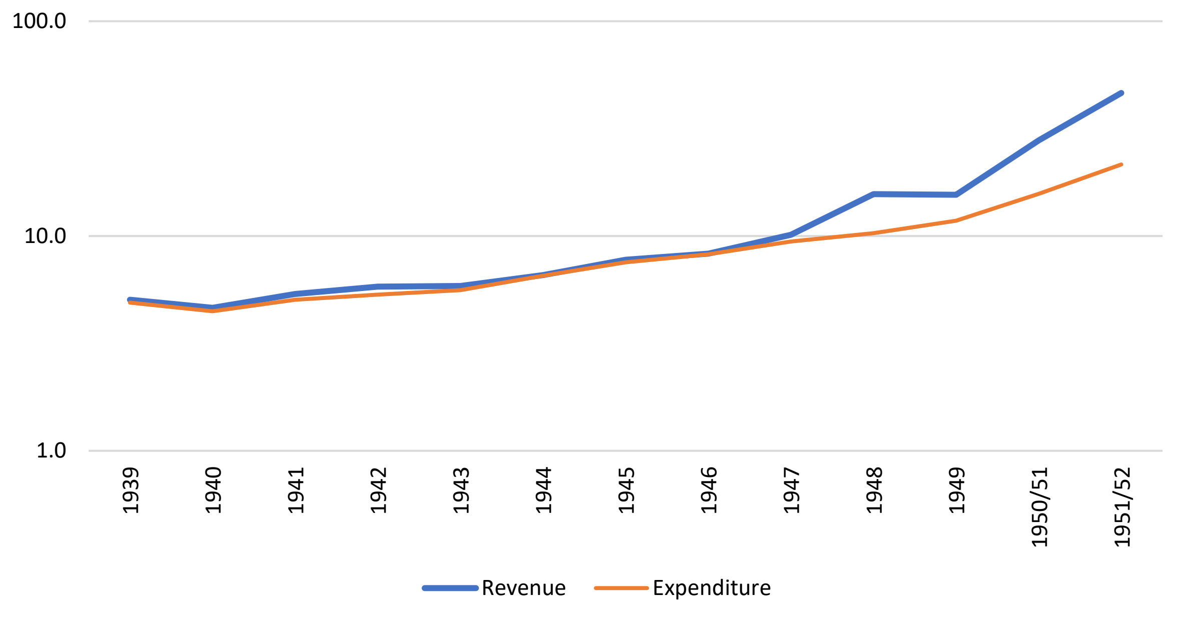
During the decade following the end of the Second World War, Sudanese exporters benefited from a global boom in primary commodity prices arising from reconstruction (from 1945) and, more importantly, rearmament (from 1949). Sudan's principal export was raw cotton, sales of which were an impressive 82.0% of the Condominium's export earnings in the 1951/52 financial year.[138] Rising quantities and prices of cotton exports resulted in increased salaries, wages and profits in this sector in Sudan, which worked their way with multiplier effects through the territory's economy as a whole, triggering important expansions in privately-funded agricultural schemes and urban developments.[139] The Sudan Government accumulated substantial budgetary surpluses through export duties and the proceeds of the public production boards that dominated cotton production (graph 2.1). British authorities in Sudan developed an ambitious 1951/56 Development Programme with which to reinvest these surpluses.[140] In combination, these growing turnovers of public and private revenues in a territory that enjoyed free transfers of capital with the sterling area attracted multiple new banks to Sudan.

[138] Sudan Governor-General, *Report on the Administration of the Sudan in 1951/52* (Khartoum, 1952), p. 13.
[139] Sudan Government, Department of Statistics, *Capital formation and increase in national income in Sudan, 1955-1959* (Khartoum, 1961). MEDU 17/4/FIN/1.
[140] Sudan Finance Department, *Development programme 1951/56* (1953). SudA PK1561 SUD.

Graph 2.1a. Public revenue and expenditure in the Anglo-Egyptian Condominium of Sudan (£E. millions). 1939 to 1952. Arithmetic scale.



Graph 2.1b. Public revenue and expenditure in the Anglo-Egyptian Condominium of Sudan (£E. millions). 1939 to 1952. Arithmetic scale.



Source: Sudan Governor-General's Reports (1939 to 1951/52).

In 1949, the Ottoman Bank became the third bank to open in Sudan, thereby ending the effective commercial banking monopoly of Barclays DCO. The Ottoman Bank was founded in 1856 by British investors to conduct commercial banking in the Ottoman Empire. In 1863, their investment was combined with share-capital from a consortium of French investors. The bank was re-established as the Imperial Ottoman Bank, which was incorporated in Istanbul where it was the banker to the imperial Ottoman government, with responsibility for currency issue, intermediation with European financing markets, and managing the public debt.[141] The Imperial Ottoman Bank opened branches across the Ottoman Empire, including in Egypt in 1867, as highlighted in the previous chapter. The bank's branch in Alexandria was its most profitable in most of the period between 1867 and the First World War.[142] In 1920, the diversified French participation in the Imperial Ottoman Bank was acquired by the Banque de Paris et des Pays-Bas (Paribas), which reflected the international trend towards financial consolidation that was also described in the previous chapter.[143] The break-up of the Ottoman Empire in 1922 prompted the bank to drop its 'Imperial' moniker, and a decade later it ceded its state-banking functions to a new Central Bank of the Republic of Turkey.[144] The break-up of the Ottoman Empire transformed the Ottoman Bank from a state and up-country bank in a regional empire into a multinational commercial bank with branches across the Middle East, whose activities were divided by newly-created political and monetary boundaries.

Although the Ottoman Bank was incorporated in Turkey from 1863 onwards and had its head office in Istanbul, its board of directors sat in two committees in Paris and London, within the jurisdictions from which the bank was actually owned. The Paris Committee oversaw the bank's operations in Turkey and the Balkans, whereas the London Committee oversaw its activities in the Middle East and North Africa, including, eventually, Sudan. Despite the Ottoman Bank's peculiar federal structure in management and ownership, it resembled a typical British multinational bank in its divisions managed by the London Committee, with a branch network managed by appointed British staff answering to an equally British body in London. By the 1940s, the Ottoman Bank was clearly committed to its new role as a commercial and multinational bank, and was expanding into new markets such as Sudan in

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[141] Şevket Pamuk, 'The evolution of financial institutions in the Ottoman Empire, 1600-1914' *Financial History Review* 11:1 (2004), pp. 28-29.
[142] Christopher Clay, 'The Origins of Modern Banking in the Levant: The Branch Network of the Imperial Ottoman Bank, 1890-1914,' *International Journal of Middle East Studies* 26,4 (1994), p. 605.
[143] BNP Paribas, 'Ottoman Bank: a novel bank designed to serve the Ottoman Empire.' Available online: https://history.bnpparibas/document/ottoman-bank-a-novel-institution-designed-to-serve-the-ottoman-empire/. (Accessed 3 October 2020).
[144] Ibid.

1949 and East Africa from 1958. Like Barclays DCO, the Ottoman Bank cultivated a loyal cadre of local and appointed British staff, with the latter circulating across the bank's different territories. The bank's two earliest managers in Sudan, BP Barr and IP Whittington, would later manage the bank in Rhodesia and Iraq, respectively.[145]

The Ottoman Bank opened branches in Khartoum and Port Sudan in 1949, both in imposing new constructions in central locations. The bank's initial capital in Sudan took the form of a £E.1 million long-term loan from its Egyptian division.[146] The Ottoman Bank in Sudan enjoyed close relationships with multinational corporations for whom it banked elsewhere in the Middle East, and it received accounts from Shell Oil, the Liebig Extract of Meat Company, and the Sudanese-American Textile Industry, the latter being financed by a consortium of international investments.[147] In 1951, the Ottoman Bank began a provincial branch expansion strategy by opening premises in Kosti, on the White Nile, becoming the first bank to open in this part of the Jazira. This branch received local business from a growing number of private agricultural schemes and a local meat packing factory owned by Liebig.[148]

In 1953, Banque Misr became the fourth bank to open in Sudan. Although Egypt had been a frontier for European financial expansion from the mid-nineteenth century, Banque Misr was the first locally-owned bank in that country. It was founded in 1920 by the industrialist Talaat Harb, as an explicitly nationalist project that sought to extend financial services to fellow Egyptian-owned businesses. The bank engaged in small-scale, under-collateralised and long-term lending to Egyptian customers, as European banks had traditionally abstained from these forms of lending. Through direct participations, Banque Misr and Talaat Harb became the centre of an important group of companies. However, the bank's success in expanding access to credit meant that it risked facing illiquidity when crisis struck. In 1939, the outbreak of world war led to a run on the bank, which was bailed out by the Egyptian government. Thereafter, Banque Misr was dependent on the Egyptian state for its liquidity. The Egyptian state, meanwhile, was subject to the competing influence of Egyptian nationalist politicians, who were largely sympathetic to the bank's objectives, and Egypt's British occupiers, who viewed the bank with markedly greqter suspicion. Notably, British diplomats secured Harb's dismissal from the bank's board of directors as a condition for its rescue.[149]

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[145] Ottoman Bank, Minutes of the London sub-committee. (12 April 1961 and 5 January 1966). CLC/B/172/MS23970.
[146] Ottoman Bank, Minutes of the London sub-committee (20 July 1955). CLC/B/172/MS23970.
[147] Ottoman Bank, Minutes of the London sub-committee (multiple dates). CLC/B/172/MS23970.
[148] Ibid.
[149] Robert Tignor, 'Bank Misr and foreign capitalism', *International Journal of Middle East Studies* 8, 2 (1977), pp. 161-181.

By 1953, the influence of Britain in Egypt was being challenged both by Egypt's transformation from a debtor into a creditor of Great Britain during the Second World War, and the 1952 Free Officers' Coup, which brought to power a military government determined to wrest autonomy from Egypt's occupier. When Banque Misr opened in Sudan in 1953, this was interpreted by British bankers and administrators as part of a strategy by the Egyptian government to secure local economic influence.[150] This was quite possible, and Barclays DCO noted that many of its large Sudanese customers were opening small accounts with Banque Misr 'for political reasons', even if their principal business accounts remained with the British bank.[151] This confirms the argument from the previous chapter that Sudan's business class were willing to finance Sudan's Egyptian connection when Anglo-Egyptian rivalry seemed to place it under threat. Despite contemporary suspicions that Banque Misr in 1953 was a mere front for Egyptian state interests, this thesis will demonstrate that the bank also pursued a proactive business strategy in Sudan, including after 1956 when the question of Sudan's constitutional relationship with Egypt had been settled. This included a strategy of provincial branch expansion and significant small-scale and under collateralised lending, as the bank had practiced in Egypt. Like in Egypt, Banque Misr was the first bank in Sudan that was not European-owned.

Also in 1953, the French bank Credit Lyonnais opened in Sudan. Credit Lyonnais was founded in 1863 in Lyon and expanded rapidly from this French provincial base by collecting small deposits in large quantities which provided liquidity for a range of financing activities. Credit Lyonnais was a universal bank that combined commercial and investment banking, in contrast with British financial practices. Credit Lyonnais' international expansion, which also began in the nineteenth century, was carried out through local branches of its parent company, with the former answering to the Office of Overseas Activities (Direction des affaires étrangères, DAE) in Paris, rather than a distinct overseas subsidiary, as was practiced by Barclays Bank. Credit Lyonnais opened branches in Alexandria and Cairo in 1875, even before it had acquired a national branch network in France, as the business of banking in Egypt in this period could earn returns twice as high as those standard within Europe (10 to 12% versus 5 to 6%).[152] The bank's presence in Egypt included periods as the country's largest bank and as the manager of the Egyptian public debt. The bank oscillated between periods of high-risk lending

[150] Georges Davezac, Credit Lyonnais, Alexandria, Letter to François Madinier, DAE, Paris, recounting meeting with NBE director (7 July 1952). DAE 10997.
[151] Barclays DCO, Half-yearly report: Omdurman (31 March 1955).
[152] Samir Saul, 'Le Crédit lyonnais en Egypte : l'insértion d'une banque de dépôt dans une économie d'Outre-Mer' in Bernard Desjardins (ed.), *Le Crédit lyonnais, 1863-1986* (Droz: Geneva, 2003), pp. 521-530.

strategies which brought high returns, and retrenchment behind more conservative policies with steadier revenues.[153] In 1945, the French government nationalised France's four largest banks, including Credit Lyonnais. However, the internal management of the bank remained largely unperturbed with family relatives of senior directors from the interwar period succeeding to directorships after nationalisation.[154] After three decades of disruptions to international finance due to economic depression and world war, Credit Lyonnais' network of branches across Europe, Egypt, Latin America and the French colonial empire made it one of the world's three multinational banks with global scope, alongside Barclays DCO and Citibank.[155]

By the 1950s, Credit Lyonnais' most remunerative and enduring business relationship in Egypt was with the Alexandrian merchant houses that exported goods to Europe, above all raw cotton. As cotton output and export prices rose in the late 1940s, Credit Lyonnais increasingly issued unsecured loans to these merchant houses to retain their business against local competition, and enjoyed high returns as a result. The prosperous export trade swelled customers' balances and the bank's Cairo branch held more in deposits than any other Credit Lyonnais branch anywhere from 1948 until 1956; Alexandria occupied the second position in 1948, but fell to fifth place in the same period.[156]

It was this boom in Egyptian cotton that drove the bank's expansion into Sudan. Cotton in Egypt was planted from February to April, harvested from August to October and sold from November onwards. Demand for bank finance grew steadily at each stage of this process with a sharp peak in the sales season. Variation in climactic conditions further south in the Nile valley meant that cotton in Sudan was planted from May to June, harvested from November until March, and sold from April onwards, with demand for export finance peaking in Sudan during months when demand for credit in Egypt was slack. By expanding into Sudan, Credit Lyonnais sought both to increase the geographical reach of its cotton-financing business, and to offset the seasonal nature of its Egyptian operations by keeping funds permanently employed across the two territories.[157]

The French bank was aware that it was entering a market where long-standing British interests were 'jealously guarded'.[158] However, because Sudan was not a formal British colony,

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[153] Ibid.
[154] Paul Turot, 'Les banques de dépôts en France', *Revue Des Deux Mondes* (1964), p. 429.
[155] Youssef Cassis, 'Le Crédit lyonnais et ses concurrents européens' in Desjardins, *Le Crédit lyonnais*, p. 717.
[156] Saul, 'Crédit lyonnais en Egypte', p. 528.
[157] Credit Lyonnais, DAE, Installation au Soudan (7 November 1952). DAE 10997.
[158] Credit Lyonnais, Alexandria, Letter to M. Madinier, DAE (31 May 1952). DAE 10997.

the system of commercial preferences for sterling markets applied by Britain in its colonies were not in operation. Credit Lyonnais further noted Anglo-Egyptian rivalries in Sudan and hoped that it would benefit from the local complaisance of Egyptian authorities at British expense.[159] The dilution of British executive control in Sudan after 1953, which was a cause of consternation for some long-term British investors, was viewed as an opportunity that opened a new market for this French bank.

Credit Lyonnais opened branches in Khartoum and Port Sudan in 1953. The bank made the latter branch its local head office, based on its experience in Egypt where the port city of Alexandria, rather than the political capital Cairo, hosted the principal offices of many banks and exporting companies. Most of the bank's staff in Sudan were French, Greek and Egyptian nationals who were transferred or seconded from Egypt. However, the bank's manager in Khartoum was Alan Burnes, a Briton, who had previously managed Credit Lyonnais' branch in the West End of London.[160] After one year, the bank realised that 'Port Sudan is not the important business centre we might have expected for Sudan's main port of export; it is an artificial port with no hinterland and no great commercial market'. Instead, Sudan's main companies were headquartered in Khartoum and were present in Port Sudan only through agents. Credit Lyonnais duly transferred its local headquarters to Khartoum, where Burnes was superseded as director by Gérard Gervais from the Port Sudan branch.[161]

Whereas other banks in the 1950s pursued strategies of up-country branch expansion, Credit Lyonnais targeted the high-returns export business of large-scale exporters from its two urban offices. Many of Credit Lyonnais' customers in Sudan were the same companies that the bank financed in Egypt. However, the bank's largest local client was the Sudanese merchant Uthman Salih, who was heavily involved in gum arabic exports, and whose business Credit Lyonnais secured from the National Bank of Egypt (NBE).[162] Initial capital for Credit Lyonnais' Sudanese operations came from a £E.500,000 credit from the bank's Alexandrian branch, and £.256,673.10s.3d (£E.250,000) made available by its London branch to settle import bills presented in Sudan. The latter provision was doubled in 1955.[163] Credit Lyonnais also met its local cash requirements by borrowing from other commercial banks, notably the

[159] Jacques Carrayrou, Deux marchés favorables aux produits français : L'Egypte et le Soudan (1955). DAE 10997.
[160] Credit Lyonnais, Ouverture des sièges (24 April 1953). DEEF 50662/1.
[161] Credit Lyonnais, Port Sudan, Situation Générale de notre exploitation au Soudan (1954), pp. 36-37. DAE 10997.
[162] Ibid., p. 7.
[163] Credit Lyonnais, Khartoum, Letter to Join Under-Secretary for Commercial Finance and Development (14 December 1955). DAE 10997.

Ottoman Bank, which in contrast to Credit Lyonnais specialised in imports and therefore had higher cash balances. Alternatively, Credit Lyonnais withdrew cash from the Khartoum branch of the NBE against assets pledged in Egypt, a process described in Chapter Four.[164] With time, Credit Lyonnais would suffer from the lack of a local deposit base, which had been the key to its success in France and Egypt.

What is notable about all of the banks described in this section is that each entered Sudan with resources and investment from established operations in Egypt. This had been the case with the Anglo-Egyptian Bank and the NBE over fifty years earlier, thereby demonstrating an enduring regional economic geography. The increased number of banks in Sudan introduced competition at the expense of Barclays DCO's effective commercial banking monopoly. In bidding for deposits and lending business, banks began raising the interest paid of credit balances, including current accounts, and decreasing the interest charged on loans. Banque Misr and Credit Lyonnais were aggressive in advancing unsecured loans, specialising in small businesses and large exporters respectively. This caused some customers of Barclays DCO to complain that it was too restrictive in its own policies, though the bank noted internally that it had no wish to secure some of the under-collateralised business of its rivals.[165]

Competition risked becoming ruinous as spreads fell and debt exposures increased. In 1954, Barclays DCO proposed a Bankers' Association for Sudan that would negotiate a common schedule of charges and rates. This was not a novel proposal, and banking competition in many colonies was managed through formal associations, or a 'gentleman's agreement' as in British East Africa.[166] Barclays DCO's first approach was to the Ministry of Finance to ensure it would tolerate such a move. The Ministry was supportive, not least as its civil servants – who it had inherited from the Condominium's Finance Department – had recently had to deal with an uncompetitive banking sector, so they favoured a single interlocutor with which to negotiate financial policy. The inaugural meeting of the Sudan Bankers' Association was on 10 June 1954 in the offices of the NBE. The local manager of Barclays DCO, Mr Edwards, was elected as the Association's first president, and Credit Lyonnais' internal account of the meeting noted that this appointment softened that bank's resentment towards the recent arrival of challenger banks. Credit Lyonnais reported to Paris that the Ottoman Bank, with whom it maintained 'cordial but severe' competition in Sudan, was their habitual ally within the

[164] Credit Lyonnais, Khartoum, Situation générale de notre exploitation au Soudan (1955), p. 23. DAE 10997.
[165] Barclays DCO, Mr Macdona's visit to Sudan (12/19 December 1956). BB0038/0748.
[166] Christian Velasco 'Monopoly and competition: the Kenyan commercial banks at the end of the colonial period (1954–1963)', *Business History* (2020), pp. 1-2.

Association.[167] The Association's minutes usually reported collective decisions reached after discussion, and do not shine direct light on the positions taken by individual banks. By the close of 1954, an agreed schedule of bank rates for Sudan – 'the Tariff' – had been agreed in the Association.[168]

Reoccurring suspicions were to circulate within the Association or in banks' internal deliberations that some banks were not adhering to the Tariff, with Banque Misr and NBE being singled out in the first meetings of 1955. Both banks reported that they could only adopt the Tariff with the approval of their offices in Cairo (indeed, all banks had required central permission to alter rates) and that this had not yet been received.[169] After an initial delay, all banks adopted the Tariff by the end of 1955, which ended interbank competition in Sudan over rates. Instead, competition shifted to other areas such as the location of bank branches, the quality of premises, readiness to lend, and personal relationships with customers.

Table 2.1 describes the distribution of deposits among commercial banks in Sudan on 30 October 1956.

Table 2.1. Bank deposits in Sudan, 30 October 1956 To the nearest £E.1,000		
Barclays DCO	£E.14,266,000	62.6%
Credit Lyonnais	£E.5,020,000	22.0%
Ottoman Bank	£E.2,974,000	13.1%
Banque Misr	£E.518,000	2.3%
TOTAL	£E.22,778,000	100%
Source: Barclays DCO, Mr Macdona's visit to Sudan (12/19 December 1956). Breakdown given to Brian Macdona by John Carmichael, Sudan Ministry of Finance. BB0038/0748.		

Percentages and the original source exclude deposits held by the NBE, which would have held public institutional deposits with a very high aggregate value. The table reveals how Barclays DCO maintained its leading position in Sudan, though it had naturally fallen from the near-100% of commercial banking deposits that it would have held prior to 1949. Barclays DCO would retain its leading position as a deposit-holding bank throughout this period, but at a declining overall proportion. In the 1950s, the deposit base of Barclays DCO, Credit Lyonnais and the Ottoman Bank were all bolstered by a share of public institutional deposits, notably from the Sudan Gezira Board, which allowed public bodies to earn interest on idle funds. This

[167] Credit Lyonnais, Situation générale (1954), p. 1.
[168] Sudan Bankers' Association, Minutes (19 August 1954). DAE 10995.
[169] Sudan Bankers' Association, Minutes (28 September 1954). DAE 10995.

was a significant proportion of the deposit bases of Credit Lyonnais and the Ottoman Bank, and was an important means through which early Sudanese governments supported increased bank competition. Banque Misr does not appear to have ever received public deposits in Sudan, and Barclays DCO reported concerns in the Sudanese government both with the bank's stability and its political influence from Egypt.[170] The latter concern would have become more prominent after the National Unionist Party (NUP) left office, described below. Deposits provided the liquid counterpart for banks' profit-making financing activities, which are analysed in the next section.

[170] Barclays DCO, Inspector's General Report: Nyala (April 1959). BB0011/1243.

The business of banking in Sudan in 1956

This section examines the business of banking in Sudan in 1956. It reveals the different strategies pursued by banks in a sector that was uncompetitive with regard to rates. It argues that banks were committed to their investments in Sudan and expanding their business after independence. Banks sought a close relationship with the new Sudanese government, for example by opening branches in previously unbanked provincial areas. However, they did not anticipate that independence would be a major economic or financial event.

Table 2.2 describes Sudan's network of bank branches in 1956, and reveals the rapid increase in the number of branches from 1949. Although booming cotton prices undoubtedly made this possible, the effect of introducing competition to the banking sector was clear. No bank branches opened after 1925 (when Barclays DCO acquired the Anglo-Egyptian Bank) remained open in 1949. In contrast, the arrival of the Ottoman Bank prompted a competitive pursuit of provincial deposits. The first Sudanese government from 1954 also wished to see banking services extend to provincial areas and could reward compliant banks with deposits in these areas from local government and public boards.

Barclays DCO used its existing resources in Sudan to finance a rapid programme of provincial branch expansion to defend its position as the country's leading bank and to secure the favour of Ismail Al-Azhari's government. The bank summarised the multiple facets of its policy as it considered (re)opening in Kassala[171] in 1954:

> There is our general policy for the future in the Sudan. We have gone farther than the other banks in pursuing the role of domestic bankers. There is no evidence that the National Bank of Egypt wish to challenge us but the Ottoman or Credit Lyonnais might decide to do so. We appear to be in good odour with the Sudan Government at present, and the time appears ripe for consolidating our position if it is to be the Bank's policy to assume the role of domestic bankers in the Sudan, and to push ahead with this in spite of the present uncertainties. If this is the case, then Kassala as a provincial headquarters is an obvious point at which we should as a matter of policy be represented, even though it may be some time before the new office adds to our profits in the Sudan.[172]

Other sections of foreign capital in this period were liquidating investments in Sudan and transferring them to other jurisdictions, as a response to Sudanese self-government in 1953 and independence in 1956.[173] However, this quotation demonstrates that Sudan's largest bank was committed to its investment in the country and was willing to operate unprofitable branches to find favour with the new Sudanese government.

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[171] The bank had opened and closed in Kassala in the 1930s.
[172] Barclays DCO, Memorandum to the General Managers 'Branch Expansion in the Sudan – Kassala' (30 December 1954). BB0011/1230.
[173] Bank of Sudan, 'Special article: The Sudan's Balance of Payments, 1951-1955', *Quarterly bulletin* (30 September 1961), pp. 25-26.

Table 2.2: Banking branches in Sudan on 1 January 1956		
Location	**Bank**	**Opened**
KHARTOUM PROVINCE		
Khartoum	NBE	1901
	Barclays DCO	1903
	Ottoman Bank	1949
	Banque Misr	1953
	Credit Lyonnais	1953
	Barclays DCO	1954
Omdurman	NBE	1920
	Barclays DCO	Before 1925
	Banque Misr	1953
	Ottoman Bank	1953
KASSALA PROVINCE (EASTERN)		
Tawkar	NBE (Sub-agency)	1904
Port Sudan	NBE	1906
	Barclays DCO	1919
	Ottoman Bank	1949
	Barclays DCO (Agency)	1953
	Credit Lyonnais	1953
Qadarif	NBE	Before 1953
	Barclays DCO	1953
Kassala	Barclays DCO	1955
BLUE NILE PROVINCE (JAZIRA)		
Wad Madani	NBE	1912
	Barclays DCO	Before 1925
Kosti	Ottoman Bank	1951
Hassa Heissa	Barclays DCO (Agency)	1953
Madina	Barclays DCO (Agency)	1954
KORDOFAN PROVINCE (WESTERN)		
Al-Ubayyid	NBE	1913
	Barclays DCO	1952
	Banque Misr	1955
Um Ruwaba	Barclays DCO (Agency)	1953
NORTHERN PROVINCE		
Atbara	Barclays DCO	1951
Shendi	Barclays DCO (Sub-branch)	1953
DARFUR PROVINCE: None.		
SOUTHERN SUDAN (3 PROVINCES)		
Juba	Barclays DCO	1951
Barclays DCO: 15 NBE: 7 Ottoman Bank: 4 Banque Misr: 3 Credit Lyonnais: 2 Total branches: 31		

Source: Claude Loombe, Bank of England, Note: Sudan (12 February 1957). OV 134/8/1.

Reasons why foreign-owned banks did not divest from their local businesses could include reputational concerns for these multinationals across a number of territories and jurisdictions, and their relatively low fixed-capital investments relative to turnover. Both the Ottoman Bank and Banque Misr expanded their branch network in Sudan after independence, which demonstrated their continuing commitments to this market. Credit Lyonnais eschewed its rivals' strategy of provincial branch expansion, but it had entered Sudan precisely due to the opportunities afforded by the dilution of British administrative, regulatory and commercial controls, and the scale of its local lending activities is revealed below.

In addition to the branch network that it had possessed since 1925, Barclays DCO opened offices in a number of provincial capitals (Juba, Al-Ubayyid and Kassala), the industrial town of Atbara (where it received the account of Sudan Railways), several small but growing up-country markets (Um Ruwaba and Qadarif), and a network of branches in the Jazira (Hassa Heissa and Medina before 1956, and Hosh, Sinnar, Sinja and Manaqil after independence). All of the latter were in the Blue Nile region of the Jazira, the economy of which was dominated by the public Gezira Scheme. In contrast, the Ottoman Bank was the first bank to open in the White Nile region at Kosti, where it was joined by Barclays DCO in 1956 and Credit Lyonnais in 1957. This was part of a short-lived experiment by the latter bank in provincial branch expansion, which came to an unfortunate end described in Chapter Three.

Darfur and the majority of southern Sudan had no bank branches. These areas had been subject to 'Closed District Ordinances' under the Condominium until 1951 (see Chapter One), which precluded the local investments and financial turnovers that might attract any bank. After these ordinances were lifted, investments initially flooded to Juba in southern Sudan, where climactic conditions enabled businesses to produce and extract goods that were not available in the rest of the country.[174] After independence, government programmes sought to 'open' the country's peripheral regions for development, and in 1959 the country's railway network was extended to Nyala in Darfur, where Banque Misr became the first bank to open a branch.

The neglect of northern Sudan by commercial banks is striking given the emphasis in the literature on the 'northern riverain elite'. None of the market towns located downriver on the Nile from Atbara had bank branches in 1956, reflecting foreign-owned banks' indifference

[174] Barclays DCO, Half-yearly report: Juba (31 March 1956).

towards a region which produced agricultural goods mostly for local consumption, rather than export.

The geographic distribution of bank branches described in table 2.2 obscures the distribution of banking business, which was far from equally spread. Table 2.3 describes the distribution of banking business by branch for Barclays DCO, Sudan's largest bank and the only one for which such detailed returns are available.

Table 2.3. Distribution of banking business by branch for Barclays DCO in Sudan
12 months ending 30 September 1956

	Deposits [a]		Advances [a]		Revenue		Expenditure		Deposits: Advances	Revenue: Expenditure	Net profit
KHARTOUM PROVINCE											
Khartoum Jama'a Av.	6,640,308	57.2%	5,063,653	60.2%	409,253	47.2%	197,710	37.7%	1.31	2.07	211,543
Khartoum Jamhuria Av.	1,205,864	10.4%	521,347	6.2%	72,652	8.4%	62,929	12.0%	2.31	1.15	9,723
Omdurman	545,677	4.7%	675,353	8.0%	72,669	8.4%	55,787	10.6%	0.81	1.30	16,882
Total	8,391,849	72.3%	6,260,353	74.4%	554,574	63.9%	316,426	60.3%	1.34	1.75	238,148
KASSALA PROVINCE (EASTERN)											
Port Sudan	661,692	5.7%	1,987,936	23.6%	225,330	26.0%	120,653	23.0%	0.33	1.87	104,677
Kassala	263,020	2.3%	352	<0.1%	6,870	0.8%	6,117	1.2%	747	1.12	753
Qadarif	90,719	0.8%	24,401	0.3%	6,420	0.7%	6,667	1.3%	3.72	0.96	-247
Total	1,015,431	8.8%	2,012,689	23.9%	238,620	27.5%	133,437	25.4%	0.50	1.79	105,183
BLUE NILE PROVINCE (JAZIRA)											
Wad Madani [b]	585,848	5.1%	31,795	0.4%	20,124	2.3%	24,259	4.6%	18.4	0.83	-4,135
Kosti	9,912	0.1%	2,484	<0.1%	705	0.1%	8,001	1.5%	3.99	0.09	-7,296
Total	595,760	5.1%	34,279	0.4%	20,829	2.4%	32,260	6.2%	17.4	0.65	-11,431
NORTHERN PROVINCE											
Shendi	69,828	0.6%	4,270	0.1%	3,688	0.4%	3,842	0.7%	16.4	0.96	-154
Atbara	846,132	7.3%	2,593	<0.1%	22,232	2.6%	12,969	2.5%	326	1.71	9,263
Total	915,959	7.9%	6,863	0.1%	25,920	3.0%	16,811	3.2%	133	1.54	9,109
KORDOFAN PROVINCE (WESTERN)											
Al-Ubayyid [c]	216,301	1.9%	28,991	0.3%	11,711	1.4%	12,775	2.4%	7.46	0.92	-1,064
SOUTHERN SUDAN (3 PROVINCES)											
Juba	463,670	4.0%	65,771	0.8%	15,776	1.8%	12,654	2.4%	7.05	1.25	3,122
TOTAL	**11,598,978**	**100%**	**8,408,945**	**100%**	**867,430**	**100%**	**524,363**	**100%**	1.38	1.65	343,067

[a] Deposits and advances are daily averages.
[b] Wad Madani includes figures for agencies at Hassa Heissa and Madina.
[c] Al-Ubayyid includes figures for agency at Um Ruwaba.

Source: Barclays DCO, Half-yearly reports: Sudan (31 March 1956 and 30 September 1956).

These figures from Barclays DCO cannot, of course, represent Sudan's banking sector as a whole. However, bank competition was most intense in Khartoum, so table 2.3 probably underestimates the overall concentration of money and finance in the capital province. One third of all bank branches were in Khartoum Province, but this was where approximately three-quarters of Barclays DCO's deposits and advances were located. In combination with Port Sudan, these branches provided 98.3% of Barclays DCO's lending in Sudan in 1956. In contrast, table 2.3 confirms that Barclays DCO's provincial branch network was important for raising deposits, with 22.0% of these originating from branches outside of Khartoum Province and Port Sudan, of which 16.9% was in branches opened after 1949. The large deposits at Wad Madani and Atbara reflect institutional balances belonging to the Gezira Board and Sudan Railways, respectively.

Advances issued in Khartoum did not necessarily finance activities in the capital city, where businesses active across Sudan were headquartered. This point was summarised by Barclays DCO's branch manager in Al-Ubayyid:

> The local merchants are only acting as buying agents for […] exporters, and they are receiving the required funds for this purpose, through us. We are thus performing the most unremunerative part of the business, while the earnings from the negotiation of documents for the exports, as well as the commission for the transfer of funds to this Branch, are retained by the other Branches, mostly Khartoum.'[175]

It is striking that Juba enjoyed by far the largest share of Barclays DCO's deposits outside of Khartoum Province and Port Sudan. The flood of capital into southern Sudan after 1951 and the abrogation of the Closed District Ordinances has been alluded to above. Barclays DCO in Juba enjoyed the accounts of newly-arrived northern merchants, state development projects such as the Equatoria Projects Board, and private projects such as Hajjar Tobacco Plantations.[176] A mutiny by southern soldiers against the incoming independent – and northern – Sudanese state in 1955 forewarned of events that would halt further business expansion in the south.

This section will now consider how banks generated revenue from seignorage, exchange, commission and interest. Seignorage is the difference between the cost of issuing currency and its nominal value. Until 1957, Sudan was part of the Egyptian currency area wherein seignorage rights were enjoyed by the NBE.

Exchange is the spread between the rates banks charge to customers for selling and buying foreign currency, and the rate they are subject to acquiring and disposing of the

[175] Barclays DCO, Half-yearly report: El Obeid (31 March 1960).
[176] Barclays DCO, Half-yearly report: Juba (30 September 1955).

currency. Banks' exchange dealings in Sudan arose primarily from their financing of foreign trade. Importers in Sudan would receive bills payable in non-Sudanese currency, principally sterling. Many importers in Sudan were agents of multinational companies that could settle these bills through their head offices, most notably in the City of London. When this was not the case, or when an importer wished to pay their bill in local currency, they would use local currency to 'purchase' foreign exchange from their bank. The bank would then settle the bill, either through their own external offices or through a correspondent bank dealing in the currency in question. In the latter case, the bank would itself be required to purchase this currency, reducing its mark-up. Conversely, exporters in Sudan would receive bills receivable in foreign exchange (exports in Sudan were priced in sterling, rather than local currency). Exporters would then 'sell' their bills receivable to their bank in exchange for local currency. Banks always earned a mark-up from exchange operations provided that they knew the rate they would be subject to when acquiring or disposing of exchange. The 1950s and 1960s were a period of fixed exchange rates meaning that this was usually the case, though banks were exposed to exchange peg adjustments by sovereign governments, as will be explored in Chapter Six.

Commission consists of fixed costs charged by banks for specific services, such as ledger fees; loan guarantees; letters of credit; the weighing, storage and certification of warehoused goods; share brokerage; and bill handling. Like exchange, commission represented guaranteed returns at prices fixed by the banks above the cost of delivering the services.

As alluded to in the previous paragraphs, commercial paper, or bills, were habitual instruments of trade in the period. Transnational and large-scale trade were rarely settled through spot transactions, due to the difficulty for purchasers of arranging aggregate charges and receipts so as to ensure liquidity at all given moment. Rather, such trade was typically conducted by the purchaser (the 'payer') issuing a bill deferring payment to (say) 30, 60 or 90 days hence. The merchant releasing goods and receiving the bill (the 'payee') could either collect payment on their own account when the bill fell due, or else present it to their bank for handling. In one scenario, the bank would collect payment from the payer (or, the payer's bank) and transfer the funds to the payee minus a commission. These were referred to as 'bills collected'. Alternatively, the payee could wish for immediate use of their promised funds. In this case, the payee could have their bill 'negotiated' or 'discounted' by their bank, which would pay the face-value of the bill upfront, minus a discount. The bank would then become the new payee and collect payment on the bill for its own account. The flow of funds on banks' books when discounting bills resembled a loan at interest, save that the receipt of the principal and its settlement with interest were carried out by different parties. Negotiated bills were a commitment of the bank's liquid resources (as the bank was now exposed to non-payment or changes in the exchange rate). As such, discount was either classed separately to commission in banks' accounts, or as interest received.

Bill handling gave rise to exchange, commission and discount earnings for banks. As payees' banks collected funds from those of payers, it should not be forgotten that these were often the same bank. Indeed, internalising the costs of international bill handling had been one of the principal purposes of multinational banks from the nineteenth century. Table 2.4 describes the distribution of Barclays DCO's bills collected and negotiated in 1959. (The bank did not report inwards and outwards bills separately before 1958. This year witnessed a substantial crisis in Sudan's external trade, so 1959 is presented instead). Table 2.4 demonstrates that collected bills were larger in number and total value among all bills handled by Barclays DCO in Sudan, but that negotiated bills were larger on average. This concerns external trade, and in local trade this trend was reversed.

Table 2.4. Bills handled by Barclays DCO for Sudan
12 months ending 31 March 1960

Type of bill	Number of bills	Percentage total
Inward Bills Collected (exports)	45,315	73.2%
Inward Bills Negotiated (exports)	838	1.4%
Local Bills Collected	333	0.5%
Local Bills Negotiated	3,784	6.1%
Outward Bills Collected (imports)	3,347	5.4%
Outward Bills Negotiated (imports)	8,326	13.4%
TOTAL	61,943	100.0%
Type of bill	**Value of bills (£S)**	**Percentage total**
Inward Bills Collected (exports)	20,001,797	53.1%
Inward Bills Negotiated (exports)	2,764,496	7.3%
Local Bills Collected	408,629	1.1%
Local Bills Negotiated	1,716,534	4.6%
Outward Bills Collected (imports)	1,123,080	3.0%
Outward Bills Negotiated (imports)	11,663,701	31.0%
TOTAL	37,678,237	100.0%

Source: Barclays DCO, Half-yearly reports: Sudan (30 September 1959 and 31 March 1960).

Finally, banks earned revenue from interest on funds employed. This came overwhelmingly from interest received on loans and overdrafts, though dividends on shareholdings also fell into this category. Tables 2.5 describes the distribution of loans by bank and by activity in rare Ministry of Finance statistics in October 1956.

Table 2.5a. Breakdown of bank advances 30 October 1956 (£E.000s)						
	Barclays DCO	Credit Lyonnais	Ottoman Bank	Banque Misr	NBE	ALL BANKS
Cotton cultivation	1,050[a]	225	10	482	31	1,798
Exports						
Cotton	1,632	4,683	611	1,074		8,000
Gum	83	141	263	120	28	635
Others	334	1,307	723	197	20	2,581
Imports						
Wholesale	1,500	499	843	441	81	3,364
Retail	258		7	174		439
Industrial	413		156	33	7	609
Personal	86	15	11	14	14	140
Others	75		42	19	1	137
TOTAL SHORT-TERM ADVANCES	5,431	6,870	2,666	2,554	182	17,703
Agricultural	523	447			3	973
Others	182[b]	464		100		746
Long-term agreements	1,044			97		1,141
TOTAL LONG-TERM ADVANCES	1,749	911		197	3	2,860
PAYMENT AGREEMENTS	129	875				1,004
TOTAL ADVANCES	**7,309**	**8,656**	**2,666**	**2,751**	**185**	**21,567**
TOTAL DEPOSITS (Table 2.1)	**14,266**	**5,020**	**2,974**	**518**	**Large (mostly official)**	
Ratio of deposits to advances (approx.)[c]	1.95	0.58	1.12	0.19	1<	1.07[d]

Notes:

[a] Includes £E.4,000 advances to non-cotton cultivation.

[b] Includes £E.2,000 to specifically 'Industrial' long-term advances (all other advances in this row are non-industrial according to the categorisation in the original source).

[c] The original source for deposits is to a lesser degree of specification than the source for advances (to the nearest £E.100,000 and £E.1,000 respectively) so ratios are approximative and indicative, rather than exact.

[d] Excludes the deposits and advances of the NBE. Expresses ratio of deposits to advances of commercial banks.

Table 2.5b. Share of bank in type of advances (rows sum to 100) 30 October 1956 (£E.000s)						
	Barclays DCO	Credit Lyonnais	Ottoman Bank	Banque Misr	NBE	ALL BANKS
Cotton cultivation	58.4%	12.5%	0.6%	26.8%	1.7%	100.0%
Exports						
Cotton	20.4%	58.5%	7.6%	13.4%		100.0%
Gum	13.1%	22.2%	41.4%	18.9%	4.4%	100.0%
Others	12.9%	50.6%	28.0%	7.6%	0.8%	100.0%
Imports						
Wholesale	44.6%	14.8%	25.1%	13.1%	2.4%	100.0%
Retail	58.8%		1.6%	39.6%		100.0%
Industrial	67.8%		25.6%	5.4%	1.1%	100.0%
Personal	61.4%	10.7%	7.9%	10.0%	10.0%	100.0%
Others	54.7%		30.7%	13.9%	0.7%	100.0%
TOTAL SHORT-TERM ADVANCES	30.7%	38.8%	15.1%	14.4%	1.0%	100.0%
Agricultural	53.8%	45.9%			0.3%	100.0%
Others	24.4%	62.2%		13.4%		100.0%
Long-term agreements	91.5%			8.5%		100.0%
TOTAL LONG-TERM ADVANCES	61.2%	31.9%		6.9%	0.1%	100.0%
PAYMENT AGREEMENTS	12.8%	87.2%				100.0%
TOTAL ADVANCES	**33.9%**	**40.1%**	**12.4%**	**12.8%**	**0.9%**	**100.0%**

Table 2.5c. Type of advance within banks' total activities (columns sum to 100) 31 October 1956 (£E.000s)						
	Barclays DCO	Credit Lyonnais	Ottoman Bank	Banque Misr	NBE	ALL BANKS
Cotton cultivation	14.4%	2.6%	0.4%	17.5%	16.8%	8.3%
Exports						
Cotton	22.3%	54.1%	22.9%	39.0%		37.1%
Gum	1.1%	1.6%	9.9%	4.4%	15.1%	3.0%
Others	4.6%	15.1%	27.1%	7.2%	10.8%	12.0%
Imports						
Wholesale	20.5%	5.8%	31.6%	16.0%	43.8%	15.6%
Retail	3.5%		0.3%	6.3%		2.0%
Industrial	5.7%		5.9%	1.2%	3.8%	2.8%
Personal	1.2%	0.2%	0.4%	0.5%	7.6%	0.6%
Others	1.0%		1.6%	0.7%	0.5%	0.6%
TOTAL SHORT-TERM ADVANCES	74.3%	79.4%	100.0%	92.8%	98.4%	82.1%
Agricultural	7.2%	5.2%			1.6%	4.5%
Others	2.5%	5.4%		3.6%		3.5%
Long-term agreements	14.3%			3.5%		5.3%
TOTAL LONG-TERM ADVANCES	23.9%	10.5%		7.2%	1.6%	13.3%
PAYMENT AGREEMENTS	1.8%	10.1%				4.7%
TOTAL ADVANCES	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Table 2.5d. Breakdown of bank advances (all cells add to 100) 31 October 1956 (£E.000s)						
	Barclays DCO	Credit Lyonnais	Ottoman Bank	Banque Misr	NBE	ALL BANKS
Cotton cultivation	4.9%	1.0%	<0.1%	2.2%	0.1%	8.3%
Exports						
Cotton	7.6%	21.7%	2.8%	5.0%		37.1%
Gum	0.4%	0.7%	1.2%	0.6%	0.1%	2.9%
Others	1.5%	6.1%	3.4%	0.9%	0.1%	12.0%
Imports						
Wholesale	7.0%	2.3%	3.9%	2.0%	0.4%	15.6%
Retail	1.2%		<0.1%	0.8%		2.0%
Industrial	1.9%		0.7%	0.2%	<0.1%	2.8%
Personal	0.4%	0.1%	0.1%	0.1%	0.1%	0.6%
Others	0.3%		0.2%	0.1%	<0.1%	0.6%
TOTAL SHORT-TERM ADVANCES	25.2%	31.9%	12.4%	11.8%	0.8%	82.1%
Agricultural	2.4%	2.1%			<0.1%	4.5%
Others	0.8%	2.2%		0.5%		3.5%
Composition agreements (rescheduled loans)	4.8%			0.4%		5.3%
TOTAL LONG-TERM ADVANCES	8.1%	4.2%		0.9%	<0.1%	13.3%
PAYMENT AGREEMENTS	0.6%	4.1%				4.7%
TOTAL ADVANCES	**33.9%**	**40.1%**	**12.4%**	**12.8%**	**0.9%**	**100.0%**
Source: John Carmichael, Memorandum: A central bank in the Sudan (27 January 1957). OV 134/8/1.						

Total bank lending had increased significantly in the 1950s, in line with inflation in the price of Sudan's primary exports. Total bank loans had stood at £E.2.1 million in 1951, but at £E.24.4 million in May 1956.[177] The figures in table 2.5 reflect specific circumstances in October 1956 as well as long-term trends. Credit controls had been introduced from 1955 which lowered the overall level of advances, especially for imports. In contrast, 1956 saw cotton sales rise above expectations by the end of the year, meaning that deposits rose and outstanding advances fell, thereby increasing the ratio of deposits to advances. Table 2.5 reveals that Barclays DCO retained an important position among lenders in Sudan with the bank's largest share of lending going to cotton exports, while also playing an important role financing capital imports from the United Kingdom. The bank had the most diversified lending profile of any bank, and had a disproportionate role in personal, industrial and long-term financing.

However, Barclays DCO had been overtaken in lending by 1956 by Credit Lyonnais, as this bank had been highly successful in its strategy of securing lucrative export finance. In contrast, the Ottoman Bank's most important relationship was with multinational corporations financing capital imports. This bank operated the nearest balance of advances and deposits in Sudan. The Ottoman Bank eschewed long-term finance and minutes of its London sub-committee confirm that it repeatedly turned down requests for long-term arrangements from its customers due to internal liquidity concerns. An important share of Banque Misr's lending went towards cotton, both for cultivation and export. Its import finance probably represented imports from Egypt. The NBE engaged in very little lending, which was primarily to customers with which it had long-standing relationships of multiple decades. Lending to cotton cultivation by all banks was a new and remunerative line of lending that the Sudanese government was encouraging.

Table 2.5a demonstrates a clear divergence in liquidity strategies by banks in Sudan. Both Barclays DCO and the Ottoman Bank had ratios of deposits to advances in excess of one. In contrast, Credit Lyonnais held deposits relative to advances at a ratio of three to five, and Banque Misr at a ratio of one to five. There is no necessary correlation between a bank's deposits and its advances, as by lending to customers banks bring new assets into existence in the form of ledger entries, with the customer's new claim on the bank as a balancing liability. However, increasing loans to customers in excess of deposits creates the risk that a bank will have to borrow cash from elsewhere in the financial sector to meet its customers' claims – thereby reducing its spreads – or else find itself unable to service these claims, prompting a

[177] Zbigniew Siemienski, The Sudan Currency Board (20 July 1961), p. 3. OV 134/4.

bank run and default. In Sudan in 1956, there was no central bank mandated to impose liquidity ratios on banks or to act as a statutory lender of last resort, so liquidity ratios reflected the policies of different banks and their success in recovering loans from customers.

The ratios of Barclays DCO and the Ottoman Bank reflected the conservatism of British investors in colonial peripheries, for whom the full convertibility of fiduciary money into harder forms of exchange was a pillar of financial orthodoxy.[178] In contrast, the practices of Credit Lyonnais and Banque Misr revealed not only different lending policies compared with their British counterparts, but also a tendency to treat their Sudanese operations as part of an integrated whole with their activities in Egypt. Both banks relied on their liquid resources in Egypt to finance their lending in Sudan. Chapter Four will describe the financial infrastructures that made this possible in the early 1950s, but which disappeared by the end of the decade. Table 2.6 describes monthly variation in deposits and advances by banks in Sudan in 1956 which confirms the seasonal nature of the sales season when export finance peaked, and the persistent differences in liquidity strategies among Sudan's banks.

[178] Peter Cain & Anthony Hopkins, *British imperialism, 1688-2015* (London: Routledge, 2016), pp. 609-611.

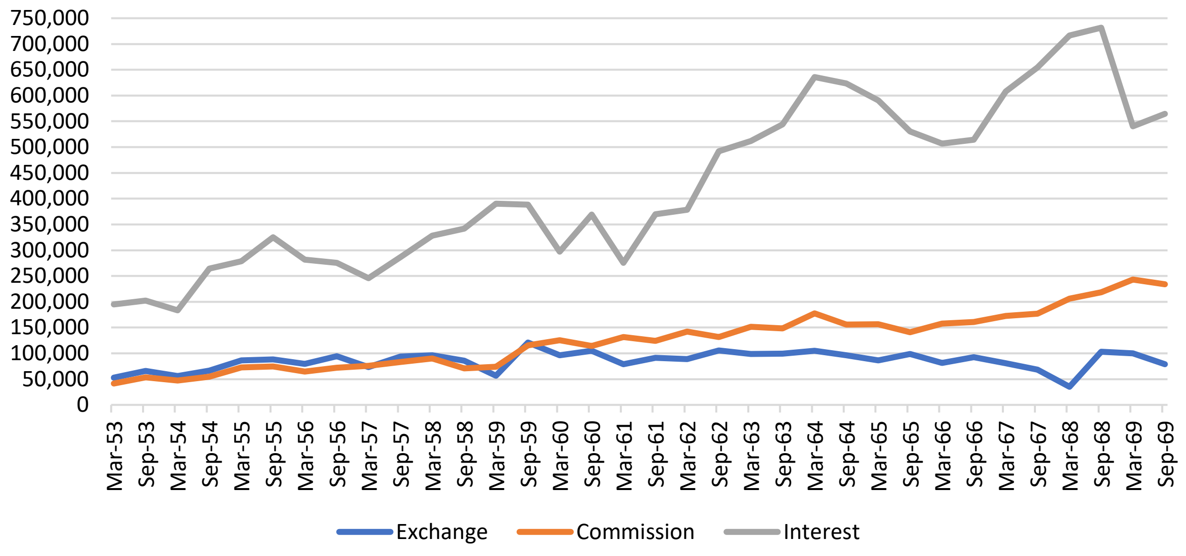
Table 2.6. Seasonal variation in deposits and advances in the Sudanese banking sector (£E. millions) January to October 1956												
	Barclays DCO			Credit Lyonnais			Ottoman Bank			Bank Misr		
Month	Deposits	Advances	Deposits: Advances	Deposits	Advances	Deposits: Advances	Deposits	Advances	Deposits: Advances	Deposits	Advances	Deposits: Advances
January	11.7	6.3	1.86	1.3	6.6	0.20	3.1	3.4	0.91	0.3	2.4	0.13
February	12.3	8.7	1.41	1.3	6.0	0.22	2.7	2.8	0.96	0.3	2.7	0.11
March	11.5	8.7	1.32	2.0	6.5	0.31	3.0	3.1	0.97	0.4	2.8	0.14
April	12.1	9.5	1.27	2.4	7.3	0.33	2.8	2.8	1.00	0.5	3.5	0.14
May	12.8	9.6	1.33	3.8	8.4	0.45	3.3	3.0	1.10	0.4	3.4	0.12
June	14.6	8.3	1.76	4.5	9.9	0.45	3.0	2.8	1.07	0.4	3.1	0.13
July	12.4	7.7	1.61	4.8	8.7	0.55	3.0	2.5	1.20	0.4	3.1	0.13
August	12.1	8.0	1.51	3.7	8.8	0.42	2.7	2.6	1.04	0.5	3.0	0.17
September	11.9	7.3	1.63	3.8	8.2	0.46	2.6	2.7	0.96	0.5	2.7	0.19
October	14.3	7.3	1.96	5.0	8.7	0.57	3.0	2.7	1.11	0.5	2.8	0.18
Ten-month average	12.6	8.1	1.57	3.3	7.9	0.40	2.9	2.8	1.03	0.4	3.0	0.14
Source: John Carmichael, Memorandum: A central bank in the Sudan (27 January 1957). OV 134/8/1.												

Table 2.7 breaks down revenue by source for Barclays DCO and Credit Lyonnais over twelve-month periods. I have found no comparable data for Credit Lyonnais later in the 1950s, nor for any other foreign bank in Sudan.

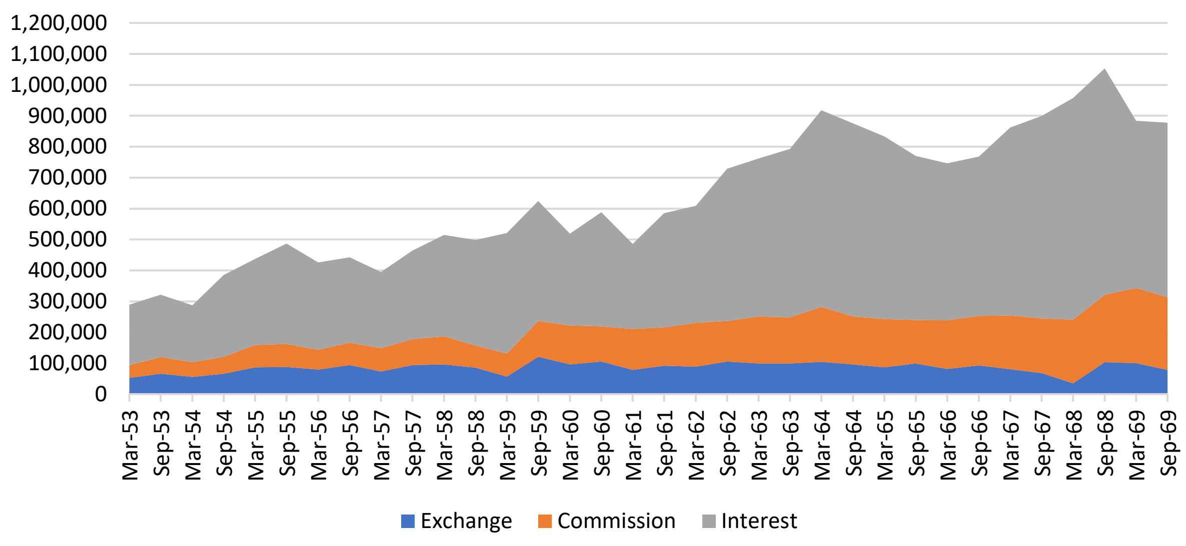
Table 2.7. Sources of revenue for Barclays DCO and Credit Lyonnais					
Credit Lyonnais 12 months ending 31 December 1955			**Barclays DCO 12 months ending 30 September 1955**		
Interest [a]	£E.155,995	67.9%	Interest	£E.547,296	60.7%
Exchange	£E.45,202	19.7%	Exchange	£E.170,241	18.9%
Commission	£E.28,505	12.4%	Commission	£E.143,134	15.9%
[a] Including discount.			Discount	£E.41,115	4.6%
			Barclays DCO 12 months ending 30 September 1956		
			Interest	£E.516,389	61.1%
			Exchange	£E.169,693	20.1%
			Commission	£E.132,796	15.7%
			Discount	£E.26,866	3.2%
Source: Credit Lyonnais, Khartoum, Situation Générale de notre exploitation au Soudan (1955). DAE 10997. Barclays DCO, Half-yearly reports: Sudan (31 March 1955; 30 September 1955; 31 March 1956 and 30 September 1956).					

Graphs 2.2 describes Barclays DCO’s profits in Sudan through the period of study, with discount included within interest. demonstrating a secular proportional decline in exchange in favour of commission, in line with the gradual increase in import controls and decline in cotton prices described in later chapters. Interest was more variable reflecting provision for bad debts and statutory credit controls in any given year. These are also discussed in later chapters.

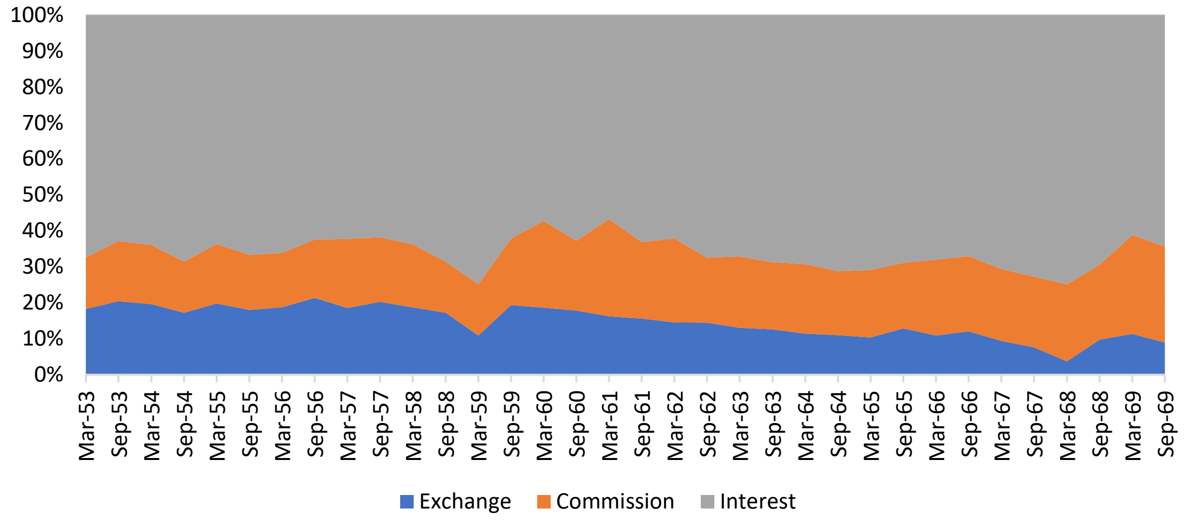
Graph 2.2a. Source of profits in Sudan (Barclays DCO. £E/£S). 1953 to 1969.



Graph 2.2b. Source of profits in Sudan (Barclays DCO. £E/£S). Stacked. 1953 to 1969.



Graph 2.2c. Source of profits in Sudan (Barclays DCO). 1953 to 1969.



Source: Barclays DCO, Half-yearly reports: Sudan (multiple dates).

Counterbalancing revenue, banks incurred significant charges through interest paid on customer credit balances; salaries; costs of premises; and the cost of borrowing cash from the NBE and other banks.[179] In the twelve months ending 30 September 1956, Barclays DCO's total expenses in Sudan were £E.148,635 interest paid on credit balances (29.1% of total expenses), £E.13,554 on borrowing from the NBE (2.7%), £E.9,462 on exchange transactions (1.9%), £E.227,620 on salaries (45.3%) and £E.111,982 on other sundry and office expenses (21.1%). Detailed comparisons between banks are not available, but new banks would have paid more in amortised preliminary costs and Credit Lyonnais and Banque Misr would have been paying more to borrow cash from the NBE and their competitors due to their liquidity strategies. Various accounting challenges are posed by comparing net profits across banks (and I have not found this information for most banks). These include calculating the size of the bank's capital for determining profitability ratios, and banks' internal conventions in amortising costs and transferring bad debts from assets into suspense. I therefore do not attempt such an exercise.

[179] After 1960, these were replaced by the costs of borrowing local funds and purchasing exchange from the central bank.

New banks after independence

This section examines two foreign commercial banks which entered Sudan after independence. Unlike the British- and French-owned banks in Sudan, the Arab Bank and the State Bank of Ethiopia were owned and incorporated within the global periphery and were pursuing strategies of intraregional expansion in the Arab World and the Horn of Africa, respectively. The intraregional expansion strategies of such banks are underexamined by the literature. I chart the history of both in Sudan and how their activities resembled or departed from those of their rivals.

The Arab Bank opened in Sudan in November 1956. The bank had planned to open in 1954 and had commissioned the construction division of the Abu Al-Ela group of companies to erect its Khartoum premises. Building was delayed, so the bank eventually opened two years later. This fluke earned it the accolade of being the first bank to open in Sudan after independence.[180] The Arab Bank was founded in 1930 in Jerusalem in British Mandatory Palestine. Whereas banking in the region was dominated by European multinationals, the Arab Bank, like Banque Misr, was exceptional in that its ownership and management were entirely Arab. In 1948, the Palestinian 'Nakba' (catastrophe; the mass displacement of Palestinians by Zionist and Israeli militias following Israel's declaration of independence) forced the bank to close its activities in the territory occupied by Israel and to relocate its headquarters to Amman in Jordan. The chair of the Arab Bank, Abd Al-Majid Shuman, became an important financier of the Palestinian Liberation Organisation (PLO) in later decades.[181]

In Palestine, as in Sudan, British multinational banks had trained a cadre of local staff to work in their institutions. The displacement of Palestinians during the Nakba led to a dispersal of individuals and banking expertise within the Middle East as banks such as Barclays DCO and the Ottoman Bank, both of which had had branches in Palestine, redeployed their Palestinian staff in other territories. Within Sudan, Barclays DCO engaged a former employee of their branch in Yafa (Jaffa) as the manager of their branch in Kassala and, subsequently, Port Sudan.[182] Barclays DCO and the Ottoman Bank continued to operate in Israel after the end of the British Mandate in Palestine, where they held 'frozen' Palestinian bank accounts belonging to displaced people whose resident status was not recognised under Israeli law. The

[180] Arab Bank, *Annual Report* (1953), p. 9. MEDU 33/4/BAN.
[181] Encyclopedia.com, 'Shoman, Abdel Majeed (1912-2005)'. Available online: https://www.encyclopedia.com/international/encyclopedias-almanacs-transcripts-and-maps/shoman-abdul-majeed-1912-2005. (Consulted 7 October 2020).
[182] Barclays DCO, Mr Rodway's visit to Sudan (February 1961), p. 5.

Arab Bank successfully challenged both banks in British courts to recover its own balances with these institutions from Palestine, opening the way for displaced Palestinians to mount successful legal challenges against the Ottoman Bank in courts in Jordan, where the Ottoman Bank operated branches and Israel was not a recognised entity.[183]

By 1956, the Arab Bank had become an important regional institution with branches in Egypt, Iraq, Syria, Lebanon, Saudi Arabia and Libya. The bank articulated both a political and a commercial vision of Arab nationalism, calling for 'the abolition of customs barriers, freedom of travel, uniformity of systems of education, and free movement of currency' between Arab states, as endorsed, though never enacted, by meetings of the finance ministers and heads of state of the Arab League.[184] Before opening in Sudan, the bank commented on political events in Sudan in its annual reports, for example following Sudanese self-government elections: 'We all extend our sincere wishes to our Sudanese brethren in their new regime. It is indeed most gratifying to your institution to cooperate with those who are sincerely willing to strengthen the commercial and economic relations amongst the countries of the Arab World'.[185]

The newly-built premises of the Arab Bank were reported by British diplomats as the most impressive of any bank in Khartoum. Abd Al-Majid Shuman and his father Abd Al-Hamid Shuman, the bank's founder, both travelled to Sudan for the opening ceremony, which was presided over by the Sudanese Minister of Finance. Other government ministers, businessmen, diplomats and the Lebanese Minister of Public Works were also in attendance. The British Embassy was not invited. Although the Embassy was unaware of a precise reason for this, the ongoing British, French and Israeli occupation of the Sinai Peninsula following the War of Tripartite Aggression (Suez Crisis) was a probable factor (see Chapter Four). Among its initial staff in Sudan, the Arab Bank attracted one employee from the NBE, five from Banque Misr (to the latter's reported disgruntle) and two from Barclays DCO; one of the latter became the Arab Bank's sub-manager in Sudan. The position of manager, meanwhile, was bestowed upon Hafiz Al-Barudi, a former civil servant who had since worked for the Arabian-American Oil Company (Aramco) in Saudi Arabia and the Arab Bank in Amman.[186] His appointment made the Arab Bank the first bank to appoint a Sudanese as its most senior

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183 Sreemati Mitter, 'A history of money in Palestine: from the 1900s to the present' (Unpublished doctoral dissertation: Harvard University, 2014), pp. 105-230.
184 Arab Bank, *Annual Report* (1953), p. 3**.**
185 Arab Bank, *Annual Report* (1954), p. 6.
186 British Embassy, Khartoum, Despatch to Selwyn Lloyd, Foreign Secretary, UK (5 November 1956). OV 134/2.

representative in Sudan. It would remain the only foreign bank to do so for the entire period of study.

The Arab Bank secured an important deposit from the Iraqi Embassy, and British diplomats reported that it sought to 'cater entirely for the Sudanese' and was not interested in soliciting the custom of multinational corporations. Accordingly, the bank did not initially rival the European banks in size in Sudan, as foreign multinationals still dominated local business. The Arab Bank joined Banque Misr in financing small-scale cotton schemes but, with time, it also secured shares in larger investments, for example by investing funds in Sudan for the Chair of the National Bank of Kuwait and financing Sudan's second textile factory in a consortium with local merchants and a Japanese firm.[187]

Both in Sudan and its regional operations, the Arab Bank had demonstrated its capacity to challenge European banks on their own financial and legal terrain. A profile of its banking activities suggests that it did so by remaining within orthodox banking practices, rather than challenging these as Banque Misr had sought to on occasion, as the Arab Bank sought its share of remunerative cotton exports. The bank's most politically radical associations – notably its chair's finance and support for the PLO – arose from how it spent its distributed profits, rather than how it generated them.

The State Bank of Ethiopia was the last foreign bank to open anew in Sudan before the 1970s, doing so in April 1958. After 57 years, it was the first bank to open in Sudan without already having operations in Egypt. The State Bank of Ethiopia had been established in 1942 as a commercial bank wholly-owned by the Ethiopian state. In 1945, it was also vested with central banking functions. Despite Ethiopian state ownership of the bank, its senior management was initially comprised of foreigners, with a Canadian and a US-American serving as the bank's first two governors.[188]

The Khartoum branch of the State Bank of Ethiopia was its only full branch outside of Ethiopia. After it closed its transit office in Djibouti in 1963, Khartoum became the bank's only foreign representation of any kind. The Khartoum branch received an important share of its deposits from Eritreans resident in Sudan, as well as its largest single account, that of the Saudi Arabian embassy. The bank's customers in Sudan were mainly Sudanese and Indian merchants.[189] The first manager of the Khartoum branch was Taffara Degueffé, who had joined

[187] Arab Bank, *Annual Report* (1960), p. 28.
[188] Arnaldo Mauri, 'The re-establishment of the national monetary and banking system in Ethiopia, 1941-1963', *The South African Journal of Economic History* (2009) 24, 2, pp. 82-130.
[189] Ibid.

the bank in Ethiopia in 1944 as a filing clerk. Whereas the Sudanese operations of the other multinational banks weighed little in these banks' global operations, the Ethiopian bank's sole foreign branch was an important training ground for staff who would go on to occupy senior positions back in Ethiopia. In 1961, Degueffé returned to Ethiopia and was appointed governor of the State Bank, becoming the first Ethiopian to hold the post.[190]

The bank's stated purpose in Sudan was to promote trade between Sudan and Ethiopia, much of which was conducted through the commercial corridor of the Gambela region, which Sudan had occupied as an enclave until October 1956. It is not clear why the State Bank of Ethiopia or the Ethiopian government privileged Sudan as the sole site for foreign bank representation. This could point towards an importance of Sudan for Ethiopia's economy in the period about which there is little awareness in Sudanese historiography. Alternatively, in the 1950s, these two countries were rare examples of independent countries on the African continent, making this venture an important example of horizontal economic relationships in the postcolonial world. The State Bank of Ethiopia's activities in Sudan remained small relative to its rivals and it never expanded beyond its sole office in Khartoum. Alongside the Egyptian, Jordanian and Ethiopian banks that opened in Sudan in the 1950s from within the decolonised world, there were projects in the 1950s for Indian, Iraqi and Saudi banks to open in Sudan, which were ultimately not pursued.[191]

[190] Obituary: Taffara Degueffé (1926-2015) *Ethiopia Observer* (12 March 2015). Available online: https://www.ethiopiaobserver.com/2015/03/12/taffara-deguefe-1926-2015/.
[191] John Carmichael, Khartoum, Letter to UK Treasury (6 November 1955). SAD.733/5/206.

The Ministry of Finance

This section examines the Ministry of Finance, which was the government department with responsibility for policy towards the banking sector. I emphasise both the institutional power of career civil servants in the department, and the succession of ministerial appointments arising from Sudan's coalition politics. I argue that Sudanese governments before 1958 anticipated a business sector that resembled that of the Condominium, but which promoted the entry of a Sudanese business class alongside the presence of foreign capital.

The predecessor to the Ministry of Finance was the Finance Department of the Condominium. This department and the Sudan Government had fiscal powers of tax-raising and expenditure, but no monetary powers over interest rates or monetary creation as Sudan used Egyptian currency, and these competencies were vested in Cairo. Nor was there realistic scope for the de facto British dependency to depart from the commercial policies of the sterling area. Nevertheless, the British Financial Secretary who led the department could keep close informal contact with his co-nationals in the local and general managements of the NBE and Barclays DCO on questions of local economic importance. The last Financial Secretary, Louis Chick, left his position in 1953 as Sudan entered self-government elections, following which the Department was transformed into a Ministry of the Sudanese government.[192]

Hammad Tawfiq Hammad was Sudan's first Minister of Finance in the government of Ismail Al-Azhari. Tawfiq Hammad was a graduate of Gordon College who began his professional career in the 1920s as an accountant in the Finance Department, before becoming Inspector of Accounts in the Department of Agriculture. He was dismissed from this position in 1947 for a newspaper article criticising the Governor-General. Politically active, Tawfiq Hammad was president of the small Unionists' Party which merged with the NUP in 1952. Tawfiq Hammad served on the NUP's executive and in 1953 was elected to parliament on its ticket in Blue Nile Province.[193]

Chick's Deputy Financial Secretary, John Carmichael, was reemployed by Tawfiq Hammad as a Permanent Under-Secretary to the Ministry, which ensured institutional continuity. Carmichael was served by three Sudanese Deputy Under-Secretaries who had also served Chick in the Finance Department, namely, Hamza Mirghani, Mamoun Beheiri and Mansour Mahjub. These individuals were the embodiment of the class of Sudanese economic administrators researched by Alden Young who shaped Sudanese public policy in the early

[192] Young, *Transforming Sudan*, p. 79.
[193] Foreign Office, Leading personalities in Sudan (1957). FO 371/125960.

post-independence period.[194] All had their professional formation under the Condominium, and were proficient in English, Arabic, financial accounting and the structures of the Sudanese state. This valuable combination of skills would secure them future employment in senior administrative positions, international financial bodies and the private sector. Finally, each would come to serve as Minister of Finance in very different governments seeking a technocratic appointment to this strategic portfolio.

Al-Azhari's government did not seek to reorganise Sudanese politics, economy or society, but rather sought to give Sudanese access to the same institutional structures as had prevailed under the Condominium. In the public sector, this led to the first iteration of the policy of 'Sudanisation' as the government accelerated the replacement of Britons, Greeks, Egyptians and other nationals in official employment with Sudanese appointees. Consequently, Carmichael's tenure as Permanent Under-Secretary was ended in 1955 when he was replaced by Hamza Mirghani. However, Carmichael's services were retained as an Economic and Financial Advisor to the Sudan Government, a position that was continuously renewed until 1959, thereby spanning the tenures of three ministers of finance. This made Carmichael a bridgehead between the technical and imperial function of the Condominium's Financial Department and the political leadership of the Ministry after independence. He communicated on behalf of the Sudanese government with the Bank of England regarding Sudan's use of sterling, and with the local banking sector where he represented the government at the first meetings of the Bankers' Association.[195] As well as being an advocate for the Sudanese government before foreign interests, Carmichael also appears to have been an asset for the British state in Sudan. Information appears to have flown quite liberally between British nationals working as diplomats in the British embassy, managers in local banks (specifically, the NBE, Barclays DCO and the Ottoman Bank), and Carmichael, with the latter reporting on policy discussions and personal differences within the Sudanese government. When the renewal of his position was under consideration in 1957, the UK Foreign Office recorded that '[Carmichael] asked whether his continued presence [in Sudan] helped the United Kingdom. Mr. Armstrong [of the Foreign Office] said that Sir J. Carmichael must himself be the judge of that.'[196] Carmichael probably did not see himself as a covert agent supporting British interests. Rather, this is evidence that personal networks of Britons spanning both the public and private sectors continued after the end of formal empire, and were underpinned by the examined or

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[194] Young, *Transforming Sudan*, p. 79, fn11.
[195] John Carmichael, Papers, Sudan Archive (Durham University).
[196] T Bromley, Note for the record: Sudan (27 May 1957). FO 371/125988.

unexamined belief that technical expertise, British interests, and Sudanese interests ought naturally to converge.

In the private sector, the Ministry of Finance under Tawfiq Hammad began issuing public loans to Sudanese for the creation of private agricultural schemes, greatly expanding a practice that had existed under the Finance Department.[197] This gave small- and medium-scale Sudanese investors access to the agricultural export sector which had hitherto been dominated by foreign companies, public production boards, and the NUP's rivals in the religious leadership of the Ansar. Until 1951, Sudan's export boom had created an economy whereby public and private investors, alongside local and foreign capitalists, could all benefit without conflict from a rising economic tide, paying down each season's debts with the following season's proceed. Cotton prices fell in 1952, but private imports remained high which caused current account deficits in 1952, 1953 and 1954. Accordingly, Tawfiq Hammad and Carmichael negotiated the first regime of import and credit controls with the Bankers' Association in 1955 in an attempt to redress this imbalance,[198] while cutting public expenditure to further reduce domestic demand.[199] Shortly after, the NUP government would become the first of many in Sudan to fall under the pressure of allocating the burdens of demand reduction among different domestic constituencies.

Chapter One argued that the NUP was elected in 1953 as a broad political coalition seeking continued access for Sudan to the Egyptian market, but without a commitment to political integration with Sudan's northern neighbour. With this immediate objective secured, the NUP's broad coalition began to fall apart. In 1954, Al-Azhari demoted a number of ministers who, in January 1955, left the NUP to form the Independent Republican Party (IRP) led by Mirghani Hamza (the father, incidentally, of the civil servant Hamza Mirghani). In its founding statement, the IRP called for outright Sudanese independence with an independent Sudanese currency, which may have provided the political pressure which caused the NUP to adopt the latter policy six months later (see Chapter Four). In November 1955, Al-Azhari survived an attempt by the IRP and the Umma Party in parliament to oust him as Prime Minister. In December, Al-Azhari and the NUP endorsed a cross-party motion that declared Sudan's independence.

With the question of Sudan's constitutional status thereby settled, further rifts emerged in the NUP between the secular nationalists with whom Al-Azhari was associated, and the

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[197] Ministry of National Guidance, *The Agricultural Bank* (Khartoum, 1970), p. 7. MEDU 17/4/BAN/1.
[198] Barclays DCO, Memorandum: Sudan Bankers' Association (7 March 1955). BB0029/0278.
[199] Newspaper cutting, 'Budget slashes spending' (November 1955). DAE 10997.

religious, mercantile and tribal elites led by Sheikh Ali Al-Mirghani of the Khatmiyya. In February 1956, khatmi parliamentarians in the NUP forced Al-Azhari to form a national government with the IRP, the Umma Party and southern parliamentarians lest he lose his legislative majority.[200] Tawfiq Hammad was demoted to become Minister of Communications, and was replaced as Minister of Finance by Ibrahim Ahmad of the Umma Party. Ahmad had been the president of the Graduates' Committee in the 1940s, and had also been the vice-principal of Gordon College before becoming the first president of its successor, the University of Khartoum, in 1953. Ahmad was his party's only appointment to the Ministry of Finance in the period of this study.[201] His arrival in the ministry coincided fortuitously with the revival of cotton sales in 1956, alluded to in an earlier section.

In May, at the instigation of Ali Al-Mirghani, khatmi parliamentarians finally broke with the NUP to form the People's Democratic Party (PDP), which include Tawfiq Hammad among its ranks and which also absorbed the IRP. In June, Al-Azhari and the NUP were forced out of government and a new coalition was formed of the Umma Party, the PDP and southern parliamentarians. The Umma politician and former military officer Abdallah Khalil succeeded Al-Azhari as Prime Minister while Ibrahim Ahmad retained his position as Minister of Finance. Much historiography on Sudan describes the rivalry of the Ansar and the Khatmiyya, focusing on their contests for influence in the late Condominium. However, the Umma—PDP coalition government demonstrated the capacity of both to collaborate in government against the threat of more radical political interests, which would be a reoccurring pattern of Sudanese politics after independence. With elections due in February 1958, the new government redrew Sudan's electoral boundaries in favour of rural areas where each party was strongest electorally.[202] As the PDP and the Umma Party coordinated withdrawals across each other's gerrymandered constituencies, these parties were returned with greatly increased seats at the expense of the NUP. Abdallah Khalil and Ibrahim Ahmad continued as Prime Minister and Minister of Finance, respectively, while Mirghani Hamza was appointed Interior Minister**.** However, this political coalition, backed by elite political investors against the secular nationalists in the NUP, would itself fall apart faced with an economic crisis within months of its successful re-election.

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[200] Tim Niblock, *Class and power in Sudan: the dynamics of Sudanese politics, 1898-1985* (Basingstoke: MacMillan, 1987), pp. 209-210.

[201] Foreign Office, Leading personalities in Sudan (1957). FO 371/125960.

[202] Justin Willis & Atta el Battahani, ''We changed the laws': electoral practice and malpractice in Sudan since 1953', *African Affairs* 109, 435 (2010), p. 198.

This chapter has described the business strategies of different banks in Sudan in a sector that was uncompetitive with regard to rates. It reveals that banks were committed to expanding their local businesses after independence, but that their individual strategies varied with regard to branch expansion, liquidity ratios and activities financed. Policies and investments made in this period shaped the nature of future crises, and the exposure of individual banks to these crises. Meanwhile, the Sudanese government hoped that an expanding economy would allow Sudanese investors to enter sectors dominated by foreign capital without conflict. In particular, the Ministry of Finance issued public loans to facilitate the entry of private Sudanese into the cotton economy. The fortune of this sector is the topic of the next chapter.

Chapter Three: The 1958 cotton crisis

This chapter examines Sudan’s 1958 cotton crisis, the existence and significance of which have been largely overlooked by historians. This was an overlapping crisis of agricultural production, export sales, private indebtedness and political institutions, culminating at the end of the year in Sudan’s first military coup. The first two sections examine these events. The crisis ended hopes in the public and private sectors of a rising economic tide that would benefit all investors in private agricultural production without conflict, with the debts of each season being repaid with the proceeds of the season following. The response to the cotton crisis by Sudan’s new ‘military-developmentalist’ government inaugurated a new period of public economic management in Sudan characterised by enforced discipline to the competitive pressures of international markets. This is examined in the third section. Finally, the cotton crisis made prices and accounting entries across Sudan’s economy suddenly appear as doubtful and open to negotiation, rather than as unproblematic representations of underlying value. Banks decided which of their accounts to move from assets into suspense, and all parties struggled to enforce their outstanding debt claims in an illiquid economy. These conflictual processes are examined in the final section.

From boom to bust

This section examines the history of Sudan's cotton economy until 1958. During the 1910s, the government of the Anglo-Egyptian Condominium decided to develop cotton as a major export crop in Sudan, as it was already Egypt. It did so by coordinating large-scale investment in irrigated cotton farming, notably through the Gezira Scheme, which was irrigated with water from the Sinnar Dam on the Blue Nile, and which was financed by a consortium of private investors and the Sudan Government. The Scheme began operations in 1925 and was the largest farm in the world. The Gezira Scheme was organised according to 'cooperative/corporative' principles, distributing profits between the Sudan Government (40%), the private investors' syndicate (20%), and Sudanese tenant farmers (40%). In 1950, the Sudan Government took over the syndicate's participation and established the Sudan Gezira Board.[203]

The first private cotton scheme in Sudan was established in 1926 by Abd Al-Rahman Al-Mahdi on Aba Island, on the White Nile south of Khartoum. Al-Mahdi was the Imam of the Ansar, the religious movement created by the nineteenth-century Mahdiyya. Chapter One has described how the Condominium's British administrators granted agricultural scheme licences to Al-Mahdi as the Sudan Government underwent a strategic rapprochement with the Ansar, and enabled Al-Mahdi's ascendancy as one of Sudan's major business owners. Al-Mahdi's cotton estates benefited from religiously-motivated labour donations from the Ansar, and his cotton exports and business investments increasingly financed his religious, charitable and political activities, and also financed cotton schemes belonging to political and religious allies.[204] All of these activities were organised into the 'Dairat Al-Mahdi' (Circle of the Mahdi),[205] a religious community and a registered company from 1925. The Daira's overlapping familial, economic and political functions were embodied by Abd Al-Rahman's son, Siddiq Al-Mahdi, who was Managing Director of the Daira, President of the Umma Party, and chair of the private Sudan Cotton Growers' Association.[206]

The Jazira ('island') refers to the land between the White and Blue Niles south of Khartoum. As such, the Gezira Scheme is also often identified with 'the area between the Blue

[203] Simon Mollan, 'Economic imperialism and the political economy of Sudan: the case of the Sudan Plantations Syndicate, 1899-1956' (Unpublish doctoral dissertation: Durham University, 2008).
[204] Gabriel Warburg, 'British policy towards the Ansar in Sudan: a note on an historical controversy', *Middle Eastern Studies* 33, 4 (1997), pp. 675-692.
[205] The final "t" is an Arabic declination that can be substituted for the word "of".
[206] Fergus Nicoll, 'Dā'irat al-Mahdī: Money, Faith and Politics in Sudan', *Sir William Luce Paper no. 14* (2013). Available online: https://www.dur.ac.uk/resources/sgia/imeis/lucefund/Luce2013Lecture.pdf.

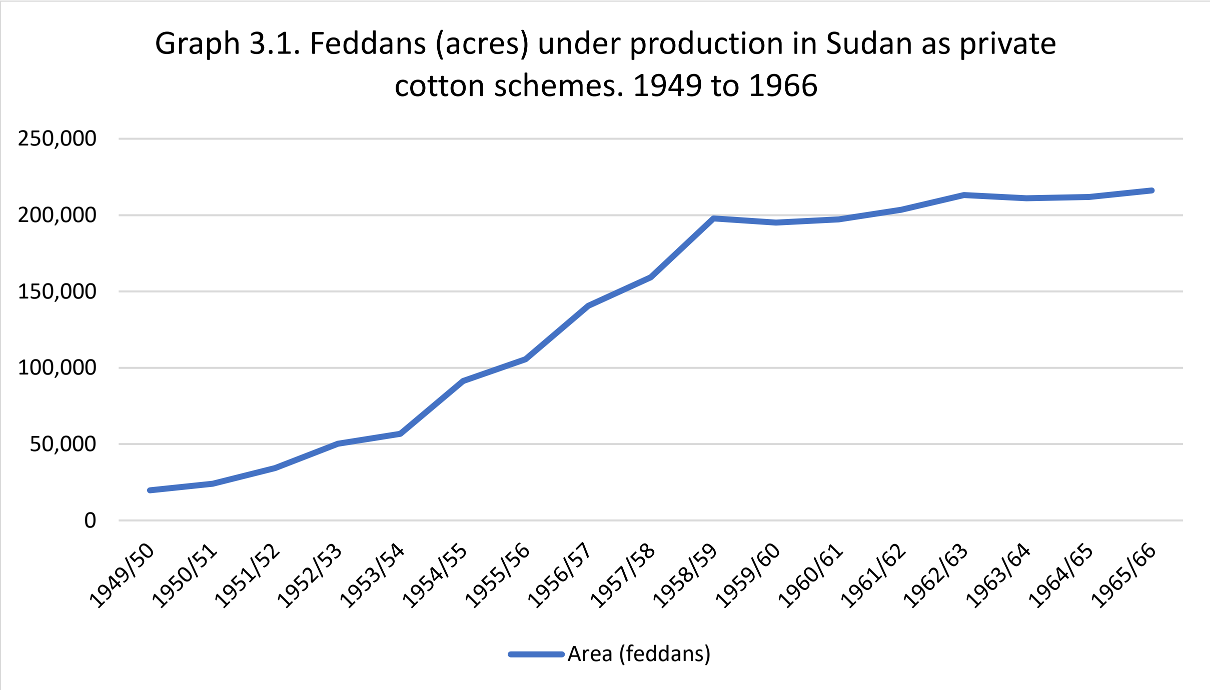
and White Niles.'[207] In fact, the Scheme drew all of its water from the Blue Nile and rainfall. Blue Nile Province, which contained the Jazira, hosted the entirety of the White and Blue Niles between Khartoum and southern Sudan, and its name highlighted the superior importance of the latter river for the Condominium's economy. Cotton production by the Dairat Al-Mahdi inaugurated a practice of private cotton production along the White Nile which would grow exponentially in the 1940s. It is therefore possible to divide the Jazira into two distinct economic geographies, one of publicly-financed cotton production along the Blue Nile, organised through a vast corporate unit; and an economy of private cotton production along the White Nile, driven by a patchwork of smaller-scale private schemes and investments.

Chapter Two has described the global boom Sudan's cotton export price between 1949 and 1952. In the 1951/52 financial year, 'Revenue from cotton' (sales by public boards) accounted for 39.5% of the Sudan Government's local revenue (the largest single item), which was further supplemented by cotton's contribution within export duties (the second-largest item). Cotton and cotton seed accounted for 82.0% of Sudan's exports, demonstrating the overwhelming importance of this crop for the territory's external revenue.[208] The Gezira Board was the largest single beneficiary of booming cotton sales, and a large capital project was planned to increase the Scheme's capacity through an irrigated extension at Manaqil. However, most of the immediate increase in cotton production to meet rising external demand came from smaller private estates. These relied on state administrative infrastructures, notably the granting of scheme licences which stipulated the sharing of proceeds between tenant farmers (40%) and license holders (60%).

Soon, the Daira's private cotton-growing activities were joined by those of Khartoum's established merchant houses, namely, the Abu Al-Ela, Abd Al-Moneim and Contomichalos, who either established cotton-growing subsidiaries or saw these grow substantially in size. Many Sudanese with smaller disposable income – earned from business, public salaries and professional practice – also invested in licences.[209] When they did not wish to become scheme managers themselves, such work could be outsourced to the aforementioned commercial houses who collected management fees for large networks of estates that were licensed to absentee investors. This chain of financing extended into the schemes themselves where

[207] Daniel Large, 'The international presence in Sudan' in John Ryle et al. (eds), *The Sudan Handbook* (James Currey: Woodbridge, 2011), p. 165.
[208] Sudan Governor-General, *Report on the Administration of the Sudan in 1951/52* (Khartoum, 1952), pp. 27 & 191.
[209] Tim Niblock, *Class and power in Sudan: the dynamics of Sudanese politics, 1898-1985* (Basingstoke: Macmillan, 1987), pp. 31-32.

managers lent to tenant farmers to pay wages for seasonal workforces, and the hire and purchase of agricultural equipment. This account highlights how much of the revenue brought into Sudan by the cotton boom was captured by existing religious, social, and economic elites with established corporate infrastructures and business networks. The dramatic increase in private cotton production in the 1950s is shown by graph 3.1.



Source: Ministry of National Guidance, *The Agricultural Bank* (Khartoum, 1970), p. 7. MEDU 17/4/BAN/1.

Sudan's banks had long been involved in financing the internal transport and export of cotton. This was short-term lending with a harvested crop as security and a reasonable expectation of that season's sales prices. This was distinct from financing for seasonal cultivation and scheme expansion, which were longer term, exposed to crop and market failures, and could not rely on the crop itself as security. However, in a booming export economy, loans for cheap production inputs that yielded valuable a cash crop provided an attractive channel for reinvesting the returns of previous seasons. Bank lending to cotton production began in 1949 when Barclays DCO extended facilities to the Dairat Al-Mahdi. By 1954, the Daira was fully mortgaged as it took out capital loans from banks to expand its spiralling network of estates (table 3.1). Lending to the Daira by Credit Foncier Egyptien, which had no branches in Sudan, highlights the enduring importance of Egypt for financing business activity in Sudan in this period.

Table 3.1. Estimated value of bank loans and mortgages for Dairat Al-Mahdi (£E) 30 April 1954

Bank	**Mortgages/security held**	**Value of mortgages**	**Value of loans**
Capital loans			
Barclays DCO	Properties in Khartoum	1,000,000	600,000 (1,500,000 limit)
Banque Misr	None	N/a.	150,000
Credit Lyonnais	Ginning and oilseed factories	617,000	100,000
Credit Foncier Egyptien	'Other' properties	250,000	60,000
All banks		1,867,000	910,000
Current loans (export finance)			
All banks	Harvested cotton	400,000 approx. (variable)	400,000 approx. (variable)
Total			
All	**All**	2,250,000 approx.	1,300,000 approx.

Source: Credit Lyonnais, La Dairat de Sir Sayed Abd El Rahman El Mahdi (1 October 1956). DEEF 73100.

Barclays DCO also secured the cotton cultivation financing of the Abu Al-Ela, Abd Al-Moneim and Contomichalos groups of companies, and table 2.5 demonstrates that this bank was the biggest single provider of cultivation by 1956. The family owners of each of these business conglomerates had significant public standings in Sudanese society. Abd Al-Salaam Abu Al-Ela, the chair of the Abu Al-Ela Group of Companies, was the chair of the Chamber of Commerce and the largest holder of land licences in Sudan. One of his cousins and business partners was a PDP senator, and the Abu Al-Ela Plantations company managed the cotton estates of Sheikh Ali Al-Mirghani of the Khatmiyya. Meanwhile, Abd Al-Hafiz Abd Al-Moneim, the head of the Abd Al-Moneim group of companies and its cotton-growing division, was also chair of the public Gezira Board.[210] Gerasimos Contomichalos, who led his eponymous group of companies, was president of the Greek Community Association in Sudan.[211]

In 1952, cotton prices began to decline for reasons examined in the next section, and in 1954 falling demand led to many cotton stocks going unsold. The following year, Barclays DCO rescheduled cultivation and capital loans with several customers who were unable to maintain forecasted repayments. Nevertheless, lending to cultivation finance continued due to pressure from multiple sources. These included the Ministry of Finance, which began lending large amount of money to expanding private cotton production, as described in Chapter Two, and which encouraged commercial banks to do the same in its mission to create a new class of Sudanese business owners.[212] Furthermore, Alexandrian cotton houses were expanding their cotton purchases in Sudan as British controls in this market retreated, and they would themselves finance cultivation costs on estate whose produce they wished to purchase, meaning that they financed both the supply and the demand for cotton in Sudan. Credit Lyonnais was the favoured supplier of export finance to these companies, as they already enjoyed close relationships with the French bank in Egypt, and were accustomed to receiving significant sums of financing unsecured.[213]

In 1956, the year of Sudanese independence coincided felicitously with an upswing in the external price of cotton. Unsold stocks from 1955 were cleared, balance of payments pressures abated, and rescheduled cotton loans were settled sooner than anticipated. All parties were able to overlook the structural problems of the cotton economy such as production

[210] Unknown author (Credit Lyonnais?), *Republic of Sudan: economic and financial situation* (December 1961), p. 4. DEEF 73100.
[211] Antonios Chaldeos, *The Greek community in Sudan (19th to 21st century)*, (Athens, 2017), pp. 249-250.
[212] See Chapter Two.
[213] Brian Macdona, Visit to Sudan (12-19 December 1956). BB0038/0748. See also Chapter Two.

inefficiencies and falling external prices. The Umma—PDP government that came to power that year was able to lift various controls that the National Unionist Party (NUP) had introduced to reduce external deficits, and it encouraged renewed investment in the sector that political investors behind both governing parties were now investing in. The Local Director of Barclays DCO judged 'The country is therefore poised on the threshold of what is likely to be another prosperous period.'[214] The Sudan Cotton Growers' Association forecasted bountiful crops, and banks and merchant houses financed the 1956/57 cultivation season with aplomb. Credit Lyonnais opened its first provincial offices in three locations around the White Nile to service their cultivation finance to Muhammad Sharif, a prominent Ansar who was the brother-in-law of Al-Mahdi, as well as a network of smaller estates financed by the bank and its customers, the Alexandria cotton houses.[215]

However, conditions deteriorated again in 1957 as yields fell and dumping by the United States depressed international prices. Cotton stocks remained uncleared at the end of the summer selling season. However, the reckoning in the cotton economy still did not arrive as banks refinanced the following season's cultivation, hoping that the debt carryovers of 1957 would be cleared by new upswing in 1958, as had occurred in 1956. Table 3.2 gives the approximate level of financing by each bank to cotton production.

[214] Barclays DCO, Half-yearly report: Sudan (30 September 1956).
[215] Credit Lyonnais, Modifications à l'exploitation des sièges (15 February 1957). DEEF 50662/1.

Table 3.2. Bank financing of cotton cultivation for the 1957/58 cotton season 30 October 1957		
Customer	Cotton cultivation finance (£S.)	Customer’s total cotton finance (£S.)
Barclays DCO		
Abu Al-Ela Plantations Company	750,000	1,500,000
Dairat Al-Mahdi	400,000	700,000
Abd Al-Moneim Mohamed Company	125,000	300,000
Contomichalos Cotton Company	75,000	150,000
Ralli Bros Ltd	50,000	150,000
Rye Evans & Company	400,000	700,000
TOTAL (Total 1956/57. Table 2.5a.)	1,800,000 (1,046,000)	3,500,000
Credit Lyonnais		
ARC	150,000	400,000
Zuleit Scheme (Muhammad Sharif)	80,000	150,000
Universal Cotton Company	75,000	200,000
Contomichalos Cotton Company	75,000	150,000
Pinto Cotton Company	50,000	150,000
Khartoum Cotton Company	50,000	100,000
TOTAL (Total 1956/57. Table 2.5a.)	480,000 (225,000)	1,150,000
Banque Misr		
Bireir	80,000	150,000
Egyptian Cotton	50,000	100,000
Middle East Trading Company	50,000	100,000
Various small cultivators	50,000	150,000
TOTAL (Total 1956/57. Table 2.5a.)	230,000 (482,000)	500,000
Ottoman Bank		
Pinto Cotton Company	80,000	160,000
Various small cultivators	20,000	40,000
TOTAL (Total 1956/57. Table 2.5a.)	100,000 (10,000)	200,000
Arab Bank		
Various small cultivators	100,000	200,000
TOTAL (Total 1956/57. Table 2.5a.)	100,000 (n/a)	200,000
GRAND TOTAL	2,710,000	5,550,000
Source: Credit Lyonnais, Khartoum, Pré-financement à l’intérieur (30 October 1957). DAE 10996. Original provenance possibly the Sudan Bankers’ Association. My figures for Credit Lyonnais are adjusted upwards for increased lending approved in the following month. Accordingly, total figures probably underestimate bank financing to this sector.		

Lending by all banks in 1957 except Banque Misr had increased markedly compared with 1956 (table 2.5), and the Arab and Ottoman banks had entered this sector for the first time. Barclays DCO concentrated its lending among a small number of large-scale customers, notably the Alexandrian merchant houses Rye Evans and Ralli Bros, the Dairat Al-Mahdi, and three resident Sudanese conglomerates. Credit Lyonnais, meanwhile, had more than doubled its cultivation loans, with all of its customers being Alexandria cotton houses that were acting as financial intermediaries, with the exceptions of Muhammad Sharif and the Contomichalos Cotton Company. Banque Misr divided its lending between small cultivators, the Sudanese business family Bireir, Egyptian Cotton (formed from the nationalisation of cotton houses in Egypt in 1956) and the Middle East Investments Corporation, which was registered in Lebanon. Figures from 31 March 1959 reveal that the Ministry of Finance had £S.724,000 loans to agricultural schemes (primarily, but not exclusively, cotton) outstanding on this date, indicating that was an important long-term supplier of finance to this sector.[216]

After renewing financing for 1957/58, all parties hoped that the fall in yields and prices in 1957 would prove exceptional, and that the recovered market of 1956 would return as the norm. Instead, the reverse was true.

[216] al-bank al-ziraa3a al-sudanii, *taqriir al-majlis al-idaarah* (1959/60). NRO 2/2/25.

From economic to political crisis

Sudan's 1957/58 cotton harvest was disastrous, with yields that were one quarter of the already-diminished previous season. Infections by thrips, leafhoppers, red spiders and bollworm were the immediate causes of this crop failure. Underlying these proximate factors, however, was private capital's inability to discipline labour to production. The Alexandrian bulletin *Cotton Facts*, noted that labour shortages, and delayed and inadequate interventions to prevent the spread of diseases had allowed crop infections to spread. It noted also that parliamentary elections in February 1958, held at the height of the harvesting season, had aggravated labour absenteeism as seasonal labourers returned to their home constituencies to vote.[217] Although private cotton estates had been agile in expanding irrigated areas to meet external demand, they were less adept at attracting, retaining, training, equipping, and supervising labour than the large-scale government boards.

There had been significant tenant unrest during the 1956 harvesting season, when the recently-formed Tenants' Union had organised a strike in the White Nile region, demanding an increase in tenants' shares of private scheme profits to 50%. The strike was broken violently by police in clashes that resulted in 69 arrests on the estate of Muhammad Sharif; 200 arrests and 500 injuries on the Abu Al-Ela estates; and 281 arrests on the Abd Al-Moneim estates, of whom 194 died of asphyxiation in an overcrowded prison in Jouda, near Kosti.[218] If subsequent seasons did not see the same labour militancy, worker unrest was expressed instead through the passive withdrawal of labour from cultivation.

Moreover, the downturn in international demand for Sudanese cotton proved enduring, and bank loans and business savings were invested in a diminished and poor-quality cotton crop that sat unsold in warehouses in Port Sudan, failing to find buyers at auction. [219] Downturn became crisis, as banks saw two seasons of outstanding loans to cotton production compound far beyond any security that they held against customers. And yet, banks faced the bind that cutting off future finance could bankrupt the clients from whom they still hoped to recover debts. Tenants went unpaid, licensees faced insolvency, and the government entered an acute balance of payments crisis as export earnings plummeted. The cotton crisis is visible in graph 3.1, where the expansion of private cotton production was suddenly and decisively checked.

[217] Egyptian Produce Trading Company, *Cotton Facts* (23 April 1958). DAE 10996.
[218] Taisier Mohamed Ali 'The road to Jouda', *Review of African Political Economy* 10, 26 (1983), pp. 4-14. Credit Lyonnais, 'Situation Générale de notre exploitation au Soudan : 1955', pp. 28-29. DAE 10997
[219] Barclays DCO, Half-yearly report: Sudan (30 September 1958).

This raises the question of why banks had financed cotton cultivation for so long when external cotton prices had been in secular decline from 1952. Indeed, all was not as it appeared in Sudan's cotton economy. First, the high cotton price enjoyed by Sudan until 1952 for up to 70% of its crop was not a market price, but one established by the Raw Cotton Commission, which was the sole importer of raw cotton to the United Kingdom. The Commission existed to guarantee the supply of cotton to British industry following disruption to the international market due to the Second World War. In a manner akin to the bulk sale and repurchase of merchants' goods by polities in eighteenth-century Sudan, it made large purchases of cotton at fixed prices from within the British Empire, before selling stocks on to industrialists in northwest England. In 1952, its monopsony was discontinued and it was retired two years later.[220] This ended the bulk purchase at a high price for a large proportion of Sudan's crop, and the instauration of cotton auctions in Port Sudan prompted a decline in prices. Conversely, the lifting of this monopsony allowed the Alexandria cotton houses to expand their share of cotton purchases in Sudan, especially as the Egyptian market was becoming politically uncertain. Increased lending by buyers sustained the supply of credit for cotton cultivation that might otherwise have fallen along with export prices.

Second, external sources of finance were also contributing to lending to cotton production. The Ottoman and Arab Banks' lending to cultivation came from deposits of £150,000 and £100,000, respectively, made in 1957 with these banks by the chair of the National Bank of Kuwait, who sought regional reinvestment of these funds in activities with high yields and long maturities. When the local managers of Credit Lyonnais suggested seeking comparable arrangements with external investors, this was firmly overruled by their Parisian office on the basis that the bank's few offices in Sudan would be unable to judge the viability of the small up-country schemes that would be candidates for this finance.[221]

Whereas the financing arrangements between Kuwaiti investors and specific banks were common knowledge within the sector, the true factors governing Barclays DCO's financing for the Dairat Al-Mahdi were objects of secrecy. In 1955, falling cotton prices had exposed chaotic management and accounting within the Daira when its principal banker, Barclays DCO, imposed detailed inspections of its cotton estates as a condition for rescheduling loans. The bank had wished to withdraw entirely from new funding to the Daira, the debts of which were compounding beyond the security the bank held. However, the British government had

[220] W Robertson, 'The Raw Cotton Commission: an experiment in state trading' *The Journal of Industrial Economics* 4, 3, 1956, pp. 224–239.
[221] Agence de Khartoum, Telex to Direction des agences étrangères, Paris (6 July 1957). DAE 10995.

intervened to guarantee the bank's continued lending to the Daira up to £700,000 in order to keep the business underpinning Sudan's 'pro-British' political faction liquid and operational.[222] This was a secret arrangement, unknown even to Al-Mahdi himself, and a political intervention by the British government in Sudan's economy. Barclays DCO's competitors were unaware that this was the true reason for so large a proportion of its financing.

This left Credit Lyonnais as the most exposed of all commercial banks in the sector of cotton financing, as it had eschewed the security and external guarantees enjoyed by the other banks. The bank's Paris office opposed cultivation financing precisely because of its risky and unsecured nature, and, before 1957, it had been unaware of levels of cotton financing being issued by its offices in Sudan. The Paris office had approved local limits for loans to cotton houses, believing these to be exclusively for export finance for a harvested crop. Despite this, the local office had used these limits to lend to customers who re-lent to small-scale producers. Parisian officials reprimanded 'a frustrating tendency to satisfy, without referring to us, the unrestrained exigencies of your clients' and a practice of 'applying limits to advances for cultivation that had been authorised for down payments [on purchases for export].'[223] The Khartoum agency justified its activities by pointing to the local trend of banks towards financing cultivation costs, and specifically cited Barclays DCO and the Dairat Al-Mahdi, unaware of the British government guarantee that was the necessary condition for this relationship.[224] This was a revealing exchange that indicated a breakdown in the close managerial control of local branches by a metropolitan head office, and the competitive pressure on the local office to meet the demands of its customers.

As the summer of 1958 progressed, cotton stocks remained unsold, and banks informed clients of their wish to reduce facilities for the coming season and to recover outstanding loans either by rescheduling debts, realising security, or both. As external reserves fell, the Umma—PDP government reintroduced credit controls and began import licensing. Late in the year, available foreign reserves fell to the precipitously low level of £S.4.7 million. Sudan received trade credits from Britain and Germany to remain liquid as it awaited a recovery in cotton sales, and also negotiated a £3 million loan from Barclays DCO in London.[225] Sudan had a much larger offer of aid from the United States, which divided the governing coalition. The Umma Party favoured accepting American aid, whereas members of the PDP resisted it, arguing that

[222] Barclays DCO, Memorandum: The Mahdi (10 January 1957). BB0029/0440.
[223] Credit Lyonnais, DAE, Letter to Khartoum Agency (22 November 1957). DAE 10996. Emphasis in original.
[224] Credit Lyonnais, Khartoum Agency, Letter to DAE (5 December 1957). DAE 10996.
[225] Bank of Sudan, Special article: The Sudan's balance of payments, 1956-1960, *Quarterly bulletin* (31 March 1961), p. 20.

the scale of the arrangement would make Sudan dependent on and indebted towards the West.[226] Given Sudan's exposure to the sovereign debt crises of the postcolonial world in later decades, this proved to be a fateful and prescient political debate.

Meanwhile, a separate process of events was cumulating to make 1958 a doubly disastrous year for Sudan's capitalist class. A long-running dispute between Egypt and Sudan concerned the distribution of the Nile waters. The Sudanese government wanted to increase its treaty allocation of waters, not least for use in public and private irrigation schemes. In a show of strength, Egypt imposed an embargo on imports from Sudan in mid-1958, which threatened ruin for the merchants who conducted this trade. With cotton production and the overland trade with Egypt catastrophically undermined, the political-business coalitions behind both wings of the Umma—PDP government, that in February 1958 had enjoyed triumphant re-election, were in crisis by the end of the year. Sections of Sudan's elite, represented politically by the PDP and the NUP, began to regret the 'anti-Egyptian' pedigree of the governing Umma Party and contemplated a new change in the ruling coalition.[227]

In October, Ismail Al-Azhari from the NUP and Sheikh Ali Al-Mirghani from the PDP met in Cairo to plan a new parliamentary coalition with the votes of southern representatives that would receive Egyptian support and oust the Umma Party from government. Egypt in this period was at its height in promoting an Arab nationalist vision of economic and foreign policy, and in February had combined with Syria to form the United Arab Republic (UAR). As a 'pro-Egyptian' coalition beckoned, both Sudanese and foreign capital feared that the country might be drawn into a political alliance that could see the UAR's programme of nationalisations extended to Sudan.[228] Siddiq Al-Mahdi hurriedly began his own negotiations with the NUP to form a government without the PDP, and which would replace Abdallah Khalil as Prime Minister.

In an increasingly precarious position, Khalil's government sought to stimulate public and private cotton sales through a dramatic cut in the Gezira Board's auction reserve price. To ensure this was accompanied by orders, the government approached the British merchant house Smith, Coney & Barrett (SC&B) and sought to negotiate the private sale of 100,000 bales of Gezira Board cotton before 15 November. SC&B was attracted by the offer, but was unwilling to finance the full 100,000 bales purchase (which cost approximately £4 million). So, SC&B approached Barclays DCO in London to ask whether this bank would provide £4 million in

[226] Niblock, *Class and power*, pp. 217-219.
[227] Barclays DCO, GNM Law's Visit to Khartoum, (9-13 December 1958). BB0080/4565.
[228] Ibid.

export finance for the bales, to be repaid from their resale by SC&B to industrial firms in the British port of Liverpool. The bank responded that it was willing to finance £1 million on a commercial basis, but that any additional financing would require either pre-orders from purchasers in Liverpool or a British government guarantee.[229]

Although both Barclays DCO and SC&B clearly hoped that such a guarantee might be forthcoming, the British government ultimately abstained. Attempts by SC&B to organise a consortium of purchasers to finance the 100,000 bales fell apart within days of the Sudanese deadline, as firms retreated in the fear that the Sudanese parliament might install a UAR-aligned government that might seize cotton stocks already under contract. A director of SC&B conceded to Barclays DCO that he 'had been prepared to take perhaps rather more than a commercial risk on this transaction with a view to trying to help the Sudan and doing his bit to keep them out of the clutches of Egypt and those who were behind Egypt.'[230] This reveals foreign capitalists willing to contemplate acting as political investors in Sudan, but ultimately withdrawing due to higher pecuniary considerations. Instead, domestic political dynamics were left to run their course.

Abdallah Khalil's government fell, not to a government of pro-Egyptian parliamentarians, but to a military coup on 17 November led by Ibrahim Abboud, the Supreme Commander of Sudan's armed forces. Khalil and Abboud had been previously been colleagues as officers in Sudan's military, and it was revealed in 1965 that Khalil had invited Abboud to carry out the coup to rescue him from the rival threats of a pro-Egyptian coalition or the machinations of his own political party.[231] Although Khalil had anticipated military rule as a temporary expediency, Abboud ruled Sudan as president of a military regime for the following six years.

[229] Barclays DCO, Memorandum: Liverpool Uganda Company (11 November 1958). BB0029/0384.
[230] Ibid.
[231] Niblock, *Class and power*, p. 217.

Exiting the crisis

There is a troubling tendency in the historiography of Sudan, and other postcolonial societies, to void political events of their political content. So, the history of the first parliamentary period in Sudan is frequently reduced to one of 'petty rivalries and crippling suspicions'[232] driven by the 'machinations of factional politics',[233] rather than opposing policy platforms built around electoral and corporate alliances. This, of course, reproduces the military's own justification for its coup, which condemned the paralysis and inefficiency of party politics. In the introduction and Chapter One, I argued that business investment in political processes leads to shifting policy divides between political-business coalitions. Economic expansion in the 1950s had allowed for a broad coalition of Sudan's cotton-growing and mercantile elite, embodied in the Umma—PDP government. However, crises in the business constituencies of both wings of this coalition resulted in a coup orchestrated with the outgoing Prime Minister to prevent an alliance of the pro-Egyptian mercantile interests of the PDP and the secular nationalists of the NUP. Military coups are able of to suspend the influence of political investors over political processes, as the question of who commands the most guns temporarily exceeds in importance the question of who commands the most money. However, Sudan's military regime in 1958, led by senior army officers, made clear that it sought a continuation of elite politics by other means. Ibrahim Abboud's government implemented measures to restore capital circulation and accumulation, while avoiding radical political and social restructurings that were taking place elsewhere in the Arab World.

The police repression of strikers in the White Nile in 1956 had demonstrated the willingness of Sudan's political elite to use violence against organised labour when it presented demands outside of the institutionalised mechanisms of democratic political engagement. The military coup formalised the control of these repressive mechanisms over the state, and narrowed the official scope of the political to the technical pursuit of economic growth and development. Political parties and trade unions were dissolved, labour organisation was outlawed and several prominent trade unionists were arrested as were members of Sudan's communist party which had been growing in strength in the 1950s.[234] Although there is no evidence that Western states actively helped bring about Sudan's military coup, as occurred

[232] Martin Daly & Peter Holt, *A history of Sudan from the coming of Islam to the present day* (Routledge, 2014), p. 116.
[233] Peter Woodward, 'Sudan's fragile state' in John Ryle, Justin Willis, Suliman Baldo & Jok Madut Jok (eds) *The Sudan Handbook* (James Curry: Woodbridge), p. 87.
[234] Peter Kilner, 'A year of army rule in the Sudan', *The World Today* 15, 11 (1959), p. 436.

elsewhere, military rule was nevertheless rewarded with improved creditworthiness and easier access to commercial finance, foreign investment, and development aid. A 1962 report by the Bank of England assessing Sudan's creditworthiness as a candidate for official aid reported that 'The political outlook is favourable. Abboud's military regime, which has been following intelligent economic policies is being broadened by bringing in civilians, one of whom is Minister of Finance. Moves towards a return to parliamentary government, which proved disastrous in the years following independence, are being taken only very slowly.'[235] Military-developmentalist regimes emerged and endured in the postcolonial world because they answered the needs of domestic and external investors.

Abboud appointed a new Minister of Finance, namely Abd Al-Majid Ahmad, a graduate of Gordon College who had been a civil servant from 1918, successively in the Departments of Finance and Commerce. From 1956, Ahmad chaired the Public Service Commission which oversaw the Sudanisation of public offices. He was the first non-party appointment to this ministry and would serve for nearly five years, the longest tenure of any finance minister in Sudan until the twenty-first century.[236] Ahmad's ministry was charged with exiting the cotton crisis and restoring liquidity to Sudan's economy. The new government began by resurrecting its predecessor's policy of lowering cotton prices to restore sales, but it now did so by removing the Gezira auction reserve price altogether, and allowing stocks to sell at whichever price was required for them to clear. Warehoused cotton was gradually sold from early 1959, international confidence in Sudanese cotton revived, and liquidity was restored to the domestic economy.[237] Later in 1959, President Abboud also re-opened negotiations with Egypt and secured mutual agreement on the partition of the Nile waters and the re-opening of trade.

Seeking longer-term solutions to the crisis in cotton production, the Ministry of Finance convened a Cotton Committee in February 1959 to consider multiple aspects of the sector such as financing, production costs, management, cultivation techniques and sales policies. The Committee included representatives from commercial banks, the Gezira Board, the Cotton Growers' Association, and John Carmichael from the Ministry of Finance. The main conclusion of the Committee was that the production cost of cotton in Sudan was too high, and should be lowered. The ministry issued a statement declaring that financing for future seasons should be at lower levels in anticipation of these reductions. It further specified that 'future cotton cultivation depends primarily on tenants and scheme owners and upon their ability to

[235] F Barber, Bank of England, Overseas Office 'Sudan: Creditworthiness' (20 February 1962). OV 134/4.
[236] Foreign Office, UK, Leading personalities in Sudan (1957). FO 371/125960.
[237] Barclays DCO, LHO, 'Report for Advances Committee' (28 April 1959). BB0011/1982.

face the situation by economising in expenditure, increasing cotton production and above all upon increased personal efficiency.' Regarding the deterioration of past crops due to poor supervision, the Ministry specified that 'if tenants and scheme owners devote most of their time working, and supervising expenditure very closely, the situation will greatly improve.'[238] This marked a decisive shift in Sudan's political economy from one of development through the reinvestment of past surpluses, to one of development through rigour and discipline, which extended downwards from the management of government accounts to the individual producer.

The Committee also proposed a concession to tenants, whose power to disrupt production through the active or passive withdrawal of labour was implicitly acknowledged. The Ministry of Finance offered tenants on private schemes – who lacked the Tenants' Reserve Fund available under the Gezira Board – a £S.2 per *feddan* (acre) interest-free loan for cultivation costs in the coming season.[239] In 1960, the government further agreed to raise tenants' share of profits from 40 to 42% on private estates as a condition within future licenses. The Committee had considered 44%, but banks opposed this so as not to cede additional profits to tenants that they hoped to recoup from licensees to settle outstanding debts.[240] In sum, the Sudanese government restored conditions for the circulation of capital at the expense of individual capitalists, as licensees saw their profits squeezed by lower sales prices and higher payments to tenants, with banks still seeking to recover past debts.

In this context, the Committee debated how new cotton seasons should be financed. On the one hand, commercial banks were aware of their customers' need for financing to return to profitability and pay down outstanding and rescheduled loans. Indeed, banks considered this preferable to realising security (when they held it) as this carried time, legal and reputational costs. On the other hand, banks did not wish to throw good money after bad, and the Bankers' Association informed the Ministry of Finance in December 1958 that it would substantially reduce its finance to cultivation unless the government was willing to support such lending through loan guarantees and the deposit of liquid funds with banks.[241] The government retorted that it would not give the banks this support for their private business activities, and Barclays DCO noted with consternation that 'The Government also apparently thinks that the Banks should, in making a profit, accept some risk', overlooking, perhaps, that this was a quite normal

238 Ministry of Finance, 'Statement on cotton cultivation in private estates' (21 April 1959). Translation by Barclays DCO BB0011/1982.
239 Ibid.
240 CH Smith, Khartoum, Letter to General Managers, Barclays DCO 'Sir John Carmichael's Memorandum dated 23 March 1959' (14 April 1959). BB0011/1982.
241 Sudan Bankers' Association, *Annual Report* (1958). DAE 10995.

description of banking activity.[242] The government resisted calls for support from foreign banks and instead mobilised public funds via a new state-owned Agricultural Bank.

Plans for an agricultural development bank had existed since the formation Al-Azhari's government in 1954. The vision for such a bank was to direct state resources towards small-scale, long-term and under-collateralised projects that were typically neglected by the commercial banks, with further objectives of improving and diversifying Sudanese agriculture.[243] However, the 1958 cotton crisis meant that the Agricultural Bank was rushed into existence the following year to bail out the largest producers of Sudan's most established crop. It was also hoped that the new bank would acquire a provincial branch network with staff who were experts in agriculture as well as banking, thereby resolving the problem of project oversight that commercial banks had faced. However, this vision for the Agricultural Bank was also in abeyance given the imperative of financing the 1959/60 season. The bank came into existence without a branch network and operated instead with commercial bank branches as its agents.[244]

The Agricultural Bank began lending on 1 May 1959 and also took over all outstanding loans to cultivation by the Ministry of Finance.[245] The Agricultural Bank had an authorised capital of £S.5,000,000, but only £S.1,779,000 of this was paid-up by the government after its first year of activities. Its working capital would be increased gradually through state loans and share purchases by the central bank through the course of the following decade, in line with its liquidity requirements.[246] The government announced that the Agricultural Bank would provide cultivation finance for any existing scheme that could not find private bank finance. However, this announcement accelerated the withdrawal of foreign commercial banks from the sector, as they perceived an opportunity to transfer new financing of poor-performing and indebted estates to the public purse.[247] By the 1960/61 seasons, Barclays DCO, the Ottoman Bank, and the Arab Bank had withdrawn entirely from cultivation finance, instructing customers to transfer to the Agricultural Bank for future lending.

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[242] Barclays DCO, 'The main points in CH Smith's cotton report date 28th March 1959'. BB0011/1982.
[243] Credit Lyonnais, Khartoum, Letter to DAE (16 June 1954). DAE 10995.
[244] Barclays DCO, Khartoum, Memorandum of an interview with Sayed Meddi El Manna at the Agricultural Bank (8 August 1960). BB0011/2025.
[245] al-bank al-ziraa3a al-sudanii, *taqriir al-majlis al-idaarah* (1959/60). NRO 2/2/25.
[246] al-bank al-ziraa3a al-sudanii, *taqriir al-majlis al-idaarah* (multiple years).
[247] Barclays DCO, LHO to General Manager (30 April 1959). BB0011/1982.

Calling in debts

By clearing unsold stocks at much-reduced prices, and channelling public funds via the Agricultural Bank to finance future seasons, the military-developmentalist government resolved the crisis of circulation in Sudan's cotton economy. In contrast, a crisis of accumulation remained, as outstanding – and compounding – debts remained on the books of Sudan's foreign banks, which sought to collect these from potentially insolvent customers. This led to conflicts of priority between different claimants on the indebted private estates.

One such group of claimants were the tenant farmers, who were recompensed by a share of profits rather than waged labour. In previous seasons, when the expectation was that all creditors would eventually be paid in full, tenants had always received their share of profits in full at the end of each season, even if debts to other parties remained outstanding. In 1959, a company cotton advisor seconded to Sudan by Barclays DCO questioned this arrangement, pointing out that share-capital was conventionally of inferior priority to loan-capital in the compensation of creditors.[248] The local managers conceded the general principle, but countered that withholding tenants' profits would deepen labour indiscipline on estates and render them inoperable. They argued that there was a 'moral' obligation to recompense tenants, who used their share of profits partly to cover cultivation costs for the coming season.[249] This acknowledged implicitly how tenants' profits functioned like a wage, paying for labour services as opposed to recompensing capital employed. Barclays DCO decided not to oppose the effective absolute priority of tenants. Nevertheless, struggles for payment persisted between tenants and licensees, as many tenants were indebted to licensees (and their delegated managers) for the loan or hire-purchase of agricultural equipment. Consequently, licensees frequently sought to withhold tenants' profits to pay down these debts. Despite efforts by banks and the Ministry of Finance to ensure that tenants' labour was rewarded and retained, labour disengagement remained an issue on private estates, and severe labour shortages were again reported during the 1960 harvest.[250]

Commercial banks also jostled for priority with the new Agricultural Bank. As Barclays DCO prepared to act as an agent of the new institution, it required its customers to sign irrevocable letters of instruction to the state bank as a condition for receiving Agricultural Bank financing through its branches. These letters instructed the Agricultural Bank to give Barclays

[248] Barclays DCO, LHO, Letter to General Managers (6 May 1959). BB0011/1982.
[249] Ibid.
[250] CH Smith, Cotton Advisor, Letter to LHO (16 August 1960). BB0011/2025.

DCO control over all customer surpluses if the customers had debts outstanding to the British bank. Barclays DCO would only release Agricultural Bank funds to clients against whom it held outstanding debts against documentation as to their approved use.[251]

However, in the competition for priority over new seasons' profits, the Agricultural Bank benefited from the backing of public legislators. Late in 1959, the government drafted the Agricultural Loans Security Act, which was renamed the Agricultural Debts Collection Act the following year. The draft act sought to determine the priority of claims over private agricultural estates in the following descending order: the land tax (a local government levy that had seen payments plummet since the crisis); loans for the current season's cultivation; tenants; capital loan payments falling due that season; business profits tax; and land tax arrears. The Act then specified that 'If there remains a surplus after satisfaction in full of all the items specified in the preceding sub-section, then 20% of such surplus shall be paid to the Licensee.' Only then could the remaining 80% be used to pay short-term debt arrears from previous seasons. Behind this in priority were capital loan arrears, followed by business profits tax arrears, historic debts to the Ministry of Finance, and hire and loans incurred for agricultural equipment, all ranked equally.[252]

Although the Act did not distinguish in priority between the Agricultural and commercial banks, the former conducted the overwhelming majority of new seasonal financing, whereas the latter held the arrears from past seasons. This alarmed the commercial banks, as the Act overrode the bespoke refinancing agreements they were negotiating with customers and placed their past claims near the end of the queue for settlement. The banks made representations to the Ministry of Finance, with Credit Lyonnais pointing out that customers could forever evade past debts by taking out new loans, which would hold absolute priority.[253] The Act was not implemented, and in 1962 a central bank official informed Barclays DCO that it had only ever been a contingency prepared to enforce customer repayments to the public institutions, and that it was now unlikely to be passed following improved seasonal sales in 1960 and 1961.[254]

Finally, commercial banks jostled for priority with each other. Barclays DCO recorded with concern instances when it believed the Dairat Al-Mahdi was repaying loans to the Ottoman Bank ahead of its own loans, and when it suspected that Rye Evans was transferring cotton export business to Credit Lyonnais while leaving unsettled carryover debts with

[251] Barclays DCO, LHO, Memorandum to General Managers (7 July 1959). BB0011/1983.
[252] Draft: The Agricultural Debts Collection Act 1961. BB0011/0818.
[253] Memoranda submitted by Credit Lyonnais and the Ottoman Bank to the Bank of Sudan (October 1961). BB0011/0818.
[254] Barclays DCO, Cotton advisor's confidential report (28 February 1962). BB0011/2380.

Barclays DCO.[255] If banks were too exigent at making carryover repayments a condition of current financing, customers were clearly adept at turning to their competitors.

When it came to recovering debts from smaller customers, commercial banks made ready recourse to Sudan's civil courts to repossess securities that customers were unwilling to liquidate themselves. By the mid-1960s, however, banks began to report inefficiencies in the legal system, with Barclays DCO judging that 'The law courts of the country continue to be understaffed and so heavily burdened with litigation that debt collection has become a farce'. Moreover, 'So ineffective are the processes of the law that creditors will accept almost any compromise rather than expose themselves to the costs of pursuing (perhaps for several years) their debtors through the Courts.'[256] In 1965, the local directors began to increase provision for writing off several debts due to delays in repossessing and selling mortgaged properties. This prompted the immediate intervention of the London office, which commented: 'Whilst we appreciate that there may be considerable delays in realising mortgage security in the Sudan at present, we assume, which please confirm, that there is no doubt as to its <u>ultimate</u> realisability.' If property mortgages were indeed unrealisable, then the London managers noted that the bank should alter its lending practices and increase provision for bad debts to disturbing levels.[257] The local directors recanted and stated that they did not doubt the ultimate recoverability of these mortgages, and lowered their provision.[258] This, of course, appears at odds with their previous observation that creditors in courts systematically accepted large reductions to their claims.

With regard to larger clients, banks risked substantial reductions to the book values of their assets in Sudan by reclassifying accounts from assets into suspense as provision for bad debts. As banks were obliged to present their accounts to the Ministry of Finance and, after 1960, the new central bank, this had implications for their tax obligations and the reported health of their businesses. Because loans to customers are classed as assets on banks' balance sheets, compounding loans swelled banks' assets and contributed to profits as capital gains, even if this compounding occurred only in book values without clear prospects of actual repayment. As a result, Barclays DCO reported a record half-yearly net profit in Sudan in September 1954, after that year's period of slow sales, which was then exceeded in both March and September 1955, thereby breaking the seasonal link between profits and summer cotton

[255] Barclays DCO, LHO, Letters to General Managers (18 May 1959). BB0011/1982. Letter to General Managers (8 February 1962). BB0011/2380.
[256] Barclays DCO, Half-yearly report: Sudan (31 March 1965).
[257] Barclays DCO, General Managers, Letter to LHO (7 September 1965). BB0011/2342. Emphasis in original.
[258] Barclays DCO, LHO, Letter to General Managers (12 September 1965). BB0011/2342.

sales. Reported profits fell away as these debts were repaid in 1956, but new records were reached in September 1957 and March 1958. Thereafter, earnings from exchange and commission fell due to public import and credit controls, but the bank's revenue from interest continued to rise until a peak in March 1959 (see graph 2.2).

The local directors of Barclays DCO were aware that these reported profits were largely illusory, as few funds were flowing back to Barclays DCO to pay the compounding debts, and the bank was facing cash shortages. The directors reported soberly to London that 'The effects of the economic situation, though profitable to us, were not therefore favourable from a long-term point of view.'[259] Nevertheless, these book-entry profits animated important transfers of value. First, Barclays DCO paid Business Profits Tax to the Sudanese government based on its reported profits, while licensees discounted the interest they owed to banks from their own Business Profits Tax obligations, even if this interest had not yet been paid. Third, the banks continued to remit profits to their head offices based on book values, giving rise to requests for foreign exchange outflows from Sudan's reserves, even at the height of the crisis that had wrought acute balance of payment pressures.[260]

Barclays DCO had the option of reducing its Business Profits Tax obligations by reclassifying more of its outstanding debts as dubious and in suspense, though this would have reduced the profit they were able to remit to London. The bank's initial motivation for not doing so, however, was not to artificially swell remittances, but rather to hide the true nature of its precarious business in Sudan from the local authorities and international markets. For this, the bank accepted a higher local tax bill and made provision for its cotton debts in London, rather than Khartoum, with local and general managers reasoning that they could re-transfer funds to Sudan if local provision for bad debts was suddenly required.[261] It has already been described how the bank's cotton-growing clients included members of Sudan's largest business families, members of which were also the chair of the Gezira Board (Abd Al-Moneim), managers of the cotton estate licenced to Sheikh Ali Al-Mirghani of the Khatmiyya (Abu Al-Ela), and prominent religious leaders in their own right (Al-Mahdi). The bank consequently judged that 'The importance of the names involved precludes our putting the accounts into the Bad and Doubtful category locally.'[262] The bank also reflected on its standing in the City of London, observing that 'The amount of the interest involved […] is so large that it could easily

[259] Barclays DCO, Half-yearly report: Sudan (30 September 1957).
[260] Barclays DCO, LHO, Letter to General Managers (2 September 1959). BB0011/1983.
[261] Barclays DCO, Provision for Sudan Cotton Accounts (19 March 1959). BB0011/1982.
[262] Ibid.

turn the Sudan results into a loss for tax [in Sudan] if the amount were suspended. This would be bound to create comment not only in the Sudan but in the U.K.'[263] Accordingly, local and general managers conspired until 1961 to continue remitting profits to the United Kingdom and to make provision for their cotton clients in London, rather than Khartoum. Barclays DCO's loan rescheduling agreements with cotton clients from the end of 1959 are given in table 3.3, where it can be seen that outstanding debts from previous season exceeded £S.3 million. These were compounding at approximately £S.200,000 per annum.

[263] Ibid.

Table 3.3. Evolution of cotton debts held by Barclays DCO in 1959 (£E)					
	Outstanding advances from previous seasons 22 January 1959	Total outstanding cotton advances (incl. current export finance) 15 June 1959	Previous seasons' debts after 1959 reductions September 1959	Proposed yearly repayments (incl. interest) September 1959	Proposed date for clearance September 1959
Dairat Al-Mahdi	1,250,000	1,267,000	897,000	150,000	1967
Abu Al-Ela Plantations Co	1,041,000	1,648,000	742,000	140,000	1964
Rye Evans & Company	622,000	1,478,000	655,000	100,000	After 1965
Abd Al-Moneim Mohamed Co	198,000	289,000	115,000	35,000	1963
Ralli Bros	87,000	374,000	57,000	16,500	1962
Financial & Agricultural Co		783,000			
Khartoum Cotton Company		285,000			
Nile Ginning Company		76,000			
Contomichalos Sons & Co		52,000			

Source: Barclays DCO, Multiple sources in files 'Cotton: Sudan' (1959). BB0011/1982 & 1983.

Credit Lyonnais, the only other bank with detailed records available on this issue, also concealed the depressed nature of its business in Sudan, so as to attract the attention of 'neither the tax office nor [official] audit'.[264] As such, the Paris office overruled the creation of a 'special account' in local books for doubtful and unrecoverable debtors in order to hide this information from the central bank. Instead, it instructed that this account be called 'City-Merchandise Clients – bis', which was a euphemism used by the bank for the same purpose in other territories. This account stood at over £S.1.2 million in March 1960 (table 3.4) and was reported as securitised assets, even though it was nothing of the sort, thereby hiding from the central bank how much Credit Lyonnais was dependent on it for cash facilities.[265] With a much smaller overall business than Barclays DCO, Credit Lyonnais was in worsening financial straits in Sudan, with implications explored in Chapter Five.

Table 3.4. Credit Lyonnais, "City-Merchandise Account – bis" 31 March 1960

Zuleit Scheme (Muhammad Sharif)	672,404
Pinto Cotton	248,112
Farghaly Cotton & Investment Co	153,731
Universal Cotton	123,239
V. Toriel & Co	18,639
Albert Gaon & Co	6,901
Cicurel & Co	1,466
Sudan Times (non-cotton)	1,321
The British-Egyptian Cotton Co	38
TOTAL	£S.1,225,851

Source: Credit Lyonnais, Khartoum, Compte villes-marchandises bis (2 October 1961). DAE 11350.

[264] Credit Lyonnais, Note for DAE (2 October 1961). DAE 11350.
[265] Credit Lyonnais, DAE to Khartoum Agency (25 March 1960). DAE 11350.

The remainder of this chapter considers the troubled relationship between the Dairat Al-Mahdi and its bankers. Other large cotton customers mostly adhered to the rescheduling agreements summarised in table 3.3, with adjustments in line with movements in cotton sales prices, or the liquidation of security in attempts to reduce debts. The Dairat Al-Mahdi, in contrast, had been in a chronic state of illiquidity and disarray from before 1958, and it repeatedly reneged on rescheduled loan payments with its banks. Failure to clear cotton stocks in 1954 had caused Barclays DCO to initiate an audit and inspection of the Daira with a view to restructuring its cotton-growing activities and implementing efficiencies. The inspection revealed the chaotic business structure of the Daira with money advanced for cotton cultivation being diverted to other business, religious, and political ends, including relending to inefficient cotton estates licensed to Al-Mahdi's associates and family members. Furthermore, poor accounting resulted in a limited capacity for central oversight by the ailing Abd Al-Rahman Al-Mahdi and his son Siddiq.[266] Barclays DCO imposed several conditions to renewed seasonal financing, namely, that the Daira incorporate a dedicated cotton subsidiary; employ an in-house financial manager; and improve records and controls over expenditure, cultivation and yields. However, Barclays DCO also acknowledged internally the risks of withdrawing finance, stating 'While it would be a personal disaster for [Al-Mahdi] if the Bank withdrew its financial support from him, it may also be a shock to the political stability of the country if he were to suffer a financial crash. If this is true, it is a possibility which must be considered by the Bank, and affect its final decision.'[267] It was in these circumstances that the British government gave Barclays DCO a secret guarantee for lending to the Daira, ensuring that its received financing for cultivation in 1955 and 1956 (see above). The Daira duly hired an in-house financial manager in the person of Edward Press, a former employee of the NBE. However, the unexpectedly high prices of 1956 allowed the Daira to clear its debts sooner than anticipated, prompting Siddiq Al-Mahdi to denounce the inspection report of Barclays DCO as an unwarranted attack on one of Sudan's largest business enterprises, and most of the bank's recommendations were not implemented.[268]

If market conditions in 1956 delayed possible managerial reforms in the Daira, then those of 1958 plunged it into even deeper crisis. By this time, Barclays DCO viewed its financing of the Daira as a disaster. In 1957, a change in the British government had prompted a withdrawal

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[266] CH Smith, Cotton Advisor, Barclays DCO, Confidential report on the Dairat El Mahdi estates (31 December 1955). BB0029/0438.
[267] Ibid.
[268] CH Smith, Cotton Advisor, Barclays DCO, Second confidential report on the Dairat El Mahdi estates (15 April 1956). BB0029/0440.

of the secret guarantee to the Daira, as Britain attempted to reduce its financial commitments in the Middle East after its failed invasion of Suez.[269] The company had long been fully mortgaged, it resisted the reorganisation efforts of its creditors, and Press had resigned in frustration.[270] When Abd Al-Rahman met with Barclays DCO in January 1959 to discuss refinancing and repayment, a bank official reported that the 'latest pistol had just been presented at Mr. Barclay's [a bank employee] head.' This dry comment acknowledged how both sides understood that the Daira's indebtedness was a problem for the bank, as well as the customer. Accordingly, the bank was still reluctant to consider 'bringing the Mahdi down' by foreclosing on property as 'We would incur great hostility, not only from fanatical Mahdists [Ansari], but also from the Government and others who would read into our action an attack upon the new Sudan State.'[271] Instead, the bank decided to wait until the powerful but ailing Abd Al-Rahman expired, and to present its claims as creditors upon settlement of the estate.

Abd Al-Rahman died in March 1959. Siddiq Al-Mahdi succeeded him as Imam of the Ansar, whereas ownership of the Daira passed to Abd Al-Rahman's younger sons, Hadi and Yahia Al-Mahdi. Multiple relatives and creditors of Abd Al-Rahman came forth to make claims on his estate, but Barclays DCO was in the favoured position of presenting a legal claim to mortgaged properties. A significant rival claim with legal backing was the Estate Tax levied by the Sudanese government. However, the Daira's lawyer Muhammad Ahmad Mahjub was able to negotiate this down from £S.300,000 to a mere £S.15,000, possibly by revealing the estate's indebtedness to fiscal authorities, thereby releasing significant sums to satisfy other creditors including Barclays DCO.[272]

Barclays DCO exerted this newfound position of influence to impose exigent rescheduling agreements. Although these were frequently missed, the bank could enforce the sale of multiple mortgaged properties through the 1960s. To fulfil this exigency in civil courts, the heirs of Abd Al-Rahman had to seek the approval of Sudan's sharia courts to sell properties from the Daira, a simultaneously religious and corporate entity, and had to await these courts' approval. This demonstrated the importance both of Sudan's civil and religious legal systems in the conduct of local business.[273] Leadership of the Ansar was dispersed even further when

[269] Barclays DCO, Memorandum: The Mahdi (10 January 1957). BB0029/0440.
[270] RW Harvey, Barclays DCO, Visit to Sudan (11-21 February 1959), p. 5. BB0038/0746.
[271] Ibid., pp. 5-6.
[272] Barclays DCO, LHO, Memorandum to General Manager, 'Memorandum to the General Managers' (June 1966). BB0011/2342.
[273] Barclays DCO, LHO, Extract from Cotton Report No. 32 (5 January 1962). BB0011/2380.

Siddiq Al-Mahdi died in October 1961. Siddiq's son Sadiq Al-Mahdi succeeded him as President of the Umma Party, while his brother Hadi Al-Mahdi became Imam of the Ansar.

Earlier in 1961, Barclays DCO revisited its decision to place large cotton debts in suspense in London rather than Khartoum. The powerful figure of Abd Al-Rahman Al-Mahdi was no more and outstanding debts across the sector were gradually being reduced. The bank may have wished to exert pressure on recalcitrant customers (and their heirs) to settle their debts. The proximate cause of the bank's decision, however, was the Agricultural Debts Collection Act, discussed earlier in the chapter, which endangered the collection of debts by private banks. Accordingly, the bank placed interest in suspense in Sudan, leading to an instant drop in reported assets that was commented on by one branch manager: 'The sword which has hung over the Branch profits since the failure of the 1957/58 cotton crop fell this half year with the relegation of some £.2 million cotton carryover and connected accounts to the Bad and Doubtful Debt category'.[274] The downturn in profits that occurred at the stroke of an accountant's pen is visible in graph 2.2.

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This chapter has examined Sudan's 1958 cotton crisis, and has argued that the political and economic significance of events in this year have been underestimated in existing historiography. The cotton crisis and the response from public authorities transformed local business structures by imposing chronic indebtedness on specific investors, leading to conflicts between Sudanese capitalists and their foreign-owned financiers seeking to recover debts. These newfound conflicts had important impacts on Sudanese politics, which are examined in later chapters. The next chapter examines the history of Sudan's public finances and the creation of a bounded national economy replete with sovereign monetary competencies, a national currency and a central bank. These provided the regulatory instruments available for public policy during the 1960s.

[274] Barclays DCO, Half-yearly report: Khartoum Gamhoria (31 March 1961).

Chapter Four: From imperial to national economy

This chapter examines monetary and financial aspects of Sudan's evolution from a territory within an imperial economic space – wherein financial policy was made according to British imperial priorities – into a national economic unit replete with sovereign regulatory powers. This chapter contributes to wider historiographical trends which chart how African societies began to be perceived as national economic units during the course of the twentieth century.[275] In agreement with existing approaches, I will demonstrate how economic aspects of decolonisation occurred gradually, and often obeyed different causative factors to those which underpinned formal political decolonisation.[276]

In the introduction, I argued that many current approaches to African economic history emphasise the rise of national accounting, or 'calculating' and 'economising' logics, but do little to explain why these arise in particular moments and places, nor why particular numbers are selected for calculation and economisation. By focusing on monetary, financial and regulatory infrastructures, I offer a precise historicised account of what it meant for Sudan to become a national economic unit. In so doing, I distance myself from ideational approaches, which privilege to role of contingency and cognitive evolutions in the collective thinking of economic officials. Instead, I emphasise political conflicts between centres of political and economic power in London, Cairo, and Khartoum, which in turn were shaped by imperial and international power relations, and an evolving international monetary architecture.

The first section examines the emergence of Sudan as a self-contained monetary unit with foreign exchange reserves separate from Great Britain and Egypt with which to finance external trade. The second section examines the creation of a Sudanese currency, and the third section the creation of Sudan's central bank, both of which occurred after political independence. With a national economic unit so established and subject to commercial and monetary controls by a sovereign government, the final two sections examine how Sudanese authorities and private commercial banks each sought to balance local and external resources within a national economic space.

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[275] Timothy Mitchell, *Rule of experts: Egypt, techno-politics, modernity* (University of California Press: Berkley, 2002). Alden Young, *Transforming Sudan: decolonization, economic development, and state formation* (Cambridge: Cambridge University Press, 2017).
[276] Allister Hinds, *Britain's sterling colonial policy and decolonization, 1939-1958* (London: Greenwood, 2001). Frederick Cooper, *Africa since 1940* (Cambridge: Cambridge University Press, 2002).

A national monetary area

This section examines Sudan's historical evolution from an imperial territory under the international gold standard towards a national monetary area separate from Egypt and Great Britain with monetary powers and control of external reserves vested in Khartoum.

British and Egyptian authorities established the Anglo-Egyptian Condominium of Sudan in 1899 and introduced the Egyptian Pound as its currency. The Egyptian Pound was a gold-based currency with gold coins and convertible bank notes. By implication, the Egyptian currency area which included Sudan was part of the international gold standard. The distinction between local and foreign currency, which this chapter will show was an important distinction by the 1940s, was anachronistic in this period as all currencies under the gold standard were different expressions of fixed claims in gold, with local money supplies expanding and contracting in line with transnational flows of bullion, relatively unhindered by capital controls.[277] I have not found evidence that alternative currency arrangements to the Egyptian Pound were considered for Sudan in this period, but the decision was both practical and intuitive given the importance of administrative, military and business structures that were imported to Sudan from Egypt in the early years of the Condominium, and the supposed neutrality of money under the international gold standard. However, this arrangement took on a new significance during a later era of international political economy.

The use of Egyptian currency in Sudan shielded the Condominium from policy controversies regarding currency arrangements elsewhere in British imperial Africa early in the twentieth century. At that time, there was a chronic net outflow of British silver coinage to Britain's African dependencies to meet the needs of local circulation, with imperial authorities believing that much of this bullion ended up immobilised in local hoards. The solution to this problem was the 'currency board' system that was established in British West Africa in 1912 and British East Africa in 1919. These institutions issued notes in British West African Pounds and East African Shillings, respectively, at par with their eponymous sterling denominations. The distinction of currency boards was that they only issued currency with full sterling reserve backing, and they operated by automatically selling or purchasing local currency from public or private customers in exchange for sterling at fixed exchange rates.[278] Although recent

[277] Samuel Knafo, 'The gold standard and the origins of the modern international monetary system', *Review of International Political Economy* 13, 1 (2006), pp. 78-102. Knafo also explains how the account provided above is a simplification, elaboration of which is beyond the scope of this thesis.
[278] WT Newlyn & DC Rowan, *Money and banking in British colonial Africa: a study of the monetary and banking systems of eight British African territories* (Oxford: Clarendon press, 1954), pp. 25-41.

historiography on the British Empire has come to emphasise the formulation of policy within colonial territories, rather than through central imperial direction, currency boards were a centrally-devised solution to a perceived problem across British Africa.

During the First World War, bullion coinage disappeared from global circulation and the gold-convertibility of Egyptian Pounds was suspended. The gold standard was replaced by a sterling-exchange standard in the Egyptian currency area.[279] As the free international circulation of capital was undermined by total war, it was maintained within a de facto 'sterling area' that invoiced trade, accumulated reserves, fixed exchange rates and allowed currency convertibility in sterling. In 1939, the renewed outbreak of world war caused Great Britain to formalise the sterling area. Sterling was freely transferable within the area in exchange for strict capital controls requirement by members against territories external to the area. The purpose of such a policy was to maintain the international use of sterling while protecting Britain's foreign currency reserves. The sterling area grouped together Britain's colonial empire, British settler dominions (other than Canada and Newfoundland) and several independent states with close trading relationships with Britain, namely Iceland, Ireland, Iraq and Egypt.[280] This made the sterling area the financial expression of British imperial space, re-uniting formal and informal empire.

In 1944, the United Nations Monetary and Financial Conference at Bretton Woods, USA, inaugurated a new international financial system that combined pegged, but adjustable exchange rates with controls on capital accounts. This was a deliberate departure from the fixed exchange rates and free capital flows of the gold standard era in order to empower states to pursue active monetary policies in pursuit of domestic social objectives.[281] A familiar description of the Bretton Woods system is one of capital controls applied between territorially-bound nation-states. However, this overlooks the fact that the monetary areas applying mutual capital controls in the 1940s were not nation-states, but vast transnational entities incorporating formal and informal empires. Although controls hindered the transfer of capital between Brussels, Paris and London, capital was readily transferrable between Brussels and Leopoldville, Paris and Dakar, London and Khartoum. In subsequent decades, however, the end of formal European empires eroded the political and monetary unity of these areas, making

[279] In this thesis, I define a 'currency area' as an area using the same currency and a 'monetary area' as an area with coordinated exchange policies and fixed pegs and reserves in a dominant anchor currency.
[280] Catherine Schenk, *The decline of sterling: managing the retreat of an international currency, 1945-1992* (Cambridge, Cambridge University Press, 2010), p. 21.
[281] John Ruggie, 'International regimes, transactions, and change: embedded liberalism in the postwar economic order' *International Organization* 36, 2 (1982), pp. 379-415.

concerted policies of capital controls harder to maintain. In this context, the use of Egyptian currency in Sudan gained an important local significance.

British military spending in Egypt during the Second World War transformed Egypt from a debtor into a creditor of the United Kingdom. This challenged the premise of Britain's 'veiled protectorate' in that country, as discussed in previous chapters. As Britain prepared legislation in July 1947 to review and renew the rules of the sterling area for the post-war period, Egypt decided to leave the monetary area with the object of making freer use of its foreign reserves for non-sterling (dollar) imports for development projects.[282] Because Sudan was part of the Egyptian currency area, Sudan was brought out of the sterling area by extension. If the typical trajectory of British imperial dependencies after 1945 was to secure political independence and, subsequently, to negotiate gradual divergence in monetary policy, then the peculiar constitutional arrangement of Sudan caused this process to occur in reverse.

The financial agreement negotiated in 1947 to govern payments between Britain and Egypt stipulated that the latter 'shall not restrict the payment or receipt of sterling by residents of the Sudan.'[283] This clause kept Sudan, where Britain retained executive control, as a de facto member of the sterling area. As such, the Egyptian currency area now straddled two different monetary regimes. Egypt's monetary divergence from sterling was gradual, and trade invoicing and external reserves remained overwhelmingly in sterling, but with changed limits regarding the convertibility of the latter. Furthermore, when Britain devalued sterling against the US dollar in 1949, Egypt devalued in line with sterling to maintain its terms of trade for the majority of its imports and exports.

As Anglo-Egyptian rivalry deepened, there was growing concern in the Sudan Government that monetary policy in an effective British dependency was controlled by a potentially hostile neighbouring state. In 1949, Sudan's external reserves were separated from Egypt's for the first time through the creation of the Sudan Exchange Control Account, held by the NBE in London. All commercial banks in Sudan were required to sell their foreign exchange earnings beyond small working balances to this account in exchange for local currency from the Khartoum branch of the NBE (NBEKh). This relieved Egypt of responsibility for providing foreign exchange for Sudan's external payments and inaugurated the NBEKh's role as 'banks' banker' in Sudan.[284] Although the Exchange Control Account did

[282] Rodney Wilson, 'Economic aspects of Arab nationalism', in Michael Cohen & Martin Kolinsky (eds), *Demise of the British Empire in the Middle East* (London, 1998), pp. 67-68.
[283] *Financial Agreement Between the Government of the United Kingdom and the Government of Egypt* (1947), Annex, §10.
[284] Zbigniew Siemienski, The Sudan Currency Board (20 July 1961), p. 4. OV 134/4.

not receive foreign exchange earnings by Sudan from before 1949, the rapid inflation in Sudan's external earnings from this year demonstrated by graph 2.1 meant that this was of little significance for the purposes of servicing Sudan's future payments.

From its creation, the Anglo-Egyptian Condominium had been able to calculate an external balance for Sudan using foreign trade statistics. What was novel with the Exchange Control Account, was the disciplining effect of a store of external reserves with the theoretical capacity to run to zero. I discuss the implications of this in the fourth section of this chapter. (In addition to the balance of trade, the Exchange Control Account also made it possible to measure invisible transfers between Sudanese residents and territories other than Egypt, which had not previously been possible).

In 1951, Egypt unilaterally abrogated the 1899 Condominium Agreement and proclaimed the 'unity of the Nile valley' based on the Egyptian monarch's title as King of Egypt and Sudan.[285] Although the announcement would prove to be largely symbolic, members of the Sudan Government feared that Egypt might become 'financially hostile' towards Sudan by preventing the supply of currency or obstructing Sudan's external trade.[286] Specifically, it was feared that Egypt might appoint an alternative Sudanese government and instruct the NBE to transfer the Sudan Exchange Control Account to this body.[287] The Condominium's Finance Secretary, Louis Chick, was advised that this would be 'actionable under English law' as the account was held by the NBE with the Bank of England in London. Later, Chick was advised by a British director of the NBE that British staff at the bank would collectively resign rather than implement such an instruction.[288] This demonstrates, once again, the circulation of information and the unity of purpose between British nationals in both the public and private sectors.

Following Egypt's abrogation, British officials in London and Khartoum began discussing the desirability of a separate currency for Sudan which would remove from Egypt this lever of financial influence. Although officials supported such a measure, they also recognised that any measures towards implementing it, such as drafting legislation, printing notes or ear-marking reserves, could trigger the very retaliatory action from Egypt that the measure was intended to prevent. After a meeting of the Sudan Government on the question,

[285] Douglas Johnson, 'Introduction' to Douglas Johnson (ed.), *British documents on the end of Empire: Sudan* (London: University of London, 1998), p. lxvii.
[286] C Davies, Sudan Agency, London, Letter to R. Allen, Foreign Office (26 October 1951), SAD.732/8/22.
[287] Ibid.
[288] Louis Chick, Khartoum, Letter to Sudan Agency, London (20 October & 28 November 1951). SAD.732/8/10 & 58.

Chick concluded that ‘political considerations still outweigh the financial and economic advantages of a separate currency and the problem is one on which no final decision should be taken before self-determination by the Sudanese’.[289] The vicissitudes of Sudan’s currency question after the 1953 self-government elections is the topic of the next section.

In November 1952, Egypt introduced capital controls against Sudan.[290] There were reports at the time that banks were transferring funds from Egypt to Sudan to finance lending when they lacked deposits in Sudan. In July 1952, the Free Officers’ coup had toppled the Egyptian monarchy, and it is also possible that multinational investors within Egypt’s currency area were transmitting funds to the ‘safe harbour’ of a territory under British imperial control. Egypt’s controls against Sudan are revealing because Egypt in this period was advocating the ‘unity of the Nile valley’. In contrast, this policy suggested tacit acceptance by Egypt that Sudan was a British-occupied territory whose political future would not be in union with Egypt. Sudan did not reciprocate with capital controls towards Egypt until it introduced its own currency in 1957.

Sudan’s monetary arrangements in the final years of the Condominium, were peculiar in the extreme. As an effective British dependency, British monetary authorities continued to enable the free use of sterling for residents of Sudan. However, Sudan was not a member of the sterling area and residents could transfer funds to Egypt without controls and use these according to Egyptian exchange policies. Further, self-government elections in 1953 created a government that would no longer automatically subscribe to British sterling policy above its perception of domestic interests. In 1954, the Governor-General’s bewildered constitutional advisor asked the UK Foreign Office for a precise statement of Sudan’s exchange relationship with the sterling area, he received the startling answer that ‘we felt some considerable doubt about an attempt to put on paper the unusual nature of this relationship, since any publicity might lead to awkward repercussions elsewhere.’[291] Indeed, leaks in the sterling area occurred in this period, in Kuwait and Hong Kong. Although there was very little likelihood of Sudan creating financial outflows of comparable magnitudes, the Foreign Office feared precedents for multi-tiered access to sterling area resources. Britain finally ended sterling area access for Sudan when it introduced its own currency in 1957. As Barclays DCO enjoyed an increase in local deposits from the tail end of the 1956 cotton sales season, it commented remorsefully in March 1957 that ‘It was indeed unfortunate that when for the first time the surplus assumed

[289] Louis Chick, Khartoum, Letter to Sudan Agency, London (7 January 1952). SAD.732/8/75.
[290] Siemienski, Currency Board, p. 4.
[291] E Boothby, Foreign Office, London, Letter to William Luce, Khartoum (24 February 1954), FO 371/108397.

proportions of real importance we were denied the previous facility of transferring funds to London.'[292] Barclays DCO would once have invested such surpluses in financial securities in London, and the effects of being unable to do so due to capital controls are discussed in the last section of this chapter.

So far, this section has examined Sudan's uncoupling from the Egyptian and sterling monetary areas. It concludes by examining one further aspect of Sudan's uncoupling from Egypt's economy, of particular concern to its local banks. Although Egyptian capital controls from 1952 limited banks' ability to transfer funds directly between the two territories, banks were still able to pledge assets to the NBE in Egypt against withdrawals from the NBEKh in Sudan.[293] Table 2.5 demonstrated that this was crucial for how Banque Misr and Credit Lyonnais balanced resources in Sudan.

In October 1956, Britain, France and Israel invaded Egypt via the Sinai Peninsula in an attempt to topple the Egyptian president Jamal Abd Al-Nasir and reverse the nationalisation of the Suez Canal that had occurred in July. In response, the Egyptian government nationalised British- and French-owned enterprises in Egypt, including Barclays DCO (which was renamed as the Bank of Cairo), the Ottoman Bank (renamed Bank Al-Jamhuria) and Credit Lyonnais (renamed Bank of Alexandria). As a result, these banks could no longer use their Egyptian assets to finance lending in Sudan. Like the Palestinian Nakba discussed in Chapter Two, the War of Tripartite Aggression (Suez Crisis) was a major geopolitical event associated with the end of empire that caused a dispersal of financial expertise across the region. Credit Lyonnais transferred several staff from Egypt to Sudan after 1956, and Chapter Five will give further examples of staff formerly with foreign banks in Egypt finding employment in Sudan.[294]

The NBE, Banque Misr and the Arab Bank all retained their activities in Egypt after 1956. When the NBE withdrew from Sudan in 1960 (see below), this finally removed the mechanism whereby Banque Misr and the Arab Bank were able to pledge assets in Egypt against cash withdrawals in Sudan (I do not know whether the Arab Bank made use of such a provision). In 1960, Egypt nationalised all remaining private banks in the country, including the NBE, Banque Misr and the Arab Bank. Until 1956, every bank in Sudan had had offices in Egypt that predated their presence in Sudan. This financial geography changed rapidly, and from 1960 until 1970 Banque Misr was the only bank present in both countries.

[292] Barclays DCO, Half-yearly report: Sudan (31 March 1957).
[293] Credit Lyonnais, Port Sudan, Letter to Alexandria agency (21 July 1955). DAE 10998
[294] Credit Lyonnais, Paris, Modifications à l'exploitation des sièges (4 January 1957). DEEF 5668/1.

This section has argued that the gradual concentration of powers over capital and exchange controls in Sudan occurred as a result of regional political conflict that pre-dated self-government and independence. The next section examines Sudan's exit from the Egyptian currency area and the creation of the Sudanese Pound.

The Sudanese Pound

This section continues the account of Sudan's acquisition of national currency after the question was ceded to the new Sudanese government by the outgoing Condominium authorities. It reveals a political struggle between Britain, Egypt and Sudan, as the latter sought a share of Egyptian reserves for its new currency.

The Sudanese self-government elections in 1953 created a body with the political legitimacy to establish a separate currency for Sudan, thereby resolving the deadlock faced by Louis Chick described in the previous section. John Carmichael, the Permanent Under-Secretary in Sudan's new Ministry of Finance, advocated enthusiastically for such a policy, However, an obstacle existed. Sudan's National Unionist Party (NUP) government had been elected on a platform advocating 'unity of the Nile valley', and the party's leadership had to reckon with leading members and financial backers who supported close association and economic integration with Sudan's northern neighbour. Carmichael systematically overlooked this simple political reality, and, instead, attributed the reticence to endorse a separate currency by his minister, Hammad Tawfiq Hammad, to insufficient technical understanding of his advice (or, in his own words 'a combination of ignorance, suspicion and hatred').[295]

The Independent Republican Party (IRP), created from a split in the NUP, was founded in January 1955 and advocated a separate currency for Sudan. This may have provided the political pressure for the government to adopt this policy in June, under the cover of a report published by two Indian economists who had been commissioned by Tawfiq Hammad to advise on various aspects of Sudan's financial and monetary arrangements. The report recommended a separate currency for Sudan, as this would grant Sudan a sovereign monetary policy, protection against any Egyptian devaluation, and seignorage revenue from money circulating in Sudanese territory, while enabling Sudan's membership of international financial institutions such as the International Monetary Fund (IMF), the International Bank for Reconstruction & Development (IBRD) and the sterling area.[296] Tawfiq Hammad announced the government's support for a separate currency in the Sudanese parliament, several months before his party had committed to supporting independence itself.[297] Whether the NUP were convinced by the arguments of the report, or whether it provided political cover for a policy already adopted, is open to interpretation. In combination with the application of Egyptian

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[295] John Carmichael, Khartoum, Letter to Claude Loombe, Bank of England (24 April 1955), SAD.733/5/64.
[296] B Nehru & P Jeejeebhoy, Report by Indian financial experts for H.E. Sayed Tewfik Hammad, Minister of Finance (24 March 1955). SAD.733/5/19-48.
[297] William Luce, Khartoum, Letter to Foreign Office, London (28 April 1955). T 236/5387/50.

capital controls against Sudan from 1952, these events nevertheless suggest that few in this period were planning practically for full political and economic 'unity of the Nile valley', as I argued in Chapter One.

The decision to introduce a separate currency prompted protracted negotiations between Sudan and Egypt over the redemption of the Egyptian currency that was to be withdrawn from circulation, which was estimated to be worth between £E.18 and 20 million. Egypt's payment for its withdrawn currency would constitute the reserve backing of Sudan's new currency. During 1955, the Egyptian government refused to negotiate with Sudan on this question. It argued that the Sudanese parliament had yet to vote on Sudan's future constitutional status, and, if it opted for union with Egypt, then the question of a separate currency would become moot.[298] As a result, when the Sudanese parliament voted for independence in December 1955, it did so with the Egyptian Pound still in place as the country's official currency.

Sudan's governments in 1956 remained committed to a national currency, but there was no certainty about their capacity to secure meaningful redemption from Egypt, meaning that the question risked being delayed indefinitely with significant aspects of Sudan's monetary policy being controlled by Egypt. If Sudan introduced a national currency without reserve backing, then it would be unable to service external trade and would face a currency crisis. This was an episode in which accounting escaped the control of the routine activities of company accounts and became the subject of political negotiations. The size of the prospective transactions meant that the routine mechanisms for establishing equivalences and executing transfers between the Egyptian and Sudanese economies could no longer be relied upon. As with negotiations regarding compensation for nationalised firms, examined in Chapter Seven, the core controversy of these negotiations was not the price of the prospective payment – its nominal value would be dictated by the amount of withdrawn currency – but, rather, the accepted means of payment. Egypt did not question Sudan's right to redemption, but it wished to minimise payment in scarce external reserves such as sterling, gold and US dollars, and wished to maximise payment in Egyptian goods and credits in Egyptian currency. Sudan, naturally, wished for the largest possible payment in sterling, gold and US dollars which could be used for trade with countries other than Egypt. The Sudanese government, aided by Carmichael who was himself in communication with the UK Foreign Office, argued that Sudan had a right to these reserves based on its historic contribution to Egypt's balance of payments. Accordingly, Egypt's offer early in 1956 of a £2 million sterling payment to Sudan to redeem

[298] R Murray, British Embassy, Cairo, Cypher to Foreign Office, London (20 June 1955). T 236/5387/75.

currency, with the remainder financed by a £E.2 million annual credit for Egyptian goods, was rejected by Sudanese negotiators as wholly inadequate.[299]

Britain's first ambassador to Sudan, Edwin Chapman-Andrews, speculated that Egypt's refusal to settle was not born of technical disagreements or a desire to undermine the viability of Sudan's currency, but by an objective inability to pay.[300] His proposal to seek arbitration, possibly by enlisting the efforts of a Swiss central banker, was overruled by none other than the British Prime Minister, Anthony Eden, who minuted that 'We have no present interest in bringing Egypt and Sudan together.'[301] The archival record demonstrates that British policy towards Sudan's currency question altered in 1956 from supporting generous redemption by Egypt in foreign exchange, towards frustrating settlement as part of a broader anti-Egyptian policy, even if this was at the expense of Sudan's monetary sovereignty. Sudan's scheduled date in 1956 for the introduction of its currency was twice delayed from June until September, and then into 1957.[302] It is interesting to speculate how this deadlock may have ended had external factors not intervened.

The previous section described how the War of Tripartite Aggression (Suez Crisis) saw Egypt nationalise British and French companies at the end of 1956. In November, international pressure obliged the invading armies to cease hostilities. However, Britain responded to these nationalisations by seizing Egypt's sterling balances in London to secure, Britain argued, fair compensation for expropriated investors.[303] There was an irony to this, in that British officials had feared five years previously that Egypt might seize external reserves belonging to Sudan, whereas this had now been done by Britain against Egypt. Believing these balances to be lost to Egypt, Jamal Abd Al-Nasir announced that Sudan could receive full sterling payment for the £E.20 million that it expected to withdraw from circulation, and that it had merely to request this money from Britain. This was an ingenious reversal of Britain's policy of estranging Egypt and Sudan over currency, as the Sudanese government made just such a request.[304]

Britain in this period was seeking to control the overseas use of sterling balances, and wished furthermore to guard the seized Egyptian reserves to compensate its own investors. In

299 Edwin Chapman-Andrews, British Embassy, Khartoum, Cypher to Foreign Office, London (31 May 1956). FO 371/119643.
300 Edwin Chapman-Andrews, British Embassy, Khartoum, Cypher to Foreign Office, London (16 March 1956). PREM 11/2115/70.
301 Anthony Eden, Prime Minister, Personal Minute to Selwyn Lloyd, Foreign Secretary (20 March 1956). PREM 11/2115/68-69.
302 Bank of England, Extract from letter dated 22nd June to 1956 to Mr. Loombe from Mr. Z. Siemienski. OV 134/2.
303 W Armstrong, Foreign Office, London, Note: Sudan Currency (11 March 1957). FO 371/125986.
304 Ibid.

March 1957, Britain ruled out a £20 million transfer to Sudan from Egyptian reserves, offering £5 million instead.[305] This shocked the Sudanese government and Carmichael in Khartoum, as both had hitherto been supported by the UK Foreign Office in demanding maximal sterling redemption from Egypt. Realising that attempts to alienate Egypt and Sudan were falling apart rapidly, the British Foreign Secretary intervened to state that 'From the political point of view there is a strong case for going to £15 million'.[306]

It was through this course of events that Sudan's new currency, the Sudanese Pound, was introduced in April 1957 at parity with the Egyptian Pound, with a much higher foreign currency backing than might originally have been anticipated. Banks in Sudan suspended all other activities over two days in April 1957 to implement the currency changeover. A total of £E.23.8 million notes and £E.2.2 million coins were withdrawn from circulation. Slightly less, £S.26.0 million was returned to circulation as the initial cash issue of the Sudanese Pound, which received a £15 million sterling reserve backing from Egypt. The remainder of the circulating currency's reserve backing was an issue of non-negotiable Sudanese Government Treasury Bills deposited with the Sudan Currency Board (see next section). Although Carmichael had castigated Sudanese officials for their lack of technical understanding of the currency question, he underestimated their initial political constraints and their ability, ultimately, to adeptly play Britain and Egypt against each to attain a generous redemption.

The account above contrasts with Young's interpretation of the drive towards a Sudanese national currency, which he argues 'made it easier to estimate, visualize and compare the impact of particular policy choices over time'.[307] Condominium officials were capable of conducting financial accounting using Egyptian Pounds, and a calculation of external balance, the separation of external reserves, and capital controls against other territories could all be implemented by Sudan without a national currency. In contrast with Young's argument that a Sudanese currency emerged as a means of '"enframing" a national economy',[308] I highlight the fact that a separate Sudanese currency was first supported by British administrators in Khartoum who had no investment in Sudanese national symbolism. Contrastingly, Sudan's first generation of political leaders equivocated on the question. Rather, I argue that support for a separate currency was driven in particular moments by a desire to enhance the monetary

[305] Ibid.
[306] Selwyn Lloyd, Note (29 March 1957). PREM 11/2115/32.
[307] Alden Young, 'Accounting for decolonization: the origins of the Sudanese economy, 1945-1964' (Unpublished doctoral dissertation: Princeton University, 2013), p. 79.
[308] Alden Young, 'A currency for Sudan: the Sudanese national economy and postcolonial development' in Stephen Macekura & Erez Manela (eds), *The development century: a global history* (Cambridge: Cambridge University Press, 2018), p. 133.

powers vested in Khartoum, and to secure powers over monetary creation and the exchange rate specifically. As in the previous section, I argue that national, regional, and imperial/international power struggles drove evolutions in Sudan’s public financial infrastructures.

Central banking

This section examines central banking institutions in Sudan after independence, and the creation of the central Bank of Sudan in 1960.

In 1956, central banking functions in Sudan were distributed between the NBEKh (the government and bankers' banker) and the Ministry of Finance (the regulator of the banking sector, and the government department with responsibility for managing Sudan's external reserves). In March 1957, to these was added the Sudan Currency Board which managed the issue and reserve backing of Sudan's new currency. As a currency board, this institution was charged with issuing and withdrawing Sudanese currency against purchases or sales of foreign exchange. Most residents of Sudan did not transact directly with the Board, but, rather, with their banks, who, in turn, transacted with the Board's local agent, the NBEKh. Sudan's Currency Board was distinctive in that it was the only such institution to exist outside of the sterling area, even though it maintained a fixed exchange rate and held all of its external reserves in this currency. Moreover, the Sudan Currency Board contrasted with its counterparts in British West and East Africa in that it was created after independence as a temporary retreat to a conservative and colonial form of currency management, while legislative and practical preparations were made for a Sudanese central bank.

Six directors were appointed to oversee the Board's activities. Three were appointees of the Sudanese government, namely, Al-Din Fawzi, a Professor of Economics at the University of Khartoum; Ibrahim Uthman, a civil servant who was director of the Ministry of Commerce, Industry & Supply; and Mamoun Beheiri, one of the Deputy Under-Secretaries in the Ministry of Finance. In addition, both the NBE and the Bank of England were invited to nominate appointees to be seconded as directors. In addition to being the central banks of Sudan's former co-domini, the NBE was the Board's local issuing agent, while the Bank of England held the totality of the board's external reserves, which were all in sterling-denominated assets. The NBE and the Bank of England's nominees were Mustafa Muhammad Al-Sakkaf and Claude Loombe, respectively. The Sudanese government sought a nominee from the central bank of a 'neutral' country (in the international politics of the Cold War), a position which went to Sven Joge from the Swedish Riksbank. Finally, Zbigniew Siemienski from the Polish People's Republic was appointed as a full-time financial advisory to the Sudan Currency Board and attended the directors' meeting.[309] The management of the Currency Board was consequently

[309] Sudan Currency Board, Minutes of the first meeting of the Sudan Currency Board (5, 6 & 9 March 1957), p. 1. OV 134/2.

a cosmopolitan affair, uniting expertise from all sides of Cold War divide in pursuit of shared technical objectives. Although the Board was always viewed as a transitional arrangement, the restrictiveness of its monetary policy which enforced a 100% exchange cover for any increases in local currency issue was also rationalised by both it's the Board's directors as a measure that would build international confidence in the new currency before a central bank came into existence that could practice an active monetary policy.[310]

Table 4.1 shows the balance sheet of the Sudan Currency Board on 30 June 1958, shortly after Egyptian and British coinage had ceased to be legal tender in Sudan. At this time, the amount of Sudanese currency in circulation was falling beneath its initial issue of £26.0 million due to the cotton crisis of that year. The Board's directors had decided to hold all external reserves in sterling for reasons of simplicity, and it can be seen that sterling-denominated assets accounted for 50.9% of Sudan's currency reserves. This proportion would rise asymptotically with any increases in the currency issue.

Table 4.1. Balance sheet of Sudan Currency Board
30 June 1958

ASSETS	Value (£S)
Sterling assets	
4½% Conversion Stock 1962	2,881,308
2½% Funding Stock 1956/61	1,808,854
3% Exchequer Bonds 1960	946,055
3% War Loan 1955/59	953,062
2% Conversion Stock 1958/59	369,793
British Government Treasury Bills	5,524,340
Balance with Bank of England	97,323
Total	12,580,735
Local assets	
Sudan Government Treasury Bills	12,127,821
Balance with NBEKh	617
Total	12,128,438
Grand total	*24,709,173*
LIABILITIES	Value (£S)
Currency in circulation	24,546,790
Interest received on investments since 8 April 1958	416,763
Investment reserve	85,620
Less: Amortised cost of currency issue	340,000
Grand Total	*24,709,173*

Source: Sudan Currency Board, *Second report of the Sudan Currency Board* (30 June 1958). BB0011/1911. Sterling securities valued at cost.

[310] Ibid, p. 9.

The 1958 coup delayed the introduction of a central bank as it was followed by purges, administrative turnover, and planning uncertainty across government departments. However, the restrictive effects of an automatic monetary policy were beginning to be felt. As cotton stocks began to be sold in early 1959 (see previous chapter) large foreign exchange receipts were earned by Sudanese residents who duly exchanged them for local currency via their banks, who did the same through the government's exchange control with the NBEKh. However, the government's own local currency balances had fallen significantly in 1958 with falling tax receipts, and it lacked the reserves needed to issue sufficient Sudanese Pounds against the incoming foreign exchange. By legislation, the government could only increase the local money supply through note and coin issues from the Currency Board with full exchange backing. The government duly did so and deposited the cash in banks' accounts with the NBEKh. However, commercial banks did not use cash for the majority of their transactions and merely used their NBEKh accounts for clearing purposes and occasional cash withdrawals to meet clients' demands. By late 1959, Sudan was in the extraordinary position of having less than half of its cash issue in active circulation, with approximately £S.20 million circulating among commercial banks and residents, but £S.24 million laying idle in the vaults of the NBEKh. This was significant because the foreign exchange backing for these idle notes was held by the Board and could not be used for other purposes, notably the financing of capital imports for state development projects. This reduced the sterling exchange available to the government from approximately £32 million to £12 million, with the difference immobilised as cover for an excessive cash issue.[311]

To resolve this, the government introduced an amendment to the 1956 Currency Act that governed the activities of the Currency Board. The amendment allowed the NBEKh to deposit surplus cash holdings with the Currency Board, which would then be able to release the equivalent foreign exchange for use by the government in external payments.[312] This episode demonstrates that a state's monetary sovereignty is shaped less by the formal architecture of monetary institutions, than by its effective capacity to modify the function of these institutions in response to short-term needs. The Sudan Currency Board embodied a conservative and automatic practice of monetary policy, but legislation by the Sudanese state superseded the formal rules of the Board, and the state was able to suspend and alter these rules when required.

[311] TG Huston, Bank of England, Sudan's Notes Issue and Sterling Assets (27 October 1959). OV 134/4.
[312] Ibid.

In November 1959, the government finally passed the Bank of Sudan Act, which created a central bank with that name, and which came into existence in February 1960. The Bank of Sudan assumed the responsibilities of government banker and bankers' banker from the NBEKh; regulator of the banking sector and manager of Sudan's external reserves from the Ministry of Finance; and issuing authority from the Sudan Currency Board, which ceased operations. The Bank of Sudan also acquired the government's small US dollar account from Barclays DCO's New York agency. With its central banking functions in Sudan withdrawn, the NBE exited from Sudan after 59 years. The bank's public deposits were transferred to the Bank of Sudan, while its few remaining private accounts were transferred to other banks. With the most extensive branch network in Sudan, Barclays DCO was well-placed to receive many of these accounts, and acquired customers from the NBE in Port Sudan, Al-Ubayyid and Omdurman, including 82 accounts collectively worth over £S.100,000 in the latter location alone.[313] In 1960, Banque Misr opened a branch in Tawkar which was almost certainly to recoup the business of the NBE, which had been present there since 1904. Most of the NBE's premises in important centres such as Port Sudan, Al-Ubayyid, and Wad Madani became provincial branches of the Bank of Sudan.[314]

A central bank had been the official objective of successive governments since 1956, and its establishment had been delayed mainly by the need to recruit and train staff to operate the new institution. The Bank of Sudan acquired approximately 30 staff from the NBE, while further staff were either hired from ministries or appointed as new starters to be trained by the bank.[315] Mamoun Beheiry left the Ministry of Finance and was appointed as the first Governor of the Bank of Sudan. Born in 1925, Beheiri was related to a Darfuri royal family. His secondary education was at Victoria College, Alexandria – rather than Gordon College, Khartoum – and his tertiary education was at Oxford University.[316] In 1952, Beheiri had been one of the three Deputy Under-Secretaries in the Condominium's Finance Department when it became the Ministry of Finance, alongside Mansour Mahjub and Hamza Mirghani (see Chapter Two). Hamza Mirghani had since been promoted to Permanent Under-Secretary while Mahjub was transferred to the Ministry of Commerce, Industry & Supply to replace Ibrahim Uthman as its senior civil servant in 1959. Consequently, the impending departure of Beheiri to the Bank of Sudan caused the Ministry of Finance to replenish its stock of Deputy Under-

[313] Barclays DCO, Half-yearly reports: El Obeid; Port Sudan; Omdurman (31 March, 30 September 1960).
[314] Ibid.
[315] J Creegan, Khartoum, Letter to Claude Loombe, Bank of England, (5 September 1959). OV 134/4.
[316] Foreign Office, UK, Leading personalities in Sudan (1957). FO 371/125960.

Secretaries, promoting Abd Al-Rahim Mirghani, Al-Sid Al-Fil, and Abdallah Abd Al-Wahab.[317] Several months later, Hamza Mirghani left Sudan for a role in the IMF, and Abd Al-Rahim Mirghani replaced him as Permanent Under-Secretary in the Ministry of Finance.[318]

Beheiri spoke fluent English as well as Arabic, and had been considered by Barclays DCO as 'our best friend at the Ministry of Finance.'[319] After John Carmichael left Sudan in 1959, Beheiri succeeded him as the commercial banks' primary interlocutor within the Sudanese state, making Beheiri an orthodox appointment to the Bank of Sudan. Al-Sid Al-Fil, who had been appointed Deputy Under-Secretary in the Ministry of Finance only months earlier, left this position to become Deputy Governor of the central bank under Beheiri.[320] Meanwhile, Zbigniew Siemienski, who had been financial advisor to the Currency Board, was appointed General Manager of the central bank. Bank of England officials described Siemienski as a 'theoretical socialist' who favoured state management and low interest rates as general policy principles. However, they also noted that Siemienski was reluctant in practice to pursue such policies in Sudan, where cheap credit would inflate local demand and contribute to balance of payment travails.[321] Outside of Poland's planned socialist economy, capitalism imposed its discipline not as a policy choice, but the perception of externally-imposed constraints to which policy makers such as Siemienski were obliged to adapt.

The Bank of Sudan adopted multiple initiatives to support the local banking sector. In 1960, it opened the Khartoum Bankers' Clearing House, which received cheques, demand drafts, bank orders and clearance vouchers from commercial bank branches in Khartoum Province and settled banks' mutual obligations through their central bank balances.[322] This removed a large amount of routine clerical work from the operations of individual banks, granting them time and cost savings. In 1963, the Bank of Sudan established an Institute of Banking Studies which was financed by a small grant from each of the commercial banks, and which sought to expand the supply of trained banking staff in Sudan.[323] Finally, the Bank of Sudan operated a branch network across Sudan, opening offices in most of Sudan's provincial capitals as well as other important centres such as Kosti, Qadarif and Port Sudan. These branches aided the local circulation of currency by disbursing public salaries, receiving tax

[317] British Embassy, Khartoum, Letter to Foreign Office, London (15 September 1959). OV 134.4,
[318] Young, *Transforming Sudan*, p. 105.
[319] Barclays DCO, LHO, Letter to General Managers (3 July 1959). BB0011/1983.
[320] Central Bank of Sudan, Elsayid Elfeel. (Accessed 15 November 2020). Available online: https://cbos.gov.sd/en/node/616.
[321] J Creegan, Khartoum, Letter to Claude Loombe, Bank of England, (5 September 1959). OV 134/4.
[322] Sudanese Ministry of Information, *Bank of Sudan* (1968), p. 11.
[323] Ibid., p. 12.

takings from local authorities, and acting as bankers to the provincial branches of commercial banks.

In 1962, Al-Sid Al-Fil left the Bank of Sudan to become a local manager of the British trading company, Gellatly Hankey.[324] This is evidence of a revolving door between the foreign-owned private sector in Sudan and the central bank, which valued the technical expertise and personal connections of the bank's senior staff. The following year, Abd Al-Majid Ahmad resigned as Minister of Finance which, depending on contemporary interpretations, was either due to ill-health or to accept responsibility for a renewed and significant fall in Sudan's external reserves.[325] President Abboud replaced Ahmad with another technocratic appointee to be charged with redressing Sudan's local and external payment deficits, namely, Mamoun Beheiri, who was transferred from the central bank to become Minister of Finance. No successor had yet been appointed to Al-Fil in the Bank of Sudan, and the central bank temporarily had neither a Governor nor Deputy Governor. As speculation circulated regarding Beheiri's successor, the British Embassy reported to the Bank of England that Mansour Mahjub – Beheiri's former colleague in the Finance Department – was a candidate for the position. This was a cause for concern, as Mahjub was 'credited with leftist and nationalist intentions.'[326]

In the event, Al-Sid Al-Fil returned to the Bank of Sudan from the private sector and served as its second governor. Ibrahim Muhammad Ali Nimir, an official who had worked in the central bank from its creation, was appointed Deputy Governor. Al-Fil died in office in 1967 and was replaced by Abd Al-Rahim Mirghani, who had been the senior civil servant in the Ministry of Finance since 1959, and who held executive responsibility for Sudan's Ten-Year Development Plan introduced in 1961.

The creation of a central bank completed the formalisation of institutions that gave Sudanese governments commercial, monetary and regulatory powers over a national economic space. The next two sections examine how these powers were applied, as public authorities and local banks within this space struggled to balance local and external resources.

[324] Overseas Department, Bank of England, Sudan: Minister of Finance (13 November 1963). OV 134/5.
[325] Ibid.
[326] Ian Scott, British Embassy, Khartoum, Letter to Claude Loombe, Bank of England (14 November 1963). OV 134/5.

Balancing the books: government

This section examines how Sudanese governments sought to balance foreign exchange after the creation of an external reserve account for Sudan in 1949, and local resources following the creation of the Sudanese currency in 1957.

Governments face absolute constraints in their access to foreign currency, meaning that the external balance exerts a major disciplinary effect on the economic policies of a sovereign state. The Sudan Exchange Control Account, established in 1949, created not only a measure of Sudan's external balance, but a store of its reserves that could in principle deplete to zero. This was not a concern from 1949 until 1951, when booming international cotton prices generated substantial external reserves that the Sudan Government.[327] Previous chapters have described how declining cotton prices after 1952 lowered export receipts below the demand for imports, creating a balance of trade deficits until the middle of 1955. Added to this visible account deficit was a substantial outflow of capital from 1953 onwards, as investors liquidated and withdrew fixed assets from Sudan in response to self-government elections.[328] This was the local manifestation of what Vanessa Ogle has described as 'funk money', namely, the large-scale liquidation of fixed assets coinciding with formal decolonisation after the Second World War. Ogle argues that this divestment from (ex-)colonial peripheries provided the liquid foundations for the growth of 'offshore' capitalism in the later twentieth century.[329]

In response to all of these factors, the NUP government introduced a series of measures aimed at redressing the balance of payments and, in 1956, Ismail Al-Azhari's government became the first of many in Sudan to fall under the pressure of allocating the burdens of domestic demand reduction.[330] A revival of cotton sales led to a small balance of trade surplus by the end of 1955, and a significant recovery of reserves in 1956. Chapter Three described how this was reversed dramatically in 1957 and 1958, leading to stringent credit controls and import licensing, and recourse to external commercial credit.

Sudan's military-developmentalist government succeeded in redressing the balance of payments by slashing cotton prices and reviving exports. It also made Sudan's first large-scale recourse to external capital financing, principally from US Aid but from other sources as

[327] See Chapter Two.
[328] Bank of Sudan, 'Special article: The Sudan's Balance of Payments, 1951-1955', *Quarterly bulletin* (30 September 1961), pp. 25-26.
[329] Vanessa Ogle, ''Funk money': the end of empires, the expansion of tax havens, and decolonization as an economic and financial event', *Past & Present* 249, 1 (2020), pp. 213-249.
[330] Newspaper cutting, 'Budget slashes spending' (November 1955). DAE 10997.

well.[331] The government duly relaxed exchange controls, though it ended import licensing before reducing the credit limits permitted to commercial banks. The latter noted the logical effect, which was that they 'were in effect policing the credit policy and were having to refuse facilities to credit-worthy customers who had valid import licences.'[332]

Sudan's capital aid was directed towards an ambitious Ten-Year Development Plan that was overseen by Abd Al-Rahim Mirghani from the Ministry of Finance.[333] Although the long-term objective of the plan was naturally to increase productivity and foreign exchange earnings, its immediate impact was to commit the country's scarce foreign exchange surpluses to capital imports. Combined with the liberal exchange regime that had been reintroduced from 1959, this left Sudan's foreign reserves vulnerable to modest negative movements in the external balance.[334] These occurred in 1963 and resulted in the resignation of Abd Al-Majid Ahmad as Minister of Finance after a substantial outflow of foreign exchange during the course of that year, which table 4.3 and graph 4.1 demonstrate was due to an increase in government (capital) imports for development purposes rather than a shock in receipts or the private demand for imports. Contemporary rumours held that faulty accounting had left the ministry unaware of the scale of the outflow until late in the year.[335]

Abd Al-Majid Ahmad was replaced as Minister of Finance by Mamoun Beheiri, who was charged with redressing Sudan's growing external and local deficits (the latter is discussed below). Beheiri implemented a 'year of austerity' in Sudan as he reduced domestic demand for imports through credit controls, limits to public expenditure, and taxes levied on imports, excise and business profits.[336] Although Beheiri succeeded in protecting external reserves within a liberal exchange regime, his policies inflicted economic hardship on the Sudanese population and broke the unholy pact offered by the military regime whereby it suspended civil and political liberties in exchange for economic security and prosperity. This provided the context for a popular uprising that drove the army from government in October 1964, which is considered in Chapter Six.

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331 Ali Abdalla Ali, 'Balance of payments statistics: purpose, method, sources and problem, case of the Sudan', *Sudan Notes and Records* 56 (1975), p. 177.
332 Bank of England, Overseas Office, Note: Sudan (5 February 1960). OV 134/4.
333 Abd Al-Rahim Mirghani, *The Sudan Ten Year Plan of economic and social development, 1961/62—1970/71* (Khartoum, 1961?). MEDU 17/4/PLA/NAT.
334 Bank of Sudan, 'Special article: The Balance of Payments, 1st July 1961 to 30th June 1964', *Quarterly bulletin* (31 December 1965), pp. 30-36.
335 Bank of England, Sudan: Minister of Finance (13 November 1963).
336 Barclays DCO, Half-yearly report: Sudan (31 March 1964).

One effect of the return of multi-party elections in 1965 was that foreign capital aid to Sudan dried up. Governments in this period continued to seek solutions to a precarious balance of payments position, and in 1966 the Sudanese government made major recourse to short-term current account financing which was negotiated with the head offices of banks with branches in the country.[337] Successive coalition governments in this period advanced opposing solutions to redressing the balance of payments deficit. The financial ministry of Hamza Mirghani (1966 to 1967) continued the 'orthodox' monetary and fiscal policies practiced until 1964, which I define as adjustment and adaptation to external market forces in the belief that this would lead to socially-optimal equilibrium outcomes. This approach was characterised by domestic demand reduction through credit controls and fiscal austerity. In contrast, Husain Al-Sharif Al-Hindi's tenures as Minister of Finance (1965 to 1966 and 1967 to 1969) favoured what I describe as 'heterodox' monetary and fiscal policies, defined by attempts to bolster protections against external market forces in the belief that these were socially regressive and led to local disequilibrium. This approach was characterised by attempts to protect social expenditure through exchange controls, implemented through import licensing, tariffs, and direct state intervention in the organisation of foreign trade. The political context for these policy oppositions is examined in Chapter Six.

Table 4.2. Balance of trade for Sudan (£E/£S. millions) 1956 to 1959

Year	Exports	Imports	Balance of invisible payments	Current account balance
1956	71.8	48.2	Not reported	23.6
1957	51.7	69.7	Not reported	-18.0
1958	44.9	54.0	-3.7	-12.8
1959	68.2	49.2	-5.0	14.0

Source: Credit Lyonnais, Études: République du Soudan. Situation économique et financière (December 1961). DEEF 73100 and Ali Abdalla Ali, 'Balance of payments statistics: purpose, method, sources and problem, case of the Sudan', *Sudan Notes and Records* 56 (1975), p. 191. Originally Bank of Sudan estimates.

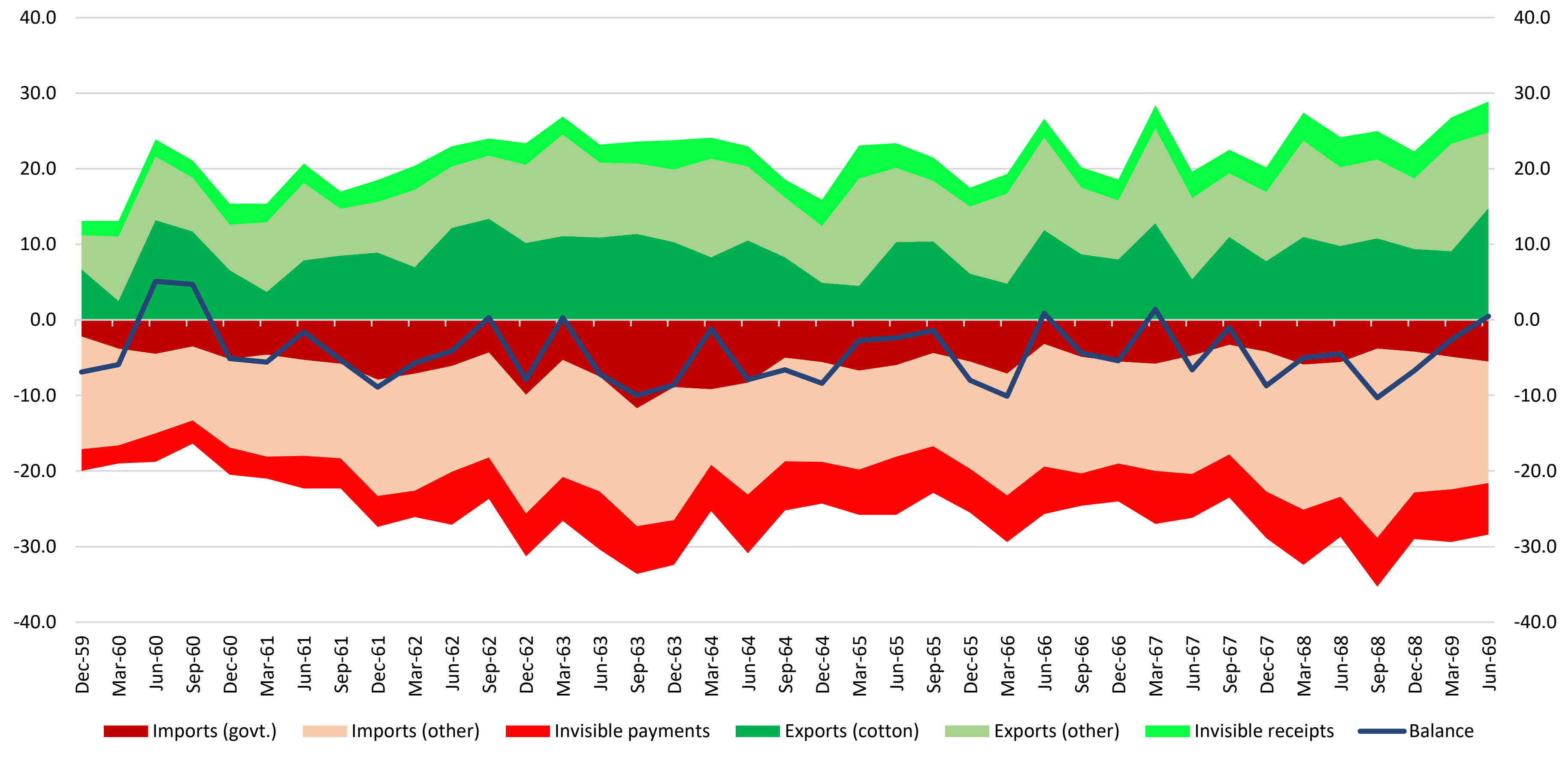
[337] Ali, 'Balance of payments', p. 187.

Table 4.3. External balance of Sudan (£S. millions) 30 September 1959 to 30 June 1970												
	Current account							Capital account				
	Exports		Imports		Invisible balance							
Quarter ending	Cotton	Other	Govt.	Other	Receipts	Payment	*Current account (net)*	Official loans & grants	Other	*Capital account (net)*	Errors & omissions	*Overall balance*
Dec-59	6.7	4.5	2.2	14.9	1.9	2.9	*-6.9*	2.7	-0.6	*3.1*	-0.1	*-4.9*
Mar-60	2.5	8.5	3.8	12.8	2.1	2.4	*-5.9*	3.2	2.7	*7.8*	-0.2	*-0.2*
Jun-60	13.2	8.4	4.5	10.5	2.3	3.8	*5.1*	3.2	-0.5	*2.3*	0.1	*7.9*
Sep-60	11.7	7.1	3.5	9.8	2.3	3.1	*4.7*	2.4	0.2	*1.5*	-0.1	*7.2*
Dec-60	6.6	6.0	5.2	11.7	2.8	3.6	*-5.1*	1.5	0.5	*2.0*	0.1	*-3.0*
Mar-61	3.7	9.2	4.6	13.5	2.5	2.9	*-5.6*	1.6	4.5	*6.5*	0.2	*0.7*
Jun-61	7.9	10.2	5.3	12.7	2.6	4.3	*-1.6*	1.0	1.8	*3.2*	0.1	*1.3*
Sep-61	8.5	6.2	5.8	12.5	2.3	4.0	*-5.3*	0.3	2.2	*1.1*	0.1	*-2.7*
Dec-61	8.9	6.7	7.9	15.4	2.9	4.1	*-8.9*	3.2	1.8	*5.5*	-0.1	*-4.0*
Mar-62	7.0	10.2	7.1	15.5	3.2	3.5	*-5.7*	0.8	5.0	*6.5*	0.3	*0.4*
Jun-62	12.2	8.1	6.1	14.0	2.7	7.0	*-4.1*	2.6	-0.4	*3.7*	0.3	*-1.6*
Sep-62	13.4	8.3	4.3	13.9	2.3	5.5	*0.3*	1.9	-0.1	*1.4*	-0.3	*1.8*
Dec-62	10.2	10.3	9.9	15.7	2.9	5.7	*-7.9*	1.0	1.3	*2.3*	0.3	*-5.3*
Mar-63	11.1	13.4	5.3	15.5	2.4	5.8	*0.3*	1.2	3.6	*3.7*	-0.5	*4.6*
Jun-63	10.9	9.9	7.5	15.2	2.4	7.7	*-7.2*	0.9	0.3	*0.0*	0.5	*-5.5*
Sep-63	11.4	9.3	11.7	15.6	2.9	6.3	*-10.0*	3.3	1.0	*6.2*	-0.5	*-6.2*
Dec-63	10.3	9.6	8.9	17.6	3.9	5.9	*-8.6*	1.2	0.8	*0.5*	0.1	*-6.5*
Mar-64	8.3	13.0	9.2	10.0	2.8	6.1	*-1.2*	4.3	1.6	*5.9*	0.0	*4.7*
Jun-64	10.5	9.8	8.3	14.8	2.7	7.8	*-7.9*	2.1	1.6	*6.2*	-0.2	*-4.4*
Sep-64	8.3	7.9	5.0	13.7	2.4	6.5	*-6.6*	3.0	0.5	*5.3*	0.0	*-3.1*
Dec-64	4.9	7.5	5.6	13.2	3.5	5.5	*-8.4*	2.4	0.0	*4.8*	0.1	*-5.9*

Mar-65	4.5	14.2	6.7	13.1	4.4	6.0	*-2.7*	2.5	1.0	*-1.0*	-0.8	*0.0*
Jun-65	10.3	9.8	6.0	12.1	3.3	7.7	*-2.4*	8.4	1.4	*7.9*	0.0	*7.4*
Sep-65	10.4	8.0	4.4	12.3	3.1	6.2	*-1.4*	1.8	0.4	*2.1*	0.5	*1.3*
Dec-65	6.1	8.9	5.5	14.2	2.5	5.8	*-8.0*	3.4	-0.1	*2.0*	0.0	*-4.7*
Mar-66	4.8	11.9	7.1	16.1	2.6	6.2	*-10.1*	6.3	-0.4	*10.0*	0.1	*-4.1*
Jun-66	11.9	12.2	3.2	16.2	2.5	6.3	*0.9*	3.3	-1.0	*-0.9*	0.0	*3.2*
Sep-66	8.7	8.8	4.9	15.4	2.7	4.3	*-4.4*	2.3	3.1	*4.6*	-0.2	*0.8*
Dec-66	8.0	7.8	5.5	13.5	2.8	5.0	*-5.4*	0.6	1.9	*5.4*	0.0	*-2.9*
Mar-67	12.8	12.5	5.8	14.2	3.1	7.0	*1.4*	1.6	-0.9	*-1.0*	-0.4	*1.7*
Jun-67	5.4	10.7	4.7	15.7	3.5	5.8	*-6.6*	4.3	-0.9	*6.4*	0.2	*0.0*
Sep-67	11.0	8.4	3.3	14.5	3.1	5.7	*-1.0*	2.2	-1.3	*3.3*	-0.1	*-0.2*
Dec-67	7.8	9.1	4.2	18.5	3.3	6.2	*-8.7*	4.7	0.9	*10.3*	0.2	*-2.9*
Mar-68	11.0	12.7	5.9	19.2	3.7	7.3	*-5.0*	1.9	0.7	*4.8*	0.2	*-2.2*
Jun-68	9.8	10.4	5.6	17.8	4	5.3	*-4.5*	3.4	-0.4	*4.9*	-0.4	*-1.9*
Sep-68	10.8	10.4	3.8	25.0	3.8	6.5	*-10.3*	0.3	-1.5	*6.5*	0.0	*-11.5*
Dec-68	9.4	9.3	4.2	18.6	3.6	6.2	*-6.7*	5.5	1.0	*11.1*	-0.1	*-0.3*
Mar-69	9.1	14.2	4.9	17.5	3.5	7.0	*-2.6*	5.4	0.6	*2.9*	0.3	*3.7*
Jun-69	14.8	10.0	5.5	16.1	4.1	6.8	*0.5*	-0.1	-1.4	*-0.2*	0.3	*-0.7*
Jun-70 (12 mths)	60.8	40.5	22.3	66.1	12.3	27.1	*-1.9*	4.4	3.1	*7.5*	-4.9	*0.7*

Source: Bank of Sudan, *Quarterly bulletins* (multiple dates).

Graph 4.1. Current account balance for Sudan. 1959 to 1969



Source: Table 4.3.

In contrast with foreign currency resources, states enjoy unlimited restraints on financing in their own currencies of which they are sovereign issuers. Governments can create money by operating budgetary deficits financed by their issuing authority. During the existence of the Sudan Currency Board, the Sudanese state imposed upon itself a highly conservative monetary policy whereby it could only issue currency in the form of cash with full sterling cover. However, the previous section described how this constraint was relaxed without changing the issuing body's designation as a currency board. The creation of the Bank of Sudan institutionalised the capacity of the government to finance public deficits through central bank loans. The articles of the central bank stipulated that its lending to the Sudanese government 'shall not exceed 15 per cent of the estimated ordinary revenue of the Government for the financial year in which advances are granted.'[338] In 1962, this article was amended to permit the Bank of Sudan to lend to public bodies other than the central government, and to make equity purchases in any Sudanese company, both outside of this limit.[339]

Although there is no necessary limit to a state's capacity to operate deficits in its own currency, in so doing it is disciplined by two factors. First, local monetary creation can cause an outflow of external reserves if account convertibility at fixed exchange rates is allowed by public financial authorities. Sudan responded to this pressure in the 1960s by limiting convertibility, whereas from the late 1970s (after the period of this thesis) it altered its practice towards abandoning a fixed exchange rate.[340] Second, if exchange controls limit the convertibility of local balances, and monetary creation is not matched by an increase in domestic output, then public deficits drive domestic inflation, as occurred in Sudan in the 1960s.

If the principle that a state can issue its own currency without theoretic limit is rarely admitted in theory for the purposes of social expenditure, it is always admitted in practice for the purposes of waging war. In the 1960s, a civil war in southern Sudan was a persistent and growing driver of public expenditure and Sudan's domestic deficit. Alongside the external deficit discussed above, Mamoun Beheiri was charged with tackling the effects of Sudan's spiralling domestic deficit when he was appointed Minister of Finance in 1963. He increased the cash resources available to the government by withdrawing public deposits from the commercial banking sector and placing them with the central bank. By using the cash resources

[338] Bank of Sudan Act (1959), Article 57. OV 134/11.
[339] Bank of Sudan (Amendment) Act (1962). OV 134/11.
[340] John Prendergast, '"Blood money for Sudan: World Bank and IMF to the 'rescue', *Africa Today* 36, 3/4 (1989), pp. 46-47.

of public boards and local government for central expenditure, Beheiri reduced the government's immediate dependency on central bank borrowing. The military government also attempted measures of gradual liberalisation at this time, and it should not be surprising that one of the central measures in this liberalisation was a public series of debates held in the University of Khartoum seeking solutions to Sudan's 'southern question', given the drain of the civil war on public resources.[341]

If the wording of the Bank of Sudan's articles aspired to an institutional limit to the level of public deficit financing, it naturally left open to interpretation the definition of 'the estimated ordinary revenue of the Government'. Accordingly, as the 1960s progressed the Ministry of Finance consistently requested central bank lending in excess of 15% of current government revenue as it operated increasing deficits (see table 4.6 at end of this section). Early in 1966, Zbigniew Siemienski resigned as General Manager of the Bank of Sudan so as not to approve what he considered to be illegal lending.[342]

At this watershed, the Ministry of Finance was pressed to identify legal and non-inflationary means of financing public deficits, which required borrowing funds already in circulation. In contrast with using progressive taxation or central bank lending to finance social expenditure, public borrowing of existing funds is typically regressive, as it directs public interest payments financed by general taxation to government creditors, who are usually the very wealthy. In March 1966, the government passed legislation permitting the issue of Treasury Bills for purchase by Sudanese residents. Treasury Bills were issued in denominations of £S.5,000 with maturities of 91 days bearing 2% interest. This was increased to 3% in September 1966. The minimum subscription of £S.5,000 indicated that Treasury Bills were not intended as vehicles for popular saving, which was served by Post Office Savings which had existed since the Condominium. The Bank of Sudan organised the sale of Bills and only accepted applications from the banking sector, meaning that other prospective bill holders had to submit applications via their bank. The Treasury Bills Act (1966) specified £S.5 million as the maximum permitted Bill issue, a limit that was reached within six months.[343] Table 4.4 describes the breakdown of Treasury Bill holders from 1966 to 1968.

[341] Willow Berridge, *Civil uprisings in modern Sudan: the "Khartoum Springs" of 1964 and 1985* (London: Bloomsburg, 2015), p. 18.
[342] Barclays DCO, Visit to Sudan by AW Wilkinson (18 February—8 March), p. 2. BB0029/0604.
[343] JA Courand, Chief economist, Bank of Sudan, 'Issue of treasury bills in the Sudan' in Bank of Sudan, *Quarterly bulletin* (31 December 1968), pp. 36-39.

Table 4.4. Holders of Sudan Government Treasury Bills 31 March 1966 to 30 September 1968				
	Commercial banks (£Sm.)	Private business (£Sm.)	Public bodies (boards etc.) (£Sm.)	TOTAL (£Sm.)
Mar-66	2.3			2.3
Apr-66	3.0			3.0
May-66	3.0			3.0
Jun-66	3.0			3.0
Jul-66	3.0			3.0
Aug-66	3.0			3.0
Sep-66	4.985	0.015		5.0
Oct-66	4.935	0.065		5.0
Nov-66	4.935	0.065		5.0
Dec-66	4.95	0.05		5.0
Jan-67	4.95	0.05		5.0
Feb-67	4.95	0.05		5.0
Mar-67	4.95	0.05		5.0
Apr-67	4.95	0.05		5.0
May-67	4.95	0.05		5.0
Jun-67	4.8	0.1		4.9
Jul-67	4.8	0.1		4.9
Aug-67	4.8	0.1		4.9
Sep-67	4.9	0.1		5.0
Oct-67	4.9	0.1		5.0
Nov-67	4.9	0.1		5.0
Dec-67	4.8	0.1		4.9
Jan-68	4.9	0.1		5.0
Feb-68	4.9	0.1		5.0
Mar-68	4.9	0.1		5.0
Apr-68	4.9	0.1		5.0
May-68	4.9	0.1		5.0
Jun-68	4.5	0.25	0.1	4.85
Jul-68	4.65	0.25	0.1	5.0
Aug-68	4.65	0.25	0.1	5.0
Sep-68	4.8	0.1	0.1	5.0

Source: JA Courand, Chief economist, Bank of Sudan, ‘Issue of treasury bills in the Sudan’ in Bank of Sudan, *Quarterly bulletin* (31 December 1968), p. 41.

Table 4.4 demonstrates that Treasury Bills were overwhelmingly a vehicle for commercial banks to invest surplus funds. However, most banks were issuing loans in excess of deposits in this period, so the majority of Treasury Bills were purchased by Barclays DCO which held 83.0% of all Treasury Bills by the end of 1969, which constituted 27.4% of its total assets in Sudan.[344] Treasury Bills were nearly always fully subscribed and there was no secondary market for Bills, meaning that they were means of long-term financing for the government rather than instruments for regulating the local money supply, as public securities could be in other contexts.[345]

The issue of Treasury Bills resolved two complementary problems, namely, the government's need for local financing and the need for some commercial banks to find profitable employment for surplus funds. However, its socially regressive effects have already been noted. Tables 4.5 and 4.6 describe the growing domestic deficit in this period as well as the means by which it was financed. The impacts of public deficits and exchange controls on domestic inflation is shown by table 4.7.

[344] Barclays DCO, Khartoum, Balance sheet: Sudan (31 December 1969). BB0011/2587.
[345] Courland, 'treasury bills', pp. 39-42.

Table 4.5. Sudanese local public balance (£S. millions)
1960 to 1970

	Current expenditure	% Total expenditure	Development expenditure	% Total expenditure	*Total expenditure*	*Total Revenue*	*Balance*	Cumulative balance
1960 [a]	22.45	78.5%	6.15	21.5%	*28.6*	*33.48*	*4.88*	6.0 [b]
1960/61	48.2	73.6%	17.29	26.4%	*65.49*	*64.08*	*-1.41*	9.47
1961/62	51.6	68.3%	23.91	31.7%	*75.51*	*60.34*	*-15.17*	-5.7
1962/63	58.5	63.5%	33.6	36.5%	*92.1*	*74.4*	*-17.7*	-23.4
1963/64	61.2	60.4%	40.2	39.6%	*101.4*	*78.6*	*-22.8*	-46.2
1964/65	60.2	65.2%	32.2	34.8%	*92.4*	*70.7*	*-21.7*	-67.9
1965/66	74.3	69.1%	33.2	30.9%	*107.5*	*75.2*	*-32.3*	-100.2
1966/67	82.3	74.6%	28	25.4%	*110.3*	*85.04*	*-25.26*	-125.46
1967/68	88.9	81.1%	20.7	18.9%	*109.6*	*99*	*-10.6*	-136.06
1968/69	115	73.6%	41.3	26.4%	*156.3*	*144.5*	*-11.8*	-147.86
1969 [a]	70.6	80.1%	17.5	19.9%	*88.1*	*71.5*	*-16.6*	-164.46

[a] 6 month periods.
[b] Carryover from previous periods.

Table 4.6. Sources of public financing in Sudan (£S. millions) 1960 to 1970						
	Bank of Sudan Article 57 [a]	Article 57 lending as % current revenue [c]	Bank of Sudan Article 57A [b]	Commercial banks	Post office savings	Total
1960					3.76	3.76
1961					4.06	4.06
1962					4.29	4.29
1963					5.56	5.56
1964			0.09		7.67	7.76
1965	7.9	11.2%	4.13		8.09	20.12
1966	21.9	29.1%	6.44	5.17	8.88	42.39
1967	41.2	48.4%	6.53	5.04	9.01	61.78
1968	65.54	66.2%	6.62	5.09	10.73	87.98
1969	92.04	63.7%	11.35	10.24	10.98	124.61

[a] Lending to central government.
[b] Lending to public bodies other than central government.
[c] Table 4.5.
The difference between total expenditure in table 4.5 and total expenditure in the same table plus means of financing in table 4.6 is accounted for by the depletion of public cash reserves and contemporary accounting errors and omissions.

Table 4.7. Indices of inflation in Sudan. 1960 to 1969 1960=100			
	Cost of living (lower-salaried)	Cost of living (higher-salaried)	Wholesale price index
1960	100	100	100
1961	108.8	108.6	103.9
1962	110.6	109.9	102.5
1963	115.8	112.7	96.5
1964	120.2	116.4	106.8
1965	117.3	114.4	104.4
1966	119.4	115.6	107.3
1967	132.5	124.2	122.8
1968	119.2	117.7	112.4
1969	134.2	138.6	121.2

Source: Ali Ahmed Suliman, 'Deficit finance and economic development in the Sudan', *The Journal of Modern African Studies* 11, 4 (1973), pp. 547–558. (Tables 4.3 to 4.5).

Balancing the books: banks

This section examines how commercial banks in Sudan balanced local and external resources, including how these efforts came into conflict with comparable efforts by public authorities described in the previous section.

Before 1949, banks in Sudan secured their own foreign currency to settle the exchange transactions of their customers. They did this through correspondents or their own offices in external financial centres, most notably the City of London. After this date, banks were required to secure foreign exchange from the Sudan Exchange Control Account through transactions with the NBEKh. This relieved local banks of their obligations to secure foreign exchange in financial markets, though banks sought to 'marry' incoming and outgoing exchange requests by their clients to reduce the exchange costs of selling foreign currency to the NBEKh beyond their permitted working balances. This practice continued when the Bank of Sudan took over exchange control from the NBEKh in 1960.

If commercial banks lacked local currency in Sudan, it was possible for them to import funds from Egypt until 1952, or the sterling area until 1957, via an exchange transaction with the NBEKh. In contrast, if banks held a surplus of local deposits relative to their lending activities, they could remit these for financial investments in London or lending in other territories. After 1957, Sudan became a self-contained monetary unit separated by capital controls from both the Egyptian and sterling monetary areas. Banks were now obliged to balance assets and liabilities in much smaller territories than had previously been the case. The situation was summed up pithily by Barclays DCO:

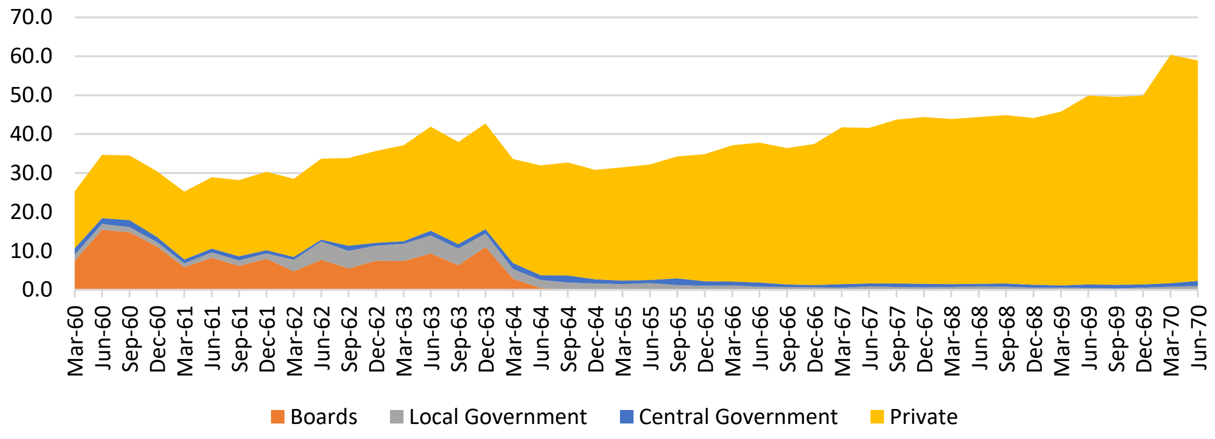
> In the early years of DCO heavy seasonal demands for cotton purchases in the Sudan might have been met by an off-season slackening of demand in another section. Now exchange controls in the United Kingdom prevented the free remittance of funds to points outside the sterling area where they might be needed, while local controls restricted the return of funds which were no longer required. At the same time few if any of the bank's overseas sections could provide opportunities for short term investment for temporary surpluses comparable with the London money market.[346]

The previous section described how Treasury Bills were a limited means of investing such temporary or chronic surpluses with small-scale returns. The remainder of this chapter describes the strategies pursued by banks to raise local funds to finance their lending to customers.

[346] Julian Crossley & John Blandford, *The DCO story: a history of banking in many countries* (1975), p. 223.

Under the Condominium, and until 1963, commercial banks in Sudan relied on institutional deposits to finance much of their local lending. The effect of Mamoun Beheiri's transfer of public deposits from commercial banks to the Bank of Sudan in 1963, described in the previous section, can be seen in graph 4.2. Graph 4.2 demonstrates that central government accounts were a small part of commercial bank deposits throughout this period as these were banked with the NBEKh before 1960, and the Bank of Sudan thereafter. The accounts of public boards swelled during 1960 due to cotton sales but began their transfer to the Bank of Sudan that year. The withdrawal of balances belonging to public boards after 1963 is visible below.

Graph 4.2. Commercial bank deposits (£S. millions).
31 March 1960 to 30 June 1970



Source: Bank of Sudan, *Quarterly bulletins* (multiple dates).

Chapter Two described how Barclays DCO sought to maintain and build its position as the primary domestic banker in Sudan after independence by building a provincial branch network that would receive public institutional deposits. As it lost provincial government accounts to the central bank branches in regional capitals, the British bank pursued instead the deposits of up-country rural and town councils. A letter from the Local Directors to their General Managers in 1962 described candidly one such strategy.

> we have donated £S.100 to the Managil Relief Fund. This fund was set up recently to assist victims of a disastrous rainstorm in the Gezira in September. In connection with the opening of our Agency at Managil on 1st. November we had been angling for the important Rural Council Accounts (at present with the Bank of Sudan) and we felt that a prompt and generous subscription the fund through the Executive Office [of the Rural Council] would assist our case.

The opening of the agency and the presentation of the £S.100 cheque were combined into a single ceremony with coverage in the local English and Arabic press. The strategy was well-judged, and the Rural Council informed the bank on the day of the ceremony that its accounts of £S.70,000 would indeed be transferred to the new agency.[347]

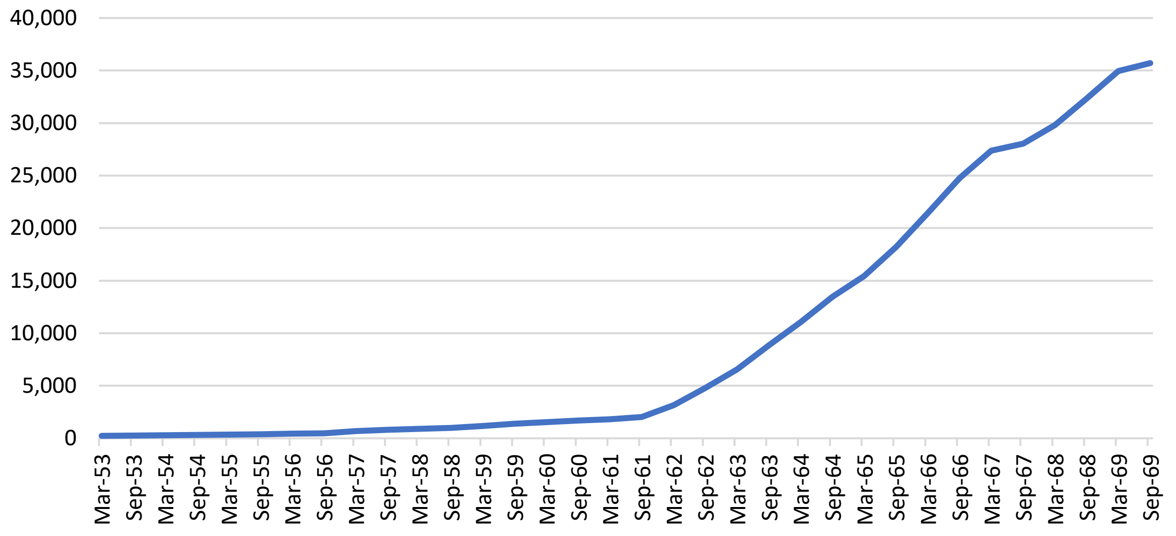
Such innovative strategies aside, graph 4.2 describes how private deposits became the overwhelming source of commercial bank funds in this period, a reality that banks anticipated from the creation of the central Bank of Sudan in 1960. In 1961, Barclays DCO launched a savings campaign to expand its private deposit base in Sudan.[348] This was part of a common strategy by the bank across many territorial divisions as the independence of British colonies resulted in the loss of public deposits and the application of exchange controls. From this experience, the bank was optimistic that the Muslim prohibition against usury would not prove an obstacle to a savings campaign, as the bank had successfully implemented such campaigns in Muslim communities in Libya and Nigeria.[349]

The bank produced cardboard cut-outs from two templates of 'Savings Man', a smiling avatar in Sudanese dress holding a savings book. Savings Man was placed in branches across the country with pamphlets and complementary pencils to encourage customers to open accounts.[350] In 1966, the bank dubbed into Arabic the film 'Make Your Money Grow' that it had produced for a savings campaign in East Africa. The bank paid for this film to be shown in adverts in local cinemas. However, this initiative encountered difficulties as 'the characters appear to the local populace to be Southerners which is politically not very acceptable', given northern Sudanese chauvinism towards non-Muslim southerners during the ongoing civil war. Accordingly, the bank considered producing a film specially for Sudan.[351] More successful was the bank's 'savings song', which was recorded in Arabic and broadcast four times a week on Radio Omdurman. Finally, the bank considered a 'savings van' which would drive round the residential and industrial suburbs of Khartoum and collect savings accounts. The Local Director specified in a letter to London that expenses would not extend to projecting films from the van, but that it would have loud speakers from which to play the savings song.[352]

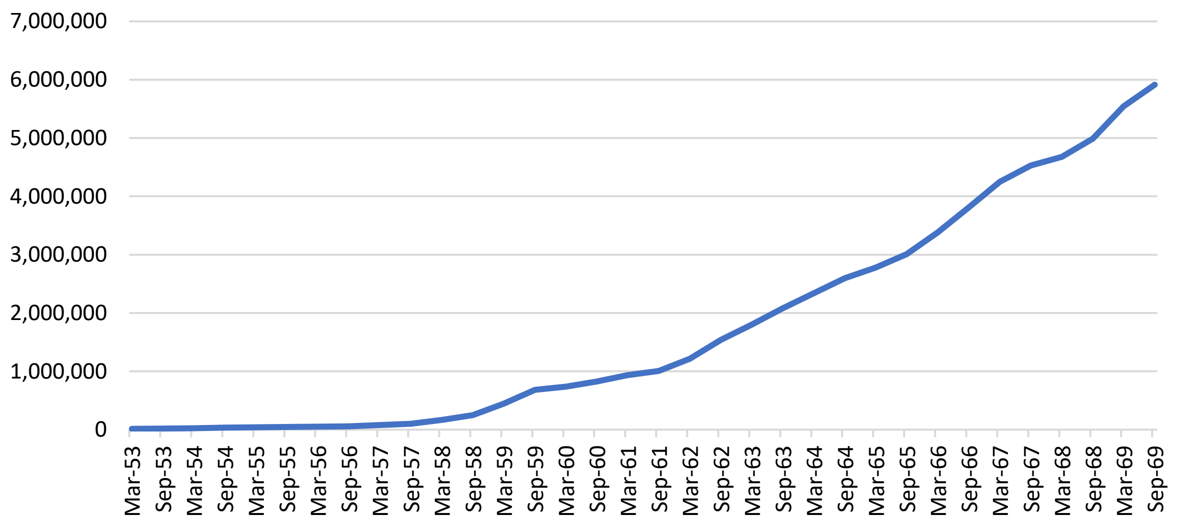
The campaign was instantly effective, as demonstrated by graphs 4.3 to 4.6.

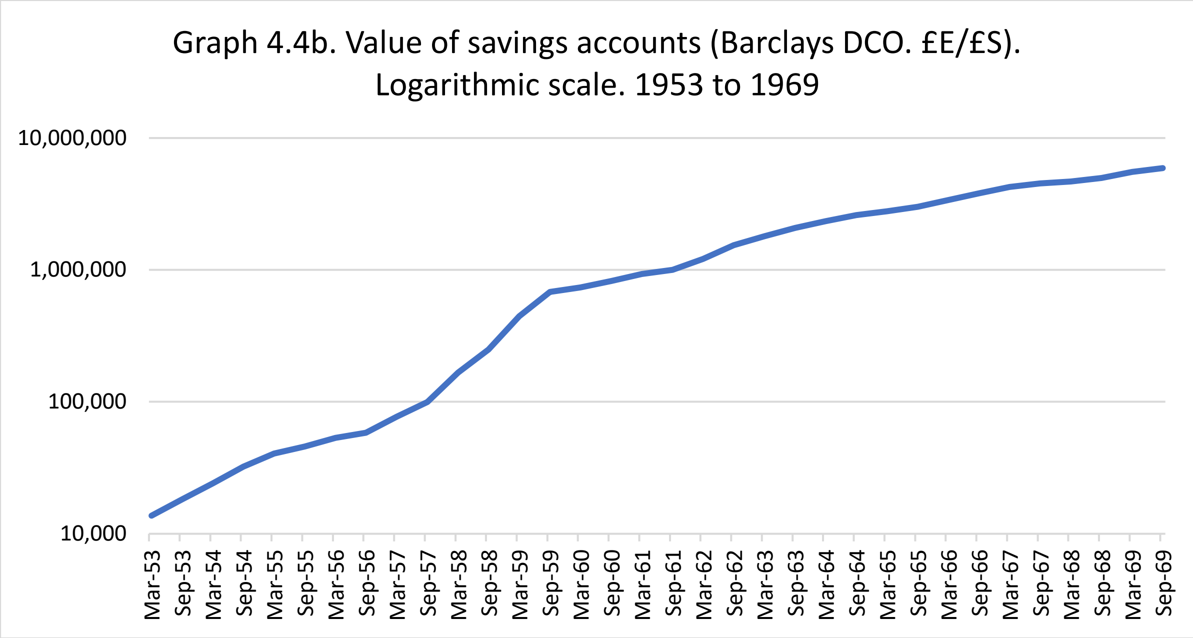
[347] Barclays DCO, LHO, Khartoum, Letter to General Managers, London (1 November 1962). BB0011/1237.
[348] Barclays DCO, Half-yearly report: Sudan (31 March 1961).
[349] Barclays DCO, Mr Rodway's Visit to Sudan (8 to 22 February 1961), p. 5.
[350] Barclays DCO, File: Kosti Branch (1960s). BB0038/1591.
[351] Barclays DCO, Visit by Mr AW Wilkinson (18 February to 3 March 1966), p. 3. BB0029/0604.
[352] Barclays DCO, LHO, Khartoum, Letter to General Managers (5 February 1966). BB0011/1240.

Graph 4.3. Number of savings accounts (Barclays DCO).
1953 to 1969



Graph 4.4a. Value of savings accounts (Barclays DCO. £E/£S).
Arithmetic scale. 1953 to 1969




Graph 4.4b. Value of savings accounts (Barclays DCO. £E/£S).
Logarithmic scale. 1953 to 1969
10,000,000
1,000,000
100,000
10,000
Mar-53
Sep-53
Mar-54
Sep-54
Mar-55
Sep-55
Mar-56
Sep-56
Mar-57
Sep-57
Mar-58
Sep-58
Mar-59
Sep-59
Mar-60
Sep-60
Mar-61
Sep-61
Mar-62
Sep-62
Mar-63
Sep-63
Mar-64
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Mar-66
Sep-66
Mar-67
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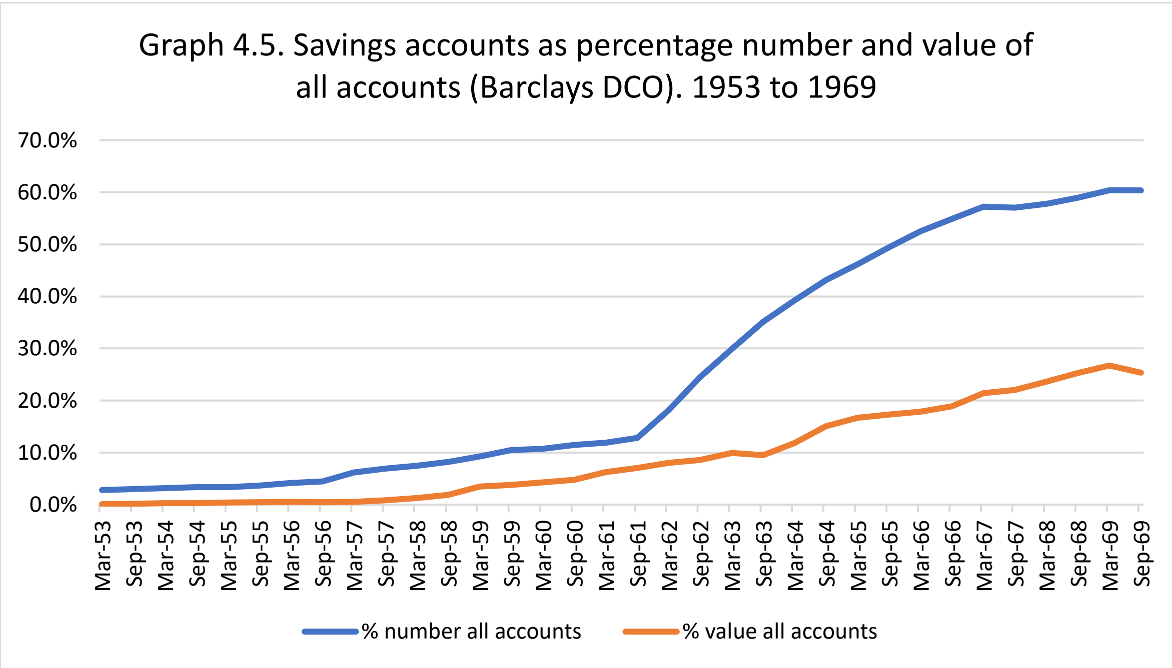
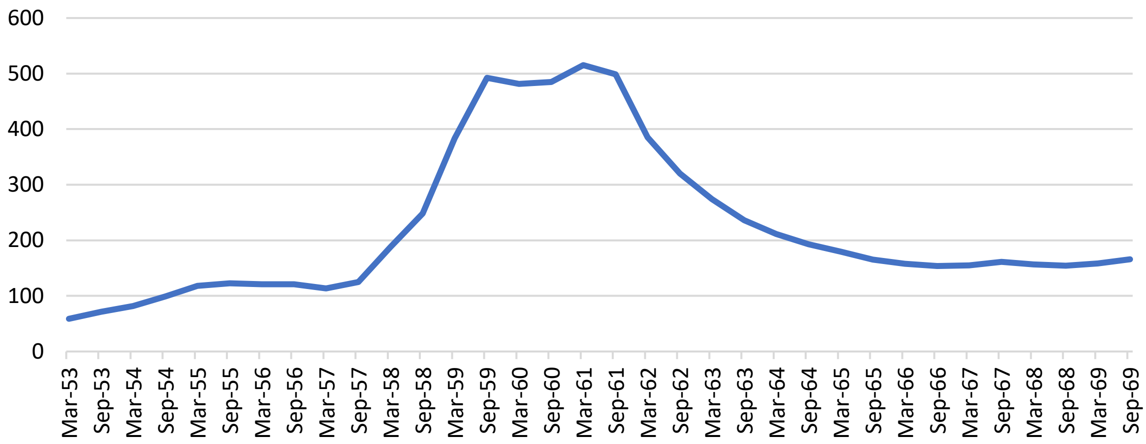
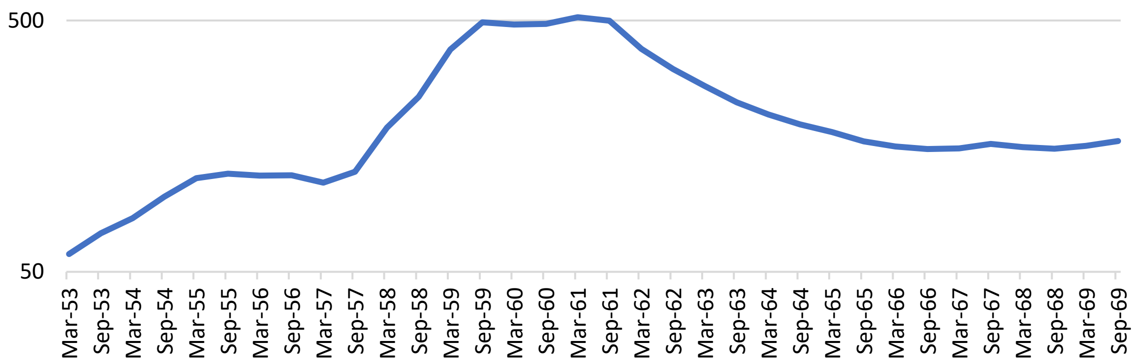
Mar-68
Sep-68
Mar-69
Sep-69


Graph 4.5. Savings accounts as percentage number and value of
all accounts (Barclays DCO). 1953 to 1969
70.0%
60.0%
50.0%
40.0%
30.0%
20.0%
10.0%
0.0%
Mar-53
Sep-53
Mar-54
Sep-54
Mar-55
Sep-55
Mar-56
Sep-56
Mar-57
Sep-57
Mar-58
Sep-58
Mar-59
Sep-59
Mar-60
Sep-60
Mar-61
Sep-61
Mar-62
Sep-62
Mar-63
Sep-63
Mar-64
Sep-64
Mar-65
Sep-65
Mar-66
Sep-66
Mar-67
Sep-67
Mar-68
Sep-68
Mar-69
Sep-69
% number all accounts
% value all accounts

Graph 4.6a. Average size of saving account (Barclays DCO). Arithmetic scale. 1953 to 1969



Graph 4.6b. Average size of saving account (Barclays DCO). Logarithmic scale. 1953 to 1969

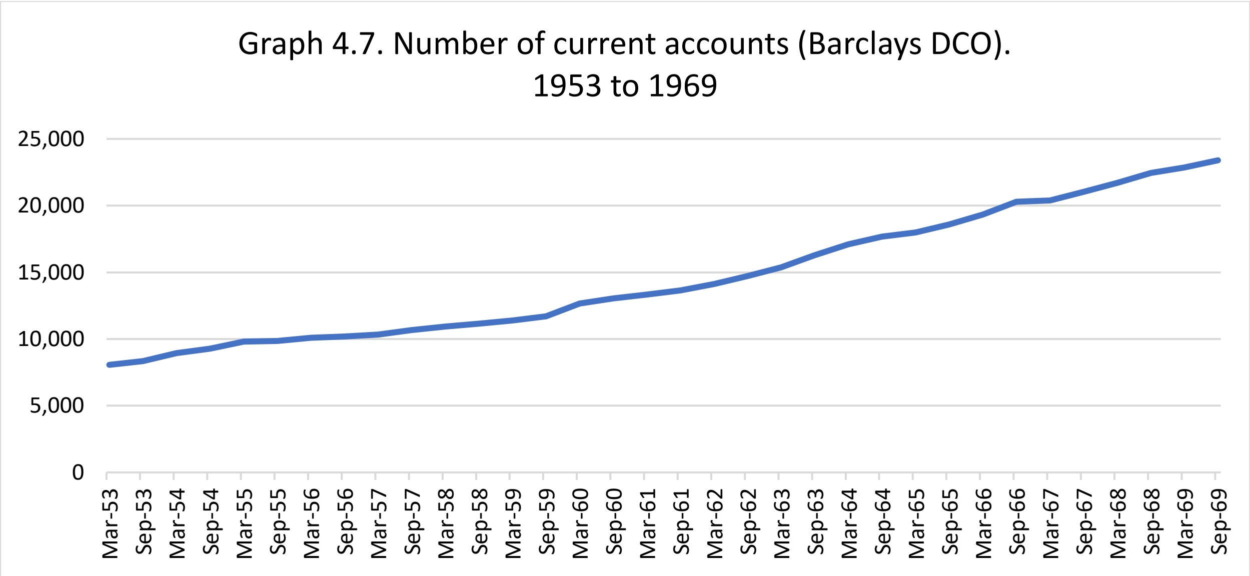


Source: (Graphs 4.3 to 4.10, below) Barclays DCO, Half-yearly reports: Sudan (multiple dates).

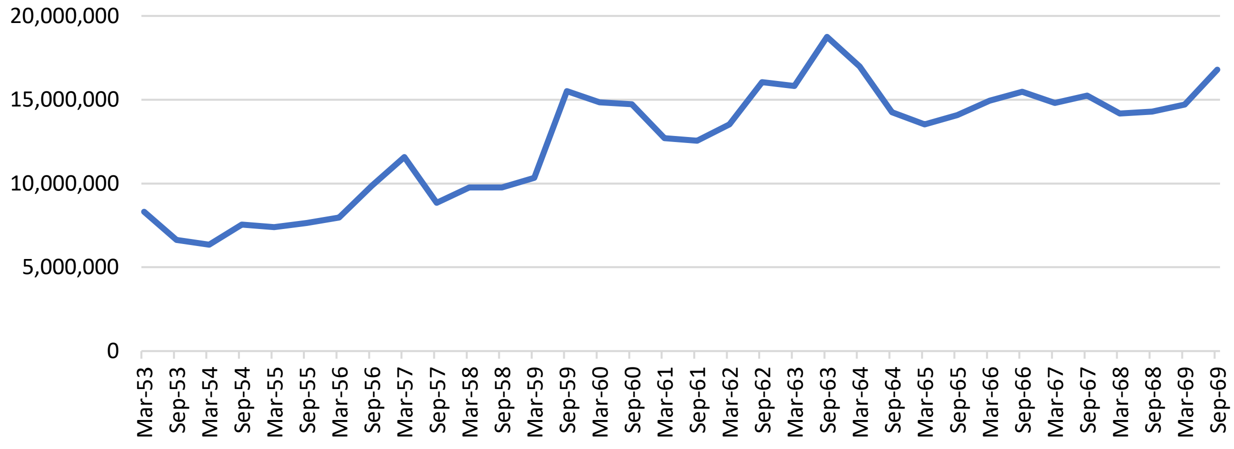
The number of savings deposits held by the bank had been increasing gradually under the Condominium, in line with its growing number of branches and customers. On 30 September 1961, the bank held 2,012 savings accounts. During the next year, after the launch of the campaign, this more than doubled to 4,796 accounts, and the number of new saving accounts continued to grow at a similar gradient for the rest of the period. From late 1965, more than half of the accounts held by the bank were savings accounts, whereas these had been only 12.8% in 1961 and approximately 4% at independence.

Graph 4.4 and 4.6 describe movements in the total and average size of savings accounts. After a gradual rise in total savings in the 1950s, the opening of the University of Khartoum superannuation fund with Barclays DCO in 1957 led to an uptick in the total value of accounts. During 1958, businesses transferred their liquid funds from active employment into savings as the country's economy entered crisis. Total and average savings rose considerably, the latter from £S.100 to £S.500, approximately. The savings campaign initiated a new long-term increase in total savings, but caused average account size to fall considerably despite the significant inflation in this period. This demonstrates how Barclays DCO reinvented itself after independence, and from 1961 in particular, as a popular banker of small- and medium-sized deposits.

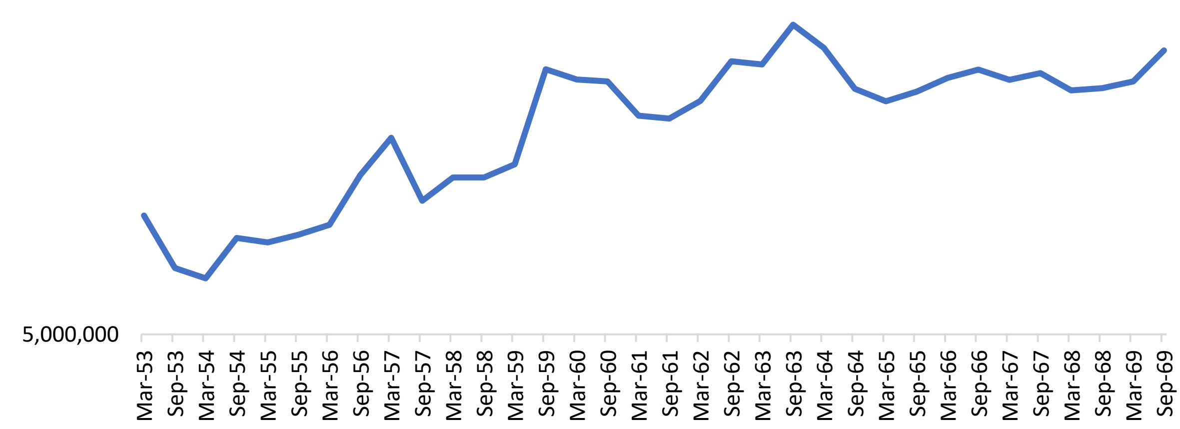
A comparison can be made with the movement in current accounts:

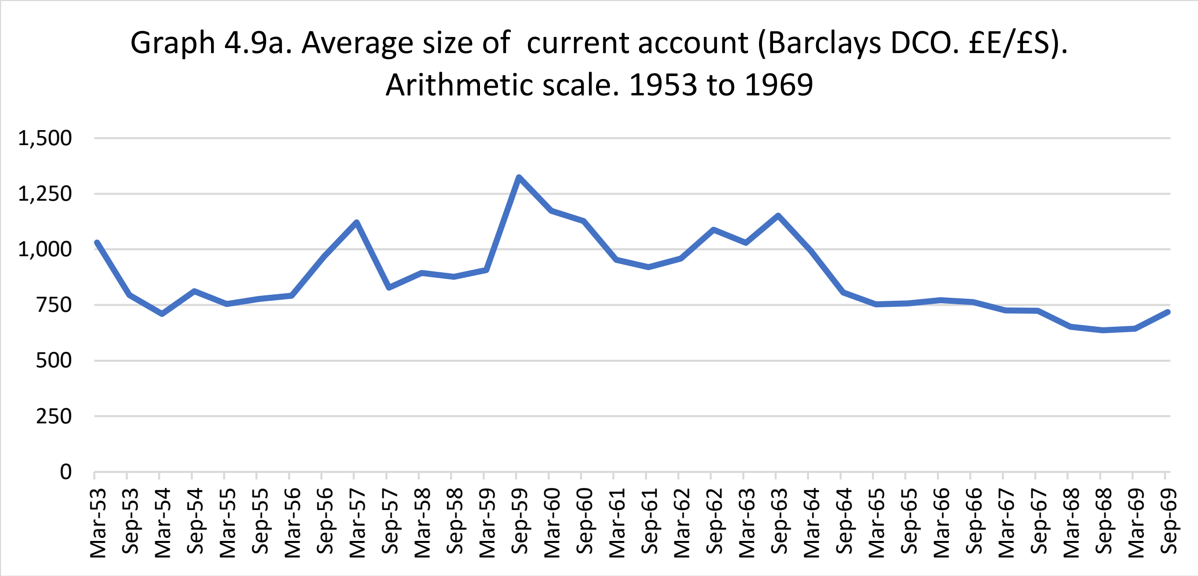


Graph 4.8a. Value of current accounts (Barclays DCO. £E/£S).
Arithmetic scale.



Graph 4.8b. Value of current accounts (Barclays DCO. £E/£S).
Logarithmic scale.




Graph 4.9a. Average size of current account (Barclays DCO. £E/£S).
Arithmetic scale. 1953 to 1969
1,500
1,250
1,000
750
500
250
0
Mar-53
Sep-53
Mar-54
Sep-54
Mar-55
Sep-55
Mar-56
Sep-56
Mar-57
Sep-57
Mar-58
Sep-58
Mar-59
Sep-59
Mar-60
Sep-60
Mar-61
Sep-61
Mar-62
Sep-62
Mar-63
Sep-63
Mar-64
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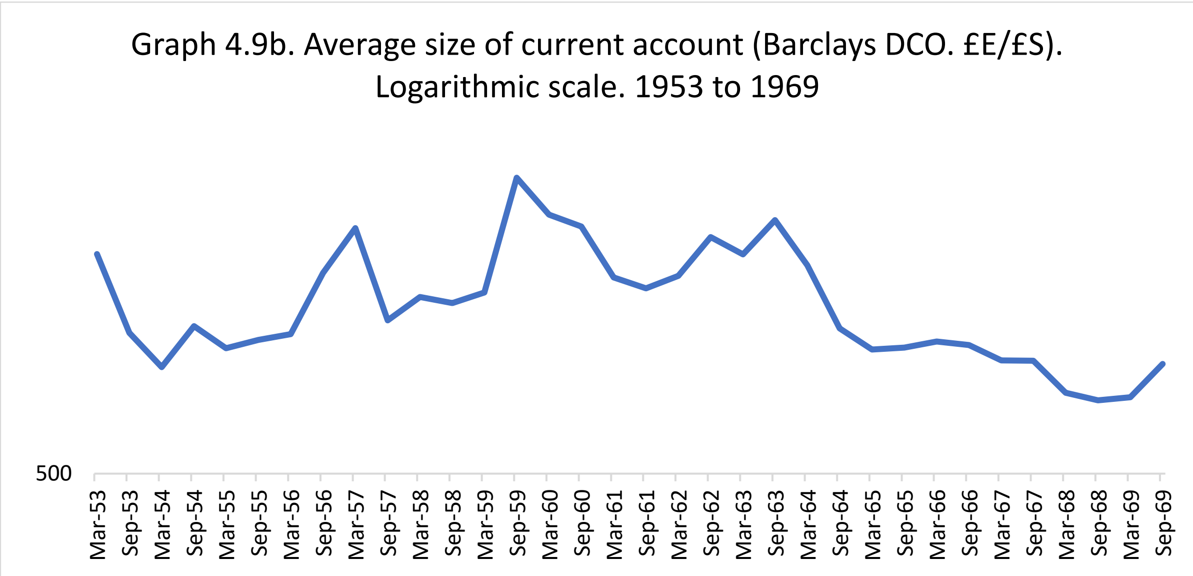
Sep-66
Mar-67
Sep-67
Mar-68
Sep-68
Mar-69
Sep-69

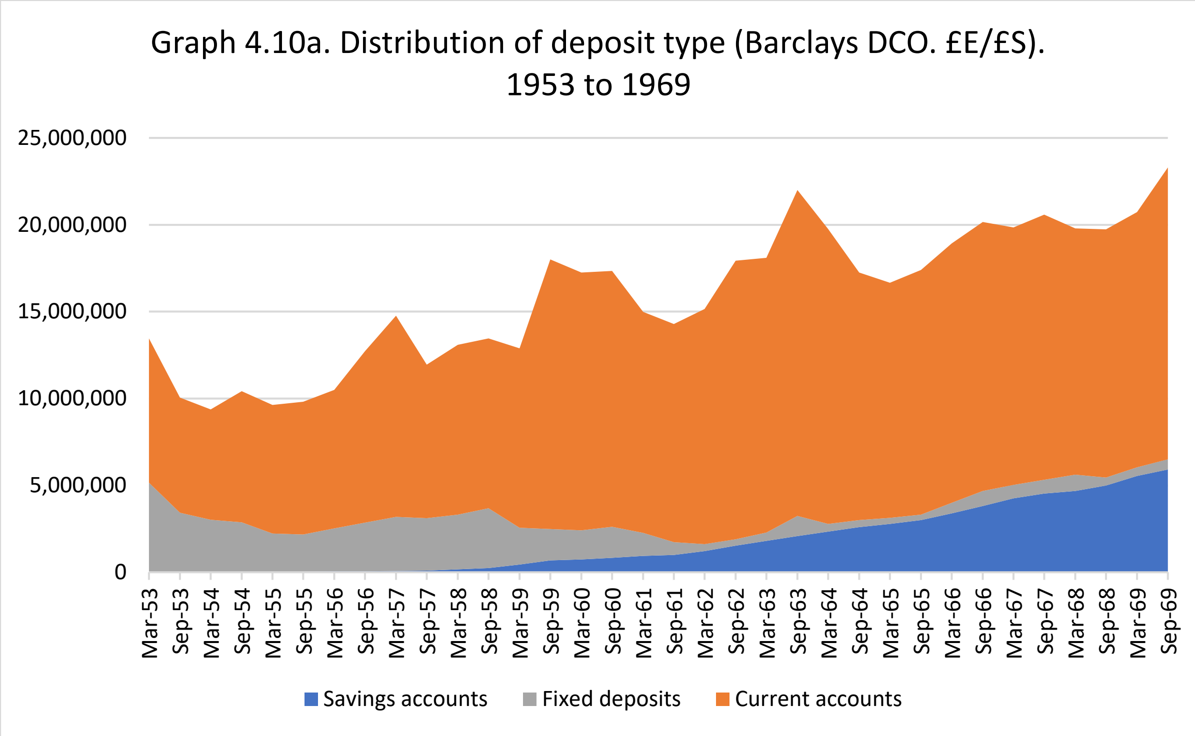

Graph 4.9b. Average size of current account (Barclays DCO. £E/£S).
Logarithmic scale. 1953 to 1969
500
Mar-53
Sep-53
Mar-54
Sep-54
Mar-55
Sep-55
Mar-56
Sep-56
Mar-57
Sep-57
Mar-58
Sep-58
Mar-59
Sep-59
Mar-60
Sep-60
Mar-61
Sep-61
Mar-62
Sep-62
Mar-63
Sep-63
Mar-64
Sep-64
Mar-65
Sep-65
Mar-66
Sep-66
Mar-67
Sep-67
Mar-68
Sep-68
Mar-69
Sep-69

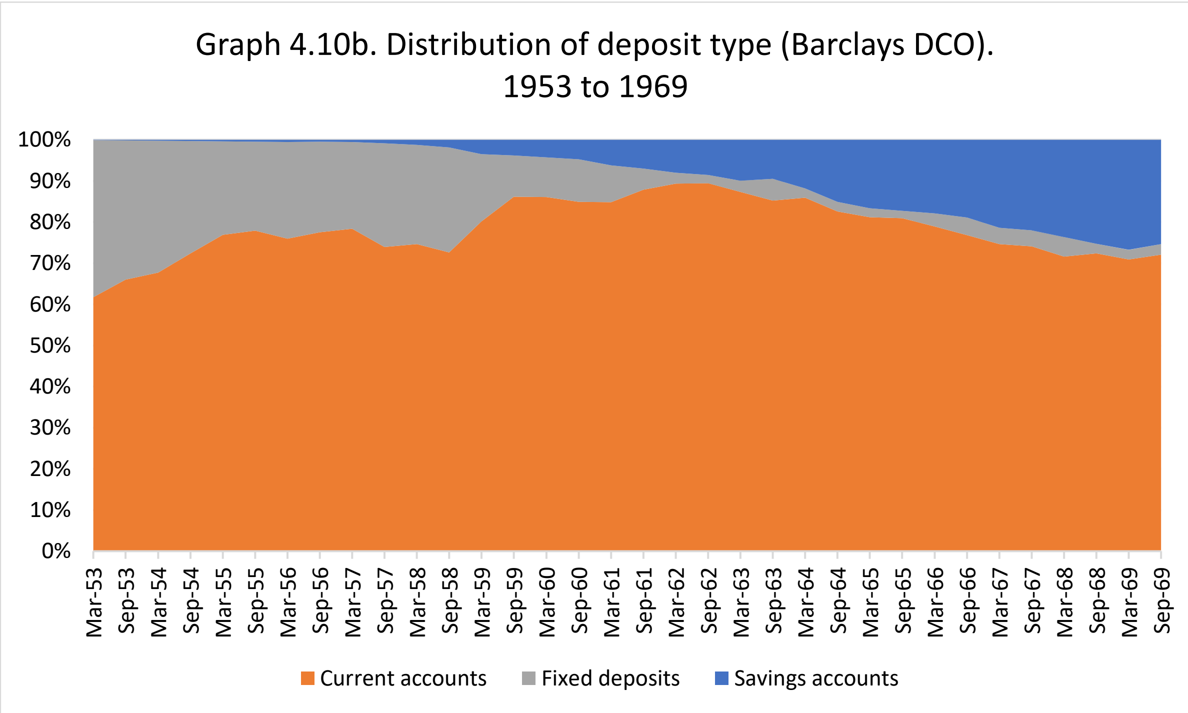
The number of current accounts increased steadily through the period, almost without incident. In contrast, the total value of these accounts fluctuated markedly in line with the vicissitudes of the Sudanese economy. This is in marked contrast to the movement in the total value of saving accounts, which in the 1960s underwent consistent expansion largely independent of external economic events. The average current account size portrays the same peaks and troughs as the total value of accounts, which probably arises from the influence of a small number of large business accounts. However, graph 4.9 also demonstrates a secular tendency towards a smaller average deposit size.

The distribution of funds across all types of deposits in Barclays DCO is given in graph 4.10. Fixed deposits were interest-bearing accounts belonging to institutional depositors, usually government of quasi-government entities. Barclays DCO never held more than 70 such accounts and they formed the largest proportion of the bank's resources in 1953. Graph 4.10 consequently describes how small- and medium-scale private savings replaced large-scale public deposits in the bank's resources. In sum, the evolution of the bank's deposit can be illustrated by a comparison between 31 March 1953, when Barclays DCO held 8,319 deposits in Sudan averaging £E.1,618, of which 2.8% were savings accounts; and 30 September 1969, when the bank held 59,161 accounts averaging £S.394, of which 60.4% were savings accounts. This fall in average account size was remarkable despite 16 years of significant inflation and highlights the bank's reorientation towards small- and medium-sized private depositors.[353]

Finally, Barclays DCO also demonstrated its continuing commitment to its local business by transferring £1 million in 1963 from London to Sudan after approval from the Bank of England. Although this may have been partly as provision for bad debts, it also ensured a liquid local institution that could viably continue to lend to local business.[354]

[353] Adjusting for the 1967 revaluation against sterling, the average account size in 1969 was £S.448.
[354] Crossley & Blandford, *The DCO story*, p. 223.


Graph 4.10a. Distribution of deposit type (Barclays DCO. £E/£S). 1953 to 1969
25,000,000
20,000,000
15,000,000
10,000,000
5,000,000
0
Mar-53 Sep-53 Mar-54 Sep-54 Mar-55 Sep-55 Mar-56 Sep-56 Mar-57 Sep-57 Mar-58 Sep-58 Mar-59 Sep-59 Mar-60 Sep-60 Mar-61 Sep-61 Mar-62 Sep-62 Mar-63 Sep-63 Mar-64 Sep-64 Mar-65 Sep-65 Mar-66 Sep-66 Mar-67 Sep-67 Mar-68 Sep-68 Mar-69 Sep-69
Savings accounts
Fixed deposits
Current accounts


Graph 4.10b. Distribution of deposit type (Barclays DCO). 1953 to 1969
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Mar-53 Sep-53 Mar-54 Sep-54 Mar-55 Sep-55 Mar-56 Sep-56 Mar-57 Sep-57 Mar-58 Sep-58 Mar-59 Sep-59 Mar-60 Sep-60 Mar-61 Sep-61 Mar-62 Sep-62 Mar-63 Sep-63 Mar-64 Sep-64 Mar-65 Sep-65 Mar-66 Sep-66 Mar-67 Sep-67 Mar-68 Sep-68 Mar-69 Sep-69
Current accounts
Fixed deposits
Savings accounts

Like Barclays DCO, the Ottoman Bank sought a full reserve backing for its lending in Sudan. It enjoyed the local accounts of transnational corporations pursuing capital projects in Sudan, and a sizeable deposit from the Gezira Board. The decline in foreign direct investment in Sudan after independence and the loss of Gezira Board balances after 1963 placed the bank in a tight liquidity position, causing it to turn down requests for large-scale and capital financing from customers such as the Sudanese-American Textile Industries, and the West German engineering firm Holzmann & Berger for irrigation work on the Manaqil Extension.[355] Holzmann & Berger consequently gave their business to Barclays DCO and became repeat clients of this bank in Sudan.[356] Like Barclays DCO, the Ottoman Bank pursued private and institutional deposits through a provincial branch network, but its expansion was slower, reflecting its more modest resources in Sudan. In 1962, the Ottoman Bank opened a branch in Wadi Halfa, a frontier town on Sudan's border with Egypt that was due to be submerged by the Egyptian Aswan High Dam. To relocate displaced residents, the Sudanese government established a new town, New Halfa, in Kassala Province. The Ottoman Bank closed in Wadi Halfa and opened in New Halfa in 1964, when the former was submerged, suggesting a deliberate strategy of facilitating the transfer of liquid resources between the old and new settlements, and securing an enduring share of this community's deposits as a result.[357] In October 1962, the London sub-committee of the Ottoman Bank granted approval for £6,500 to be spent on publicity to promote savings in Sudan, possibly in response to the campaign its rival had launched the previous year.[358]

In contrast with Barclays DCO and the Ottoman Bank, Credit Lyonnais from the 1950s had not sought to collect private deposits in Sudan and relied instead on deposits from the Gezira Board and capital from its Egyptian branches to finance lending in excess of its local deposits. Although profitable, the bank's local liquidity position was successively undermined by the loss of its Egyptian branches in 1956 and its exposure to the private cotton sector in 1958. Finally, the withdrawal of Gezira Board deposits after 1963 threatened a major crisis in the bank's local liquid position, making it wholly dependent on lending from the Bank of Sudan. The implications are examined in Chapter Five.

Banque Misr appears never to have benefited from public institutional deposits in Sudan. Although the bank targeted small-scale lenders, which would have brought in very small-scale

[355] Ottoman Bank, Minutes of the London sub-committee (23 January 1957 & 25 April 1962). CLC/B/172/MS23970.
[356] Barclays DCO, Half-yearly report: Khartoum Gama'a (31 March 1960).
[357] Ottoman Bank, *Report & accounts* (1964), p. 9. MEDU 25/4/BAN.
[358] Ottoman Bank, Minutes of the London sub-committee (10 October 1962). CLC/B/172/MS23970.

deposits, Chapter Two demonstrated that it lent far in excess of these deposits. The bank could rely on its head office to pledge assets to the NBE in Egypt against withdrawals in Sudan, which no doubt financed an ambitious programme of up-country branch expansion in the late 1950s in Um Ruwaba, Tawkar, Nyala and Al-Fashir, the latter two becoming the first commercial bank branches in Darfur. When the NBE withdrew from Sudan in 1960, the bank's programme of branch expansion came to a decisive halt, and in 1962 Barclays DCO observed of Banque Misr 'the likelihood of their running short of funds for lendings'.[359]

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This chapter has examined Sudan's institutional development from a territory within an imperial economic space towards a national economy replete with sovereign commercial, monetary and regulatory powers. In particular, I have emphasised how this was a gradual process driven by local, regional and international power relations. The introduction of national exchange controls in the 1950s required public authorities and commercial banks to balance external and local resources in a national, rather than imperial, economic space. I have charted these efforts, including how they frequently came into conflict. For example, exchange controls designed to protect public external reserves limited profitable activities by banks. Furthermore, the transfer of public deposits from the commercial banking sector to the central Bank of Sudan reduced the government's immediate need for local deficit financing, but undermined the liquidity of commercial banks. The pressures of local and external balance animated public authorities and local banks for the rest of this period, shaping events that are analysed in coming chapters.

[359] Barclays DCO, Half-yearly report: Khartoum Al-Gamhuria (31 March 1962).

Chapter Five: Sudanese banks

This chapter analyses the five banks that were incorporated in Sudan before the nationalisation of the commercial banking sector in 1970. I analyse these as the projects of different capital providers that were embedded within wider visions of how the economy and society of postcolonial Sudan should be organised, as well as who should profit from it.

The first and second sections consider the Agricultural Bank and the Industrial Bank, respectively. These were state-owned investment banks established under Sudan's military-development government which sought to mobilise public funds to aid the growth of a local private sector. I show how the activities of both were repurposed in response to political events and the balance of resource pressures presented in the previous chapter. The third section examines the Sudan Commercial Bank, which was the sole bank owned by private Sudanese investors in this period. This private institution benefited from public support that had been withdrawn from its foreign-owned competitors, notably the deposit of public funds. The fourth section examines Al-Nilein Bank which was formed as a joint subsidiary of Credit Lyonnais and the Bank of Sudan, making this an active foray by Sudan's central bank into commercial lending. Finally, the fifth section examines the Real Estate Bank, a state-investment bank established during the second parliamentary period.

Personnel, like financing, flowed between the public and private sectors in this period. Throughout this chapter, I reveal how individuals circulated between politics, business and public administration, constituting a state-finance nexus of shared interests and purpose between actors in each of these fields.

The Agricultural Bank

Chapter Three described the circumstances that led to the creation of the Agricultural Bank. A state-owned agricultural investment bank had been planned in Sudan since 1954, which was to develop a local branch network and issue small-scale, long-term and under-collateralised loans to promote agricultural modernisation and diversification.[360] In contrast, the 1958 cotton crisis caused the bank to be rushed into existence without a branch network, using foreign commercial bank branches as agents, issuing seasonal financing to the largest producers of Sudan's most important export crop. As regarded smaller estates, the government had guaranteed lending to small- and medium-sized estates by Credit Lyonnais and the Ottoman Bank in the months preceding the creation of the Agricultural Bank. However, management and oversight of these estates was thought to be woefully insufficient, so the government and these two commercial banks arranged for overall management of these estates and the disbursement of funds have been handed over the Abu Al-Ela and the Abd Al-Moneim planation companies. Once again, this strengthened the strategic economic position of Sudan's largest business conglomerates by transforming them into intermediaries between small-scale investors and channels of public and private financing.[361] In 1959, the Agricultural Bank took over these loans from Credit Lyonnais and the Ottoman Bank, as well as the historic loans to cotton estates issued by the Ministry of Finance. The first chair of the Agricultural Bank was Hammad Tawfiq Hammad, who between 1954 and 1956 had been Sudan's first Minister of Finance for the National Unionist Party (NUP), before joining the People's Democratic Party (PDP) several months after being moved to a more junior ministerial position.[362]

One of the stated preoccupations of the Agricultural Bank was to replace exploitative informal finance issued by moneylenders within agricultural communities – *shail*, in Arabic – with formal lending by the bank. A government publication described shail as

> the offering of the village merchant of a loan to the tenant which helps him in cultivation against a pledge of the product in advance, and fixing a price which is less than the market price. In the shail system there is exploitation, studies revealed that profit reached sometimes 200 percent. […] The shail system in the Sudan cannot be destroyed except by the spread of agricultural credit institutions in all villages until they reach the tenant without bureaucracy.[363]

This was not a new theme in the Nile Valley. The National Bank of Egypt (NBE) had launched an Agricultural Bank in Egypt in 1902 with the purpose of capturing small-scale agricultural

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[360] Credit Lyonnais, Khartoum, Letter to DAE (16 June 1954). DAE 10995.
[361] Barclays DCO, R Sparrowe, London, Note: Sudan Cotton (24 February 1959). BB0011/1982.
[362] al-bank al-ziraa3a al-sudanii, *taqriir al-majlis al-idaarah* (1959/60). NRO 2/2/25.
[363] Ministry of National Guidance, *The Agricultural Bank* (Khartoum, 1970), p. 7. MEDU 17/4/BAN/1.

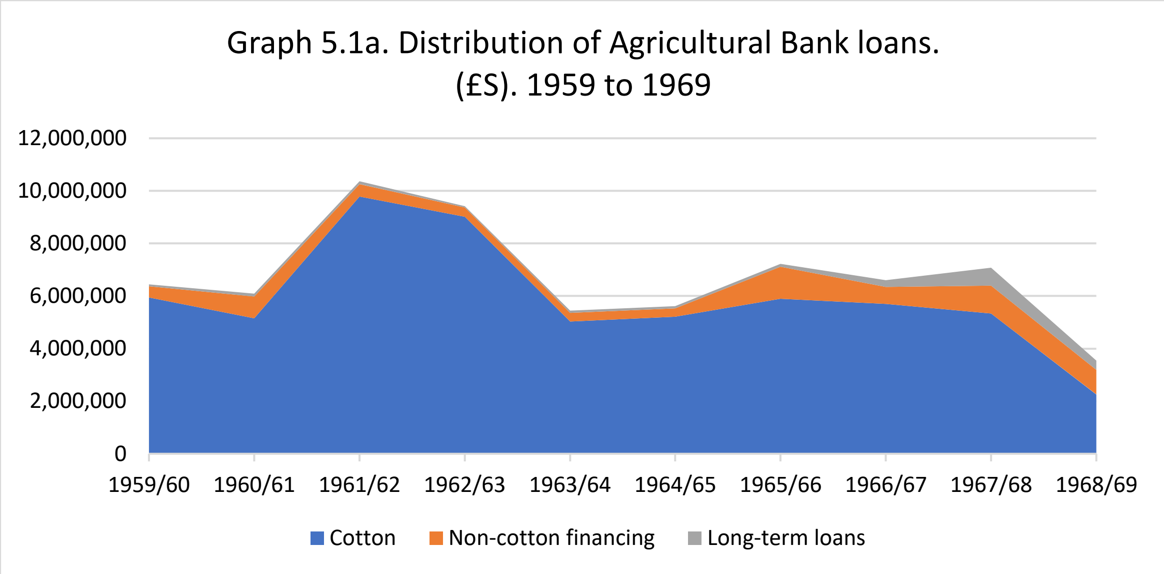
finance, citing exploitative informal lending rates of 180%. (This bank was liquidated in 1936).[364] Islamic banks in Sudan from the 1970s would reiterate their commitment to replacing shail with formal and non-usurious finance.[365]

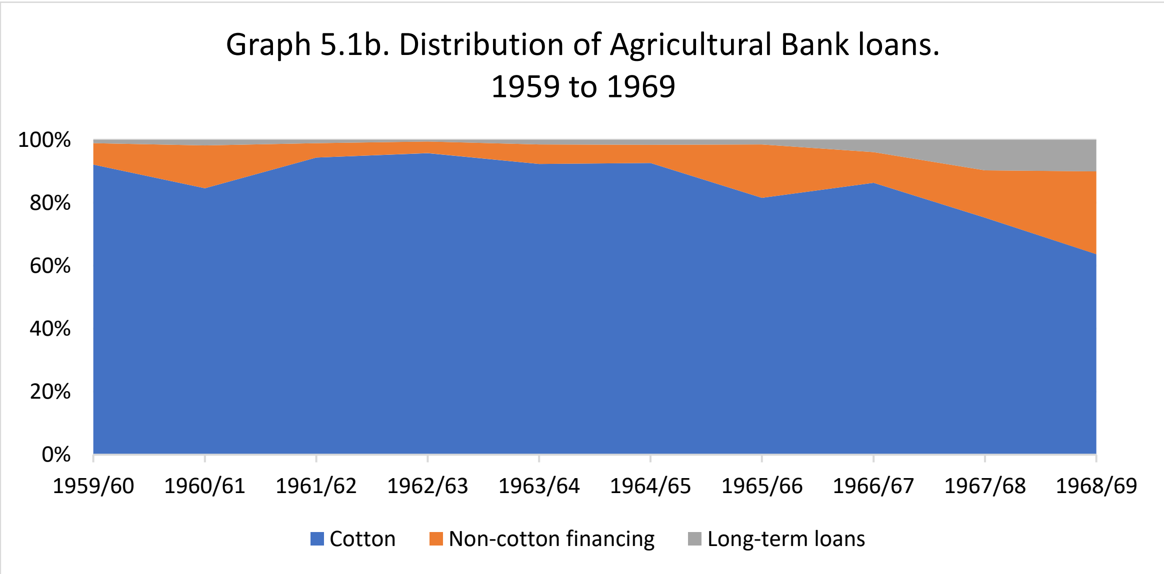
However, the example of the Abu Al-Ela and Abd Al-Moneim companies acting as disbursing agents reveals how public financing strengthened the entrenched position of the 'village merchants', and their parent companies. Indeed, it is worth reflecting on the hidden relationship between formal and informal economies in this light. This is an externally-imposed distinction defined by the ability to observe, measure, regulate, and tax economic activity. Informal credit economies rely on instruments generated in the 'formal' sphere, most notably the hard cash required for the liquid loans. Similarly, a merchant lending in informal credit markets is liable to make recourse to the 'formal' banking sector for storing their own wealth after a given point of accumulation. As Martin Wilmington perceptively comments regarding Sudan, 'No consideration is given as to where the moneylenders themselves obtain funds for business: they, in turn, may have borrowed at the exorbitant rates of a tight capital market or abstracted funds from profitable pursuits in other lines.'[366] This thesis has revealed chains of finance and re-lending extending from private and public banks to their corporate clients, who in turn re-lent to individual scheme owners (this was done by the Dairat Al-Mahdi, the Abu Al-Ela and Abd Al-Moneim companies, and the Alexandrian cotton houses, and no doubt others). In turn, scheme owners employed managers and lent to tenant farmers, and no doubt further intermediary stages bridged the formal and informal circulation of money and credit. Formal credit and formal economies sustained their 'informal' counterparts.

Graph 5.1 describes how the Agricultural Bank made an important issue of loans to non-cotton financing in 1960/61. After this, however, cotton financing rose in the bank's overall share of lending until 1963, demonstrating that the public bank was still captured by the project of bailing out this sector. In that year, Mamoun Beheiri's appointment as Minister of Finance initiated a year of austerity as he sought to reduce domestic demand and redress Sudan's local and external balance. This involved reducing the level of loans issued by public banks, and the Agricultural Bank's annual report in 1963/64 stated that it had been 'generous in the loans it advanced' since its foundation, including, increasingly, to schemes capable of 'standing on both their feet and financing themselves'. As a result, the bank reduced significantly the

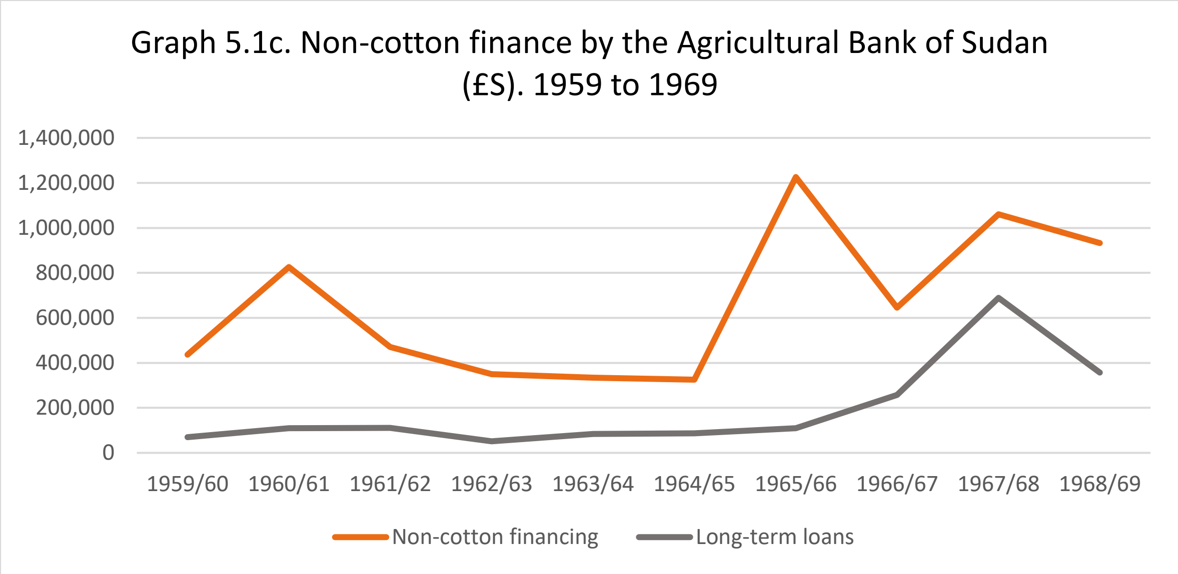
[364] National Bank of Egypt, *The National Bank of Egypt* (1948), p. 17.
[365] Eindre Stiansen, 'Interest politics: Islamic finance in the Sudan, 1977-2001' in Henry Clement and Rodney Wilson (eds) *The politics of Islamic finance* (Edinburgh: Edinburgh University Press, 2004), p. 160.
[366] Martin Wilmington, 'Aspects of moneylending in northern Sudan', *Middle East Journal* 9, 2 (1955), pp. 140-141.

number of schemes it financed in 1963/64.[367] The large reduction in cotton lending that year is shown by graph 5.1a.





[367] al-bank al-ziraa3a al-sudanii, *taqriir al-majlis al-idaarah* (1963/64), p. 15. NRO 2/1/14.



Source: al-bank al-ziraa3a al-sudanii, *al-bank al-ziraa3a al-sudanii: al-madiiyyah wa al-ḥaḍrah wa al-mustaqbalah* (Khartoum, 1970). NRO 2/3/42.

The bank's lending did not increase again until the 1965/66 financial year, when it increased lending to non-cotton finance such as dura, millet, sesame and groundnuts. By this time, Sudan's military regime had been replaced by the restoration of parliamentary rule, and governments under Muhammad Ahmad Mahjub began experiments in more radical economic policies than had hitherto been attempted in Sudan. These included support for new forms of production and ownership, and the Agricultural Bank in this period offered preferential rates to agricultural cooperatives, and convened a 'people's cooperative conference' in 1966 to launch Sudan's cooperative movement.[368] Table 5.1 describes the level of financing to cooperative societies by the Agricultural Bank in 1965/66 which a comparison with graph 5.1 reveals played an important role in the increased lending by the bank in that year.

[368] al-bank al-ziraa3a al-sudanii, *3dad khaaS 3n al-muw'atamr al-sh3bii al-t3aawanii al-awal* (Khartoum, 1966). NRO 2/1/1.

Table 5.1. Cooperative societies financed by the Agricultural Bank by province 12 months ending 30 June 1966		
Branch	Number of societies	Funds loaned (£S.)
BLUE NILE PROVINCE (JAZIRA)		
Wad Madani	53	461,649
Sinnar	14	15,689
Kosti	1	1,994
NORTHERN PROVINCE		
Danqala	15	21,203
Shandi	1	300
KASSALA PROVINCE (EASTERN)		
New Halfa	12	24,459
Qadarif	1	20,311
KHARTOUM PROVINCE		
Khartoum	5	9,952
TOTAL	102	555,557
Source: Ministry of National Guidance, *The Agricultural Bank* (Khartoum, 1970), p. 14. MEDU 17/4/BAN/1.		

By the mid-1960s, the Agricultural Bank had established an autonomous branch network which it continued to expand for the remainder of the decade. In addition to its offices in Blue Nile Province, which it opened near to the commercial bank branches that had originally been the bank's agents, the Agricultural bank opened branches in the new town of New Halfa and in non-cotton regions of Sudan. This included in areas that lacked commercial bank representation, such as in Northern Province downriver from Atbara, and in regions considered as 'peripheral' but which were becoming the focus of development projects, such as Dillinj in southern Kordofan, and Zalinjay in western Darfur where the Agricultural Bank financed a local tobacco plantation.[369]

[369] Ibid.

Table 5.2. Agricultural Bank branch lending by province (£S). 12 months ending 30 June 1966								
Province	Loans to cooperatives	%	Short-term loans	%	Long-term loans	%	Total	%
Northern	11,299	1.2%	91,714	9.6%	34,624	3.6%	137,637	14.4%
Khartoum [a]	16,000	1.7%	35,678	3.7%	60,134	6.3%	111,812	11.7%
Kassala	18,726	2.0%	30,344	3.2%	25,155	2.6%	74,225	7.7%
Blue Nile	10,575	1.1%	14,136	1.5%	28,812	3.0%	53,523	5.6%
Darfur			5,209	0.5%	24,949	2.6%	30,158	3.1%
Head office			467,711	48.8%	83,541	8.7%	551,252	57.5%
TOTAL	56,600	5.9%	644,792	67.3%	257,215	26.8%	958,607	100%

[a] Entries for ‘Khartoum’ indicate loans to agriculture in Khartoum Province only.
Source: al-bank al-ziraa3a al-sudanii, *al-bank al-ziraa3a al-sudanii: al-madiiyyah wa al-ḥaḍrah wa al-mustaqbalah* (Khartoum, 1970). NRO 2/3/42.

Table 5.2 describes different Agricultural Bank branches' share of non-cotton financing in 1966/67, though this was less than 15% of total financing. It demonstrates that the Northern Province downriver from Atbara, which produced dates, bananas and other fruits, and which otherwise lacked bank branches, was the principal recipient of the Agricultural Bank's non-cotton lending.

The Agricultural Bank was a state-owned bank issuing loans in local currency to cover costs in local currency. (A notable exception to this was the bank's finance of hire-purchase by Sudanese farmers of tractors imported from the United States. The foreign exchange counterpart for these loans came from the US Aid programme to Sudan). For this reason, the bank faced far fewer financing constraints than other banks, so long as the government was willing to extend the local currency costs for this public institution. The bank's bulletins reveal how it was a financial institution apart in the late 1960s in Sudan, as it was able to pursue planners' and officials' vision of agricultural improvement, technological modernisation, and new forms of production and social organisation in a period of political and economic experimentation.[370]

Modernisation through economic and technological development was the dream of Sudanese governments after independence, inherited from their imperial predecessor. However, this policy also encountered its limits. If the lending activities of the Agricultural Bank did not significantly contribute to Sudan's balance of payments travails in the 1960s, by the end of the decade Sudanese governments faced rapid domestic inflation due to military budgetary deficits combined with a regime of closed capital controls. Under this pressure, lending by the Agricultural Bank was reduced significantly in 1968/69, especially towards cotton, (graph 5.1a). Cooperatives, meanwhile, embodied new means of distributing ownership and profits. However, cooperatives are also ultimately (if not, rapidly) disciplined to the dictates of capital and the discipline required to circulate and extract financial surpluses. On agricultural development more widely, many scholars have highlighted how large-scale and state-coordinated technical interventions in agriculture devalue the accumulated knowledge of small-scale farmers in production.[371] Historically, the result of such interventions has frequently been the rapid increase in short-term yields, followed by a crash in output a generation later as nutrient-rich topsoils are depleted.[372] The Agricultural Bank was one of

[370] Al-bank al-ziraa3a al-sudanii, Special bulletins (multiple quarters, 1960 to 1968). NRO 2/1.
[371] Nancy Johnson & Vernon Ruttan, 'Why are farms so small?', *World Development* 22, 5 (1994), pp. 691-706. James Scott, *Seeing like a state: how certain schemes to improve the human condition have failed* (New Haven: Yale University Press, 1998).
[372] Ibid.

many entities directing funds towards increasingly intensive and expansive agricultural activity in Sudan from the 1950s onwards. Intensive and expansive agricultural exploitation was a significant factor driving serious famines in Sudan in the 1980s and 1990s, with one report judging that 'Mechanised rain-fed farming schemes subsidised by foreign aid have helped to degrade the environment and made vast profits for a small group of entrepreneurs such as retired soldiers, businessmen and merchants.'[373]

In the shorter term of the period studied by this thesis, I have demonstrated that an institution that was initially captured by the need to bailout a sector dominated by elite investors was repeatedly repurposed by the politics of the moment, through an austere withdrawal of credit in 1963/64, to an expansion of non-cotton and cooperative lending in 1965/66, and renewed reductions in 1968/69. Although an important laboratory for social, technical and financial experimentation, the Agricultural Bank could not escape from the imbalances and crises of capital described in the previous chapter.

[373] Nick Cater, *Sudan: the roots of famine* (Oxfam 1986), p. 22.

The Industrial Bank

The second state-investment bank in Sudan was the Industrial Bank, founded in 1962. Like the Agricultural Bank, this bank enjoyed qualified successes in bringing new forms of economic activity into existence. Unlike its agricultural counterpart, however, the activities that it financed were dependent on foreign exchange for capital imports. This meant that the bank's activities were disciplined to Sudan's foreign exchange travails in this period.

Industrialisation was a core pillar in global programmes of economic 'modernisation' after the Second World War.[374] Industrialisation, it was believed, would enable the mass production of consumer goods capable of raising the material living standards of the majority in a society. Liberal theories pointed to 'market' explanations of why Africa had yet to industrialise, pointing variously to resource endowment, an absence of technical knowledge among producers, insufficient market demand for manufactured goods, or competition from established producers.[375] In contrast, heterodox and anti-colonial theories could point to 'political' explanations, namely, an imperial history wherein industrialised metropoles retarded the economic development of their colonial dependencies.[376] United by the shared belief that industrialisation was an appropriate and virtuous objective for a society to pursue, both views could turn for remedial solutions in the project of economic development. In this field, development finance overcame deeper debates regarding the long-term causes of non-industrialisation by positing that the proximate reason why industrialisation had not yet occurred in Africa was because it had not been financed.

Unlike the Agricultural Bank, the Industrial Bank came into existence with a large degree of external instigation. In 1958, one of the founding acts of Ibrahim Abboud's government had been to accept an offer of aid from the United States that had divided the ousted Umma—PDP coalition. The US consequently allocated $44 million (£S.15.3 million) in aid to Sudan, which was to be divided roughly equally between non-project aid for public and private imports, and aid for capital lending to local development. From the latter category, $10 million was loaned to the newly-established Sudan-American Textile Industries (SATI) to finance a factory in Khartoum North, and a further $2 million was allocated to the financing of small- and medium-

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[374] Walter Rostow, *The stages of economic growth: a non-communist manifesto* (Cambridge: Cambridge University Press, 1960).
[375] Malcolm Gillis et al., *Economics of development* (New York, 1984).
[376] Raúl Prebisch, *El desarrollo económico de la América Latina y algunos de sus principales problemas* (1950). Walter Rodney, *How Europe underdeveloped Africa* (London: Bogle-L'Ouverture Publications, 1972).

sized development projects in the private sector.[377] To oversee the distribution of these $2 million, the US Disbursing Office in Sudan requested that a specialist institution be established that could assess viable projects and oversee the distribution and use of funds. The Industrial Bank responded to this need.[378]

The Chair and Managing Director of the new institution was Abd al-Aziz Umar Al-Amin who had been the last civilian chair of the Blue Nile Provincial Council before 1958, when he was replaced by a military appointee.[379] Al-Amin was joined on the bank's board of directors by three appointees representing state economic departments, and three representatives from the private sector. The public appointees were Al-Sid Al-Fil, the Deputy Governor of the Bank of Sudan; Abd Al-Rahim Al-Mirghani, Director of the Ten-Year Development Programme; and Ahmad Muhammad Al-Fadil, a civil servant from the Ministry of Commerce, Industry & Supply.[380]

As for the private sector appointees, one suspects they were chosen not merely for their business pedigrees. Yahia Al-Fadli was a merchant who had also been a longstanding ally of Ismail Al-Azhari in the NUP, and who had been Minister of Social Affairs from 1955 until 1956. In contrast, Abd Al-Salaam Al-Khalifa was the owner of a cotton scheme, as well as a former senator for the Umma Party. Finally, Muhammad Majzub Al-Bahri was a quarry owner whose brother was Ibrahim Abboud's Minister of Communications. With Hammad Tawfiq Hammad from the PDP appointed char of the Agricultural Bank, and prominent NUP and Umma politicians on the board of the Industrial Bank, it appears that there was a deliberate strategy by the military-developmentalist government to appoint representatives from each of Sudan's 'traditional' parties to positions in the new public banking sector, which thereby proved a propitious means of absorbing elites from the preceding parliamentary period.[381]

The Industrial Bank was founded with a paid-up share capital of £S.500,000 owned by the Bank of Sudan with additional loan-capital in the form of a £S.500,000 long-term credit from the Sudanese government, creating a working capital of £S.1 million. The bank's authorised share capital was £S.3 million and the Sudanese government sought foreign participation in the bank through further share purchases as a means making additional foreign exchange available to the bank and the country's overall reserves. The West German state-

[377] Bank of Sudan, 'The American Aid Programme', *Economic & Financial Bulletin* (30 September 1960).
[378] DM Kitching, British Embassy, Khartoum, Letter to AJM Craig, Foreign Office, London (10 June 1961). FO 371/159120.
[379] British Embassy, Khartoum, Letter to Foreign Office, London (13 January 1962) FO 371/125960.
[380] Industrial Bank, *Annual report* (1962). NRO 1/1/1.
[381] Foreign Office, UK, Sudan: prominent personalities (1957). FO 371/125960.

owned investment bank Kreditanstalt für Wiederaufbau (KfW) made multiple visits to Sudan in the early 1960s during which it considered an investment in the Industrial Bank. West Germany in this period was earning substantial commercial surpluses and had agreed under pressure from its industrial trading partners to reinvest many of these through foreign capital investments.[382]

This interest from KfW prompted discussions within British officialdom about a competing British investment. Britain had long been the largest provider of imports to Sudan, including as a supplier of capital goods. As West Germany and the United States threatened to encroach into this market by issuing capital aid in their own currencies, the British Embassy in Khartoum advocated a matching British investment in the Industrial Bank. One diplomat wrote passionately to the Foreign Office that 'I realise that the present climate of opinion in London is not at all favourable to making fresh loans abroad. As we see it from here, though, the question is not whether we can afford to associate with the Industrial Bank but whether we can afford not to do so.'[383] The 'climate of opinion' referred to was a significant tightening of fiscal and monetary policy in Britain beginning in 1961 to redress balance of payment pressures, which included strengthening capital controls against transfers outside of the sterling area. On this basis, the UK Treasury overruled a Foreign Office proposal of share purchases in the Industrial Bank.[384] The UK Board of Trade, meanwhile, reminded the Foreign Office that West German trade surpluses were partly a counterpart to British trade deficits, and that Britain was among the countries advocating that West Germany recycle these through international investments. It was therefore not consistent to seek to match West Germany's external aid with matching British investment, especially outside of the sterling area.[385]

Deterred from securing public funds, the Foreign Office sought to coordinate private British investment in the Industrial Bank and approached a number of investment banks in the City of London. The approach was courteously declined by the merchant bank Schroders on the grounds that 'it is in a part of the world in which we have never been active [n]or of which we have any direct knowledge.'[386] More pointedly, the merchant bank Lazard Brothers replied that 'it is rather too much to ask the investor whose interest it is hoped to attract to accept [that

[382] Kreditanstalt für Wiederaufbau, The 1960's: entering the world stage. Available online: https://www.kfw.de/KfW-Group/F%C3%B6rderauftrag-und-Geschichte/Geschichte-der-KfW/KfW-Jahrzehnte/60er-Jahre/. (Accessed 23 November 2020).
[383] Ian Scott, British Embassy, Khartoum, Letter to RW Jackling, Foreign Office, London (18 January 1962). FO 371/165698.
[384] PS Milner-Berry, UK Treasury, Letter to JGS Beith, UK Foreign Office (14 March 1962). FO 371/165698.
[385] C Douglas-Campbell, UK Board of Trade, Letter to JGS Beith, UK Foreign Office (19 March 1962). FO 371/165698.
[386] WT Caulfield, Schroders, Letter to Roger Stevens, UK Foreign Office (21 May 1962). FO 371/165698.

the British government] are not prepared however themselves to put up even £500,000 by way of prior charge capital but would be gratified if some private British firms were to subscribe part of the ordinary capital' and, moreover, that this would investment would carry high exchange costs due to the capital controls introduced the previous year.[387] As a result, there was no sterling investment in the Industrial Bank, while KfW would ultimately decide to disburse its aid directly to the Sudanese government, rather than through shares in the bank.

In 1962, the Industrial Bank began its activities with its initial capital provided in local currency by the Sudanese state, and a claim to part of the US aid held by the Sudanese government. In its first year, the bank received 39 applications for financing. With several applications declined, withdrawn or still under review, the bank was issuing finance to five projects by the end of 1962. These were a vehicle repair workshop, a tyre retreading workshop, a knitwear factory, and an air cooler factory – all in Khartoum – and a pasta factory in Omdurman.[388] Although the bank's earliest loans were within Khartoum Province, it articulated its commitment to 'the ever important requirement for spreading industries, as far as possible, over the country, outside its capital city'.[389] To this end, the bank sent missions to Darfur, Kordofan, Northern and Blue Nile provinces to promote its facilities.[390] As shown by table 5.3, the bank was financing 37 projects by the end of 1964. Of these, 22 were in Khartoum Province, though these represented 86.8% of the sums loaned. Projects financed outside of Khartoum Province were concentrated in the regions visited by the bank's missions. In contrast with central and western Sudan, the industrial city of Port Sudan is notable for its absence, with the exception of a laundry company.

[387] AD Marris, Lazard Brothers, Letter to Roger Stevens, UK Foreign Office (23 May 1962) FO 371/165698.
[388] Industrial Bank of Sudan, *Annual Report* (1962), p. 9. NRO 1/1/1.
[389] Ibid., p. 13.
[390] Industrial Bank of Sudan, *Annual Report* (1963), p. 3. NRO 1/1/3.

Table 5.3. Industrial Bank loans by province 31 December 1964				
Province	Number of projects	% projects	Sums loaned (£S)	% Sums loaned
Khartoum	22	59.5%	744,449	86.8%
Blue Nile	4	10.8%	63,733	7.4%
Darfur	5	13.5%	27,070	3.2%
Northern	2	5.4%	9,000	1.0%
Kordofan	3	8.1%	8,250	1.0%
Kassala (Port Sudan)	1	2.7%	4,900	0.6%
TOTAL	37	100.0%	857,402	100.0%
Source: Industrial Bank, *Annual report* (1964). NRO 1/1/4.				

Table 5.4. Industrial bank loans by sector 31 December 1964					
Sector	**Number of projects**	**Total investment (£S)**	**Loans by the Bank (£S)**	**Loan maturity (years)**	**Bank's share of total financing**
Paper	1	192,000	70,000	5	36.5%
Building and carpentry Materials	4	421,000	273,000	8, 6, 5, TBD	64.8%
Electrical appliances and equipment	1	95,000	61,000	7	64.2%
Textile	2	181,000	116,000	6, 7	64.1%
Printing work	1	56,000	38,000	5	67.9%
Iron and steel	4	160,000	107,000	10, 10, 5, 3	66.9%
Writing and printers ink	1	31,000	21,000	6	67.7%
Chemical	2	58,000	40,000	10, 3	69.0%
Leather and plastic ware	1	27,000	18,000	8	66.7%
Air cooler	1	28,000	16,000	6	57.1%
Ice manufacture and cold storage	6	105,000	65,000	6, 6, 6, 4 3, TBD	61.9%
Food	2	29,000	16,000	8, 3	55.2%
Rubber (tyre repairs)	1	25,000	7,000	5	28.0%
Dry cleaning and laundry	2	15,000	10,000	2.5, 3	66.7%
Oil Mills	3	20,000	13,000	4, 4, 5	65.0%
Engine repair shops	4	23,000	15,000	6, 6, 4, 4	65.2%
Carpentry	1	2,000	1,000	3	50.0%
Total	37	1,468,000	887,000		

Source: Industrial Bank, *Annual report* (1964). NRO 1/1/4. Sectors ranked by average loan by bank by project. Different rounding conventions in the original source are reflected in tables 5.3 and 5.4.

Table 5.4 describes the distribution of Industrial Bank loans by sector. In combination, tables 5.3 and 5.4 reveal that the Industrial Bank was successful in expanding the supply of long-term financing in Sudan, including in regions beyond the capital city (where the lower value of loans can be partly explained by lower local costs). However, the initial success of the bank in identifying demand for financing laid the foundations for a liquidity crisis. Tables 5.3. and 5.4 reveal that the bank had loaned the majority of its initial working capital of £S.1 million, meaning that the bank was dependent on loan repayments or new injections of capital to be able to provide further financing. Because the bank's lending was, by definition, long-term, it could not enjoy the same liquidity as commercial banks which privileged short-term financing.

In 1964, the Bank of Sudan agreed to subscribe to £S.1 million in shares in the Industrial Bank. In order to control the overall money supply, the central bank decided to do this by instalments and purchased an initial £S.400,000 shares in September 1964. However, this injection of public capital was followed shortly afterwards by a government instruction to the bank to purchase £S.438,360 shares in the Nile Cement Company. This company had been established by the Sudanese state in 1960 and was chaired by Mirghani Hamza, who had been Minister of Interior before the 1958 coup. The state-owned company had subsequently invited public share subscriptions and in 1962 it received a loan from the World Bank. By 1964, however, the company was in financial straits and was struggling to raise sufficient funds through equity sales to complete a cement factor at Rabak on the White Nile.[391]

The Bank of Sudan purchased an additional £S.200,000 Industrial Bank shares in December 1965. During 1966, as the investment bank was gradually rebuilding its liquidity through loan repayments, it received a further instruction from the government to finance the Nile Cement Company through a long-term loan. The liquidity for this was provided by a renewed share subscription of £S.400,000 by the Bank of Sudan. The bank's cash position was acute, and loan repayments only earned it an operating profit for the first time in 1967. (It only earned an overall profit, net of amortised preliminary costs, in 1969). In 1967, however, Sudan broke diplomatic ties with the United States following the Third Arab-Israeli War, which caused the United States to withdraw its aid to Sudan. The Industrial Bank consequently lost access to the $2 million it had been responsible for administering for capital imports by small-

[391] Nile Cement Company, About. Available online: http://carawangroup.net/nile-cement-nccl/. (Accessed on 23 November 2020).

and medium-sized businesses, having drawn only $202,000 (£S.70,000). Larger projects such as SATI also lost their external financing.[392]

In 1967, the board of the Industrial Bank was reshuffled and the General Manager of SATI, Ibrahim Moneim Mansour, was appointed as one of its private sector representatives, indicating possibly that the government now intended for the Industrial Bank to finance this large company as it had the Nile Cement Company.[393] However, the Industrial Bank's activities now represented an uncovered claim on Sudan's external reserves for capital imports. With its ability to self-finance in local currency also under question, its utility to the Sudanese state was far from evident.[394] In 1968, the Bank of Sudan made another share subscription of £S.300,000, in excess of its total commitment in 1964 of £S.1 million. Its total shareholding in the Industrial Bank was now £S.1.8 million. However, public efforts to control the domestic deficit in this year then caused the government to recall £S.400,000 of its long-term loan to the bank. A report into the bank by the University of Khartoum made several gloomy observations, notably that only 43 of the 88 projects it had financed since its creation were in operation, and only 20 of these were operating above 50% capacity. Furthermore, most of its loans were to light industries with an existing presence in Sudan from before 1962. The bank's loans had represented only 6% of industrial lending in Sudan between 1960 and 1964, with commercial banks lending far greater sums to a small number of projects (notably oil mills and cotton ginning factories) operated by their largest customers. Given the Industrial Bank's liquidity shortages, the average size of its loans had diminished rapidly throughout the decade, which raised transactions costs for the bank relative to repayments.[395] Its use as a rescue vehicle for the Nile Cement Company was ineffective, as this organisation proved unable to complete its factory at Rabak due to continued lack of funds. After an abortive attempt to resurrect the project in 1975, it was finally revived and the factory was completed in 2004.[396]

The Industrial Bank demonstrated both the promises and the pitfalls of development finance. It succeeded in fostering new forms of economic activity in Sudan, including in peripheral regions such as Darfur. However, the advance of finance proved not to be the panacea ensuring industrial 'take-off'. As take-off remained elusive, the bank's loans went increasingly to small-scale capital financing for projects in existing sectors responding to

392 Osman Hassan Saeed, *The Industrial Bank of Sudan 1962-1968: an experiment in development banking* (Khartoum, 1970), pp. 23-24.
393 Industrial Bank of Sudan, *Annual report* (1967). MEDU 17/4/BAN/1.
394 Saeed, *The Industrial Bank*, pp. 24-26.
395 Ibid., pp. 33, 36, 39 & 46.
396 Nile Cement Company, About.

existing demand for goods in Sudanese society. Large-scale industrial financing was carried out through other means, and the activities of the Industrial Bank became severely constrained by its own liquidity problems and the resource concerns of the Sudanese state. In periods of economic growth, channelling public funds to enterprises such as the Industrial Bank, the Nile Cement Company or SATI appears an enlightened means of fostering economic development through strategic state interventions. When growth is disrupted by economic inefficiencies or a shock to the supply of local or external financing, public authorities may reasonably judge that more is lost by allowing the failure of such companies than by renewing public support. In this context, it is easy to cast such interventions as ‘cronyism’, ‘state capture’ or ‘neopatrimonialism’, but the sliding scale between public-led development and the corrupt public financing of otherwise insolvent enterprises is generated by the vicissitudes and crises of the capitalist market itself.

The Sudan Commercial Bank

This section examines the Sudan Commercial Bank, which was the only bank owned by resident private investors in Sudan until the 1970s.

As with plans for a state-owned agricultural bank, proposals for a Sudanese commercial bank had existed since the early period of self-government. If the crisis years of 1957 and 1958 placed new business ventures in abeyance, then the exit from the crisis highlighted the need for commercial financing independent of foreign institutions, as existing banks withdrew lending to many local businesses due to state-imposed credit controls and concerns regarding the viability of specific ventures. The point is embodied by an exchange in July 1959 between the Sudan Chamber of Commerce and the Sudan Bankers' Association. Although the Chamber of Commerce had been founded in the 1900s under the leadership of foreign-owned banks, it had since become the vehicle of resident business conglomerates with Abd Al-Salaam Abu Al-Ela, the patriarch of eponymous group of companies, serving as the organisation's chair. The Chamber of Commerce wrote to the Bankers' Association protesting the punitive rates that banks were applying for local lending, and requested an easing of the Tariff across multiple areas.[397] Unlike the Chamber of Commerce, the Bankers' Association in 1959 still composed entirely of foreign-owned companies. It refused the Chamber's request, stating that both the risks and the costs of providing banking services in Sudan were increasing.[398]

A few months after this exchange, the articles of association of the Sudan Commercial Bank were submitted to the Registrar of Companies in the Ministry of Commerce, Industry & Supply, thereby breaking the foreign monopoly on commercial banking in Sudan.[399] The British Embassy in Khartoum reported to London that 'A local director of Barclays Bank D.C.O. has commented acidly that the founder members [of the Sudan Commercial Bank] owe his bank more than the half a million Sudanese pounds which are reported to have been paid by them as a deposit.' [400] The same diplomat speculated that the new bank could indeed be a means of securing bank credit for its promoters.

The bank's initial capital was provided by 152 investors each of whom purchased £S.2,000 in shares. By comparison, £S.2,000 was the annual salary of the Prime Minister of Sudan in the 1960s, but annual payments on rescheduled loans by Abu Al-Ela companies to Barclays DCO after 1958 were £S.140,000. So, £S.2,000 was a large sum of money for most

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[397] Sudan Bankers' Association, Minutes (14 July 1959). DAE 10995.
[398] Ibid.
[399] Sudan Commercial Bank, *Articles of association* (29 December 1959). OV 134/11.
[400] AH Birch, British Embassy, Khartoum, Letter to UK Foreign Office (7 July 1959). FO 371/138661.

Sudanese but easily payable by Sudan's largest capitalists. This dispersed ownership structure ensured that no individual or alliance of shareholders had a controlling stake in the bank. The bank's prospectus listed the names, reported professions, and postal addresses of its initial investors, and an analysis of this list offers an insight to this consortium of Sudanese investors.[401]

Table 5.5. confirms the overwhelming importance of merchant-capital in Sudan's resident business community, which was invested by individuals, partnerships and private companies. Corporate investments by mercantile companies included some of Sudan's largest firms such as the Abu Al-Ela, Abd Al-Moneim, Contomichalos, Kurkijan, and Virani. Other wealthy merchants, such as George Hajjar and Alexandre Ben-Lassin, invested in personal capacities. This points to a cosmopolitan alliance of the most prominent members of local Sudanese, Greek, Armenian, Indian, Syrian and Jewish business communities. There is also a respectable number of investors from the non-mercantile private sector. The small participation of government sector employees (which could be enlarged to include the magistrate, medical practitioners, and one of the engineers, who is reported as working in the engineering department) is noticeable, and highlights the fact that significant wealth in Sudan in this period was earned from the private sector rather than public employment.

[401] Sudan Commercial Bank, *Prospectus* (29 December 1959). OV 134/11.

Table 5.5. Profession of initial investors in the Sudan Commercial Bank 29 December 1959		
Profession	**Number of shareholders**	**Percentage total**
Merchants		
Individuals	64	42.1%
Partnerships	13	8.6%
Corporations	10	6.6%
Total	87	57.2%
Private sector (non-merchant)		
Director of company	14	9.2%
Contractor	7	4.6%
Owner of agricultural scheme	3	2.0%
Owner of printing press	3	2.0%
Owner of transport business	3	2.0%
Corporate investors (1 construction, 1 motor insurance)	2	1.3%
Owner of soap factories	1	0.7%
Owner of Al-Nas newspaper	1	0.7%
Official of Gellatly Hankey company	1	0.7%
Total	35	23.0%
Professionals		
Medical practitioner	10	6.6%
Engineer	7	4.6%
Advocate	3	2.0%
Accountant	1	0.7%
Bank official	1	0.7%
Resident magistrate	1	0.7%
Teacher (Ahfad schools)	1	0.7%
Total	24	15.8%
Government sector		
Senior inspector of agriculture	1	0.7%
Official (Khartoum Province)	1	0.7%
Chair, public service commission	1	0.7%
Total	3	2.0%
Other		
Landlord	2	1.3%
Pensioner	1	0.7%
Total	3	2.0%
GRAND TOTAL	152	100.0%

The limits of analysing self-reported professions are revealed by the number of investors who were prominent politicians during Sudan's first parliamentary period, but who identified themselves by other vocations. For example, the category of 'engineers' included Abdallah Khalil, the Umma Prime Minister from 1956 to 1958, and Mirghani Hamza, the NUP minister who had defected to found the Independent Republican Party (IRP) in 1955, and who then joined the PDP and served as Interior Minister under Khalil. Hamza was also the chair of the ill-fated Nile Cement Company. Meanwhile, the category of 'advocates' included Mubarak Zarruq, an NUP politician who had briefly served as Sudan's first Minister of Foreign Affairs in 1956, and Muhammad Ahmad Mahjub, a member of the Umma Party who replaced Zarruq in this ministry in the national government of Ismail Al-Azhari, and who retained that position until the 1958 coup. (The third advocate was Emil Kronfli, who was the lawyer of Barclays DCO in Sudan).

This indicated that erstwhile partisan opponents were willing to become collaborators in this novel business venture. Furthermore, it indicated that Sudan's most successful politicians had access to wealth that government employees did not. Causation could flow in either direction, suggesting that significant wealth was required for success in politics or, conversely, that political office proved remunerative through the sale of institutional knowledge through consultancies and company directorships after leaving office. Muhammad Ahmad Mahjub, for example, returned to being a practising lawyer under the military regime, and was the lawyer to the Dairat Al-Mahdi from which he earned approximately £S.15,000 per annum,[402] enough to invest £S.2,000 in his own right. Across all investors, it cannot be known what proxy financing and informal lending arrangements may have allowed some individuals to participate as shareholders beyond their disposable means.

[402] See Chapter Six.

Table 5.6. Geographic distribution of initial investors in the Sudan Commercial Bank 29 December 1959		
Post office box	**Number of shareholders**	**Percentage total**
KHARTOUM PROVINCE		
Khartoum	87	57.2%
Omdurman	30	19.7%
Khartoum North	5	3.3%
Total	122	80.3%
BLUE NILE PROVINCE (JAZIRA)		
Wad Madani	8	5.3%
Sinnar	2	1.3%
Hassa Heissa	1	0.7%
Kamlin	1	0.7%
Kosti	1	0.7%
Total	13	8.6%
KASSALA PROVINCE (EASTERN)		
Port Sudan	5	3.3%
Qadarif	2	1.3%
Total	7	4.6%
NORTHERN PROVINCE		
Wadi Halfa	2	1.3%
Shandi	1	0.7%
Total	3	2.0%
EQUATORIA (SOUTHERN SUDAN)		
Juba	1	0.7%
UPPER NILE (SOUTHERN SUDAN)		
Malakal	1	0.7%
OUTSIDE SUDAN		
Jiddah, Saudi Arabia	4	2.6%
Cairo, Egypt	1	0.7%
Total	5	3.3%
Grand total	152	100%

Table 5.6 describes the geographical distribution of investors. The overwhelming concentration of investors in Khartoum Province (and Khartoum specifically) mirrors the geographic concentration of bank deposits and advances described in Chapter Two. Outside of Khartoum, there were important concentrations of investors in Port Sudan, Wad Madani and across Blue Nile Province as a whole. Within the Jazira (Blue Nile Province), only Kosti was represented from the White Nile region, as opposed to the Blue Nile. Northern Sudan was surprisingly underrepresented. Investors from this province came from Shandi and Wadi Halfa, at the southern and northern extremities of the province stretching along the Nile from Khartoum to Egypt. None of the intermediary settlements of Berber, Meroe, Karima or Danqala were represented, despite Sudan's 'northern riverain elite' disproportionately claiming their origins from tribes from this region. The implication is that the northerners who attained the summit of elite status in Sudan claimed origins in Northern Province but resided in Khartoum. Southern Sudan was represented by a doctor in Juba and a senior inspector of agriculture in Malakal, both with Arabic names. Their inclusion among the 152 investors is revealing not for the fact that there was a very small number of individuals in these provinces with disposable fortunes, but for the fact that they were part of social networks that informed them of this enterprise and allowed them to participate from its creation. Conversely, western Sudan was notable for its absence, especially the important entrepot market town of Al-Ubayyid. This confirms the argument made in Chapter Two, namely, that business in Kordofan and Darfur was carried out to the benefit of merchants residing in Khartoum and Omdurman.

There were four investors from outside Sudan. The investor from Cairo was Abd Al-Latif Abu Rajila, a relative and business associate of the Abu Al-Ela family who was reportedly a driving personality behind the formation of the bank.[403] There were more investors in Jiddah, Saudi Arabia, than the entirety of southern and western Sudan. These were a Gellatly Hankey official, an Aramco contractor, the sole bank official, and one merchant. In terms of economic geography, this points to the importance of commercial and social links between Sudan and Saudi Arabia across the Red Sea, built around the flow of pilgrims and Sudan's export of livestock and skilled labour. This is underexamined in the historiography.[404]

There are few significant findings from the breakdown of professions by location, and vice versa. 80.5% of all merchants gave addresses in Khartoum Province, as did 80.3% of all investors. Four of the ten medical practitioners were four among eight investors from Wad

[403] Birch, Letter to Foreign Office (7 July 1959).
[404] Alden Young makes this point with regard to livestock. *Transforming Sudan: decolonization, economic development and state formation* (Cambridge: Cambridge University Press, 2017), pp. 1-2.

Madani. One of the agricultural scheme owners resided in Sinnar, whereas both others resided in Omdurman, suggesting absentee ownership. Individual biographies, such as Tawfiq Ahmad Yusuf, the pensioner from Wadi Halfa, naturally intrigue.

There were several notable absences among investors. These included Salih Uthman Salih, the patriarch of one of Sudan's family business empires who was secretary of the Chamber of Commerce. Religious figures were also not represented, including Imam Siddiq Al-Mahdi of the Ansar and Sheikh Ali Al-Mirghani of the Khatmiyya, who both had significant business investments. Their absences may have been due to shortages of cash or a belief that owning share-capital in a bank would violate the Islamic prohibition against usury. Salih, Al-Mahdi and Al-Mirghani may have been represented through proxies. No women are named among the bank's initial investors, meaning that this experiment in Sudanese finance-capital mirrored the near-total invisibility of women in the documentary records of foreign-owned banks in Sudan.

The 152 initial investors collectively provided £S.304,000 of the bank's £S.1 million authorised share capital. The remainder was opened to private subscription in 1960, after President Abboud purchased a £S.1 share in a promotional event on 31 December 1959.[405] The President's participation in this event highlights the state's willingness to support and endorse this private initiative, even though the bank was invested in by multiple politicians from the parliamentary regime that Abboud had replaced. Existing commercial banks acted as brokers of the new bank's shares. From this, Barclays DCO earned £S.323, and the British bank also purchased £S.1,000 shares for its own account.[406] Demand for shares was sufficiently high for shareholders to agree to raise authorised capital to £S.1.1 million, of which £S.1,098,560 was allotted and paid-up when the bank begun full operations in 1965.[407]

[405] AH Birch, British Embassy, Khartoum, Letter to UK Board of Trade, London (2 January 1960). FO 371/138661.
[406] Barclays DCO, Half-yearly reports: Khartoum El Gamhoria (31 March 1960).
[407] Sudan Commercial Bank, *Annual Report* (1966). BB0011/2587.

Table 5.7. Board of directors of the Sudan Commercial Bank 29 December 1959 until 25 May 1970		
Name	**Tenure**	**Notes**
Abd Al-Hafiz Abd Al-Moneim (Chair)	1959—1970	Chair of Abd Al-Moneim Group of Companies
Ibrahim Ahmad (Managing Director)	1959—1970	Minister of Finance, 1956 to 1958 (Umma Party)
Abd Al-Salaam Abu Al-Ela (Member)	1959—1970	Managing Director, Abu Al-Ela Group of Companies
Mahjub Muhammad Ahmad (Member)	1965—1970	Managing Director, General Insurance Co and chair of Mahjub MA Corporation
Al-Sheikh Mustafa Al-Amin	1959—(1965?)	Director, Al-Sheikh Mustafa Al-Amin & Sons Ltd.
GM Bittar (Member)	1959—1970	Managing Director, Bittar Corporation
EG Contomichalos (Member)	1959—1970	Director, Contomichalos Group of Companies
Mirghani Hamza (Member)	1959—1970	Deputy Prime Minister from 1956 to 1958 and Minister of Interior in 1958 (IRP then PDP). Chair of the Nile Cement Company.
Hanna Kattan (Member)	1959—1966	Managing Director, Kattan Trading Company
Ahmad Koko (Member)	1959—1970	Managing Director, Al-Ahmadein Company, Kosti
Emil Kronfli (Member)	1959—1970	Advocate, Khartoum (Lawyer of Barclays DCO in Sudan)
Kalidas Northamdas	1959—(1965?)	Company Director
Muhammad Salih Shinqiti (Member)	1959—1966	Managing Director, Shasheina Agricultural Company
Mubarak Mirghani (Member)	(1965?)—1970	Deputy Managing Director, General Insurance Company and Merchant
Ziada Uthman Arbab (Member)	1967—1970	Advocate
Bashir Muhammad Saeed (Member)	1967—1970	Managing Director, Al-Ayam Press
Source: Sudan Commercial Bank, *Annual reports* (multiple years). MEDU 17/4/BAN/1.		

Table 5.7 shows the bank's board of directors before 1970. Multiple members of Sudan's cosmopolitan business community served as directors. It is notable that Abd Al-Hafiz Abd Al-Moneim was the bank's chair, whereas Abd Al-Salaam Abu Al-Ela, another director, was chair of the Chamber of Commerce, suggesting a possibly purposeful division of leadership within Sudan's elite business community. The bank's managing director, Ibrahim Ahmad (who was not an initial shareholder) had been Sudan's second Minister of Finance from 1956 until 1958, representing the Umma Party. It should not be overlooked that the Prime Minister, Finance Minister, Interior Minister and Minister of Foreign Affairs in the government deposed in the 1958 coup were all involved, as either investors, directors or both, in a bank founded slightly over a year later with public support from the new military president. Profit-making was not politically contentious for Sudan's political leaders.

The creation of a Sudanese bank added to pressures to alter the weekly bank holiday. In December 1956, Banque Misr had proposed to the Bankers' Association that banks alter their weekly closure from Sundays to Fridays, in line with local religious practice. However, the collective minute of the European-dominated association recorded that

> A very large number of firms in the Sudan, especially the larger companies observe Sunday and not Friday as the weekly holiday, and it is the duty of the Banker to be at his customer's disposal when required, that is to say on Fridays and not on Sundays when his clients' Offices are closed […] In Egypt where all banks are closed on Fridays and are open on Sundays by law, it is found that hardly any business is transacted by the banks on Sundays […] At the present, the Banks in the Sudan are closed on Sundays as in most countries of the world, whereas if Friday was the day observed in the Sudan, there would be two days in the week when banks could not get in touch by phone or cable with their branches or correspondents in these other countries.[408]

When the question was revisited in April 1960, a different conclusion was reached. On this occasion, Banque Misr announced that it would unilaterally alter to closing on Fridays. The collective minutes noted that Friday closing was already practiced by the Arab Bank and (significantly for exchange and clearing activities) the Bank of Sudan. There was further 'the certainty that Sudan Commercial Bank would also [close on Fridays] when they commenced business.' Consequently, the Ottoman Bank moved that all banks transfer to Friday closing. Credit Lyonnais presented the strongest resistance as Saturdays and Sundays were statutory bank holidays in France, and Friday closing in Sudan would cause the French bank to lose contact with its head office for three consecutive days. Notwithstanding, the motion was carried.[409] In December 1960, the Sudan Commercial Bank joined the Association.[410]

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[408] Sudan Bankers' Association, Minutes (11 December 1956). DAE 10995.
[409] Sudan Bankers' Association, Minutes (19 April 1960). DAE 10995.
[410] Sudan Bankers' Association, Minutes (6 December 1960). DAE 10995.

The Sudan Commercial Bank recruited staff from inside and outside Sudan. Stanley Johnson, from the Midland Bank in Great Britain, was seconded as an advisor to the Sudanese bank in 1960. Whereas the British domestic banks Barclays and Lloyds had invested in overseas branch banking from the 1920s, the Midland Bank instead recouped international business by acting as a correspondent in Britain for external banks, and it fulfilled this role for the Sudan Commercial Bank.[411] The British Embassy reported to the UK Foreign Office that Johnson passed information to British diplomats 'in confidence' about his seconded institution – for example regarding the progress of share issues – indicating, once again, that networks of British nationals operated networks of information and solidarity that transcended public- and private-sector divides.[412]

As the manager of its Khartoum branch, the Sudan Commercial Bank employed KM Kardush, an Egyptian who had been employed by Barclays DCO in its Cairo branch before the bank's nationalisation in Egypt. One senior official of Barclays DCO commented resentfully following a visit to Sudan that Kardush's reputation from Cairo 'was very low indeed',[413] but another official in the bank conceded that Kardush was 'pinching business right left and centre' in Sudan.[414] In 1966, the bank appointed an additional general manager alongside Ibrahim Ahmad, in the person of Mansour Mahjub. Mahjub was the last member of the 1953 class of Deputy Under-Secretaries in the Condominium's Finance Department, where he had worked alongside Mamoun Beheiri and Hamza Mirghani, who was still a civil servant in 1966. From 1959, he had been the senior civil servant in the Ministry of Commerce, Industry & Supply, and he finally left public administration to join the private commercial bank, making this another example of the revolving door of expertise, and institutional knowledge and access between Sudan's public and private sectors.

The bank received significant support from the Sudanese government, which deposited public funds with the bank in a period when it was withdrawing these from the foreign-owned banking sector.[415] It is difficult to ascertain the bank's lending policies from its annual reports and the absence of internal documents. Bank of Sudan figures for the distribution of aggregate lending by banks across this period (presented in Chapter Seven) shows that commercial banks collectively abstained from crop cultivation finance. This suggests that the Sudan Commercial

[411] Geoffrey Jones, *British multinational banking, 1830-1990* (Oxford: Clarendon Press, 1993), p. 250.
[412] Birch, Letter to Board of Trade (2 January 1960).
[413] Barclays DCO, Mr Rodway's visit to the Sudan (20 February to 10 March 1961), p. 1. BB0080/4350.
[414] Barclays DCO, Mr Carter's visit to the Sudan and Uganda: trip diary (19 February to 14 March 1961). BB0080/5060, p. 2.
[415] Ministry of Information & Social Affairs, Sudan, *The Bank of Sudan* (Khartoum, 1969), p. 11. MEDU 17/4/BAN/1.

Bank did not seek to make up for foreign banks' withdrawal from this sector – which had been taken up by the Agricultural Bank – and that it pursued a comparable lending strategy to its foreign-owned competitors.[416]

The Sudan Commercial Bank was one of 137 public limited companies in Sudan in 1968, alongside 775 private limited companies and 2,200 registered partnerships. Although 137 companies had the legal status of public limited firms, only five in fact had share ownerships sufficiently dispersed beyond a small group of large investors to enable a significant turnover in share capital. Table 5.8 describes the number of shareholders in each of these companies, demonstrating that the Sudan Commercial Bank had by far the greatest number of shareholders of any company in Sudan with 17,042 overall, and an average nominal shareholding of £S.64.5. Fatima Mahmoud reports that 60% of the bank's shareholders held £S.5 nominal shares or fewer, indicating that the bank was successful at drawing in funds from small investors alongside its large initial shareholders.[417] Table 5.9 describes the return on net assets, dividend and share price for three of the companies from table 5.8. As noted in the original secondary source, there does not appear to be a correlation between these different measures.

Table 5.8. Number of shareholders in Sudan's publicly traded companies 31 December 1968

Publicly traded company	Number of shareholders
Sudan Commercial Bank	17,042
Nile Cement Company	5,106
Sudan Cinema Company	1,150
National Cigarettes Company	717
Khartoum Spinning and Weaving Company	196

Source: Osman Hassan Saeed, 'Marketability of securities as an incentive for voluntary savings: a case study of the Sudan', *Sudan Notes and Records* 52 (1971), p. 97.

[416] See table 7.5.
[417] Fatima Mahmoud, *Sudanese bourgeoisie: vanguard of development?* (London: Zed Books, 1984), p. 62.

Table 5.9. Return, dividend and market price of shares in three public limited companies. 1965 to 1967			
Name of company	**Return on net assets**	**Dividend per share**	**Market price per £S.1 share**
Sudan Commercial Bank	12.4%	10%	£S.1.3 (30% premium)
Sudan Cinema Company	17.6%	23%	£S.2.2 (120%)
National Cigarettes Company	19.0%	18%	£S.1.1 (10%)
Source: Osman Hassan Saeed, 'Marketability of securities as an incentive for voluntary savings: a case study of the Sudan', *Sudan Notes and Records* 52 (1971), p. 99.			

From its initial premises in Khartoum, the Sudan Commercial Bank opened branches in Port Sudan, Al-Ubayyid and New Halfa in 1964; Qadarif in 1967; and Omdurman, and Al-Nuhud in Kordofan in 1969. This demonstrates a sustained programme of branch expansion in old and new centres with hinterlands engaged in a variety of economic activity. Table 5.10 describes the business of the Sudan Commercial Bank through the course of the 1960s. It demonstrates that while deposits fluctuated, advances rose steadily and the ratio of deposits to advances fell with time. The bank's revenue rose in each year except 1965, though significant contemporary inflation would have helped to create this nominal trend. Expenditure rose through the course of the decade, including relative to revenue. It is difficult to ascertain specific reasons from the annual reports alone, but the reports cite expenditure on branch expansion, fluctuating international exchange rates, and the closure of the Suez Canal after the 1967 Arab-Israeli War as significant factors shaping profit and loss.

The Sudan Commercial Bank was, in one regard, a novel departure for banking in Sudan as a locally-owned private venture. Nevertheless, its activities closely resembled those of the existing foreign-owned banks as it joined the Bankers' Association, subscribed to its Tariff and refrained from cultivation financing. Through a strategic combination of prestigious personal and business connections, public deposits and a nationalist pedigree, the Sudan Commercial Bank established itself as an effective rival to foreign-owned banks, and in 1963 Barclays DCO, Sudan's largest bank, judged that this institution was 'now our most serious rival'.[418] However, a second commercial bank would shortly be incorporated in Sudan that would enjoy and maintain a lead over the Sudan Commercial Bank in local lending.

[418] Barclays DCO, Half-yearly review: Khartoum El Gamhoria (31 March 1963).

Table 5.10. Business of the Sudan Commercial Bank 1963 to 1970										
	Deposits [a] (£S)	Advances (£S)	Deposits: advances	Revenue (£S)	Expenditure (£S)	Revenue: Expenditure	Depreciation (£S)	Tax obligations (£S)	Net profit (£S)	Dividend
1963				571,292	139,821	4.09	9,764	205,000	216,707	10%
1964	4,605,653	5,505,229	0.84	645,560	192,141	3.36	14,617	203,673	209,156	10%
1965	5,990,853	6,368,125	0.94	606,588	232,532	2.61	19,291	162,901	168,350	10%
1966	5,237,570	6,147,385	0.85	713,162	256,504	2.78	16,793	207,111	208,621	10%
1967	7,147,721	9,837,272	0.73	870,357	341,671	2.55	12,757	257,992	257,937	10%
1968	6,609,898	10,007,566	0.66	1,041,373	396,633	2.63	13,413	320,303	311,024	12%
1969	6,972,758	11,032,054	0.63	999,700	385,750	2.59	20,171	352,811	240,968	12%
1970[b]	7,389,595	10,716,062	0.69	1,194,710	428,244	2.79	22,503	448,145	281,147	10%

[a] Demand deposits and cash deposits against guarantees and documentary credits. The Sudan Commercial Bank did not offer time or saving deposits in this period.

[b] Bank nationalised from 25 May 1970 with Bank of Sudan as sole shareholder.

Source: Sudan Commercial Bank, *Annual reports* (multiple years). MEDU 17/4/BAN/1.

Al-Nilein Bank

The second commercial bank incorporated in Sudan was Al-Nilein Bank in 1964. Unlike the Sudan Commercial Bank, Al-Nilein was not a new business entity but rather a subsidiary of the Bank of Sudan and Credit Lyonnais that incorporated the latter's local business activities. Previous chapters described how Credit Lyonnais in Sudan pursued a strategy of lending in excess of its local deposits and drawing on its Egyptian balances. Although initially successful, this strategy was undermined by the nationalisation of Credit Lyonnais in Egypt in 1956. The bank's local liquidity was further undermined by the 1958 cotton crisis and the withdrawal of public institutional deposits in the 1960s, threatening ruin.[419]

Table 5.11 compares the bank's balance sheet in 1955 and 1964, and demonstrates the collapse of the bank's liquid position. 75.6% of Credit Lyonnais' advances in 1955 were covered by deposits (£S.4.6 million deposits to £S.6.0 million in advances). However, only one-eighth of these deposits (covering 10.1% of advances) came from private depositors. Nearly one quarter of Credit Lyonnais' deposits in 1955 were public institutional deposits from the Sudanese government and the Gezira Board, and nearly two-thirds of total deposits (and 47.5% of the value of advances) were from the bank's own branch in Alexandria. Meanwhile, 25.7% of the bank's advances were covered by lending from the National Bank of Egypt's Khartoum branch (NBEKh).

Credit Lyonnais lost more than two-thirds of its nominal deposits over the subsequent nine years, namely those of its Alexandrian branch and local public deposits. Private deposits did increase in nominal value, but total deposits now covered a paltry 14.3% of the bank's loans. Borrowing from the Bank of Sudan (which had replaced the NBEKh as bankers' banker) now covered 44.4% of the Credit Lyonnais' local lending. However, the situation was even more desperate than this. Credit Lyonnais' borrowing from the NBEKh in 1955 was of a largely commercial nature, with counterparts in assets pledged to the NBE which included cotton stocks in Egypt and financial securities in London. In 1964, the Bank of Sudan's lending to Credit Lyonnais was a pure central bank intervention that was increasingly required to prevent the French bank's failure in Sudan.

[419] See Chapters Three and Four.

Table 5.11. Balance sheets of Credit Lyonnais in Sudan (£E/£S.000s) 1955 and 1964			
22 December 1955			
Advances		Deposits	
Lending against produce	5,896	Private deposits	606
• *Cotton*	*Approx. 3,550*	Sudan Gezira Board	619
• *Non-cotton exports*	*Approx. 1,370*	Sudanese government	464
• *Imports*	*Approx. 680*	Alexandria Agency	2,861
• *Other*	*Approx. 300*	Total	4,550
Other	126		
Total	6,022	Borrowing from NBEKh	1,550
Cash-in-hand			
Local currency	22		
Foreign exchange	151		
Total	173	Balances from other banks	26
Payment agreements	431	Capital	500
Grand total	6,626	Grand total	6,626
30 November 1964			
Advances		Deposits	
Cotton cultivation	14	Current accounts	1,089
Cotton seed (export)	43	Time & saving accounts	351
Cotton (export)	5,210	Total	1,440
Non-cotton exports	1,379	Borrowing from Bank of Sudan	4,485
Imports	1,257	Capital	500
Uncleared effects	1,045	Foreign correspondents	
Other debit accounts	913	Balance w/ Cr Lyonnais, London	946
Bills discounted	234	Egypt	1,865
Total	10,095	Other	811
Foreign Correspondents	18	Total	3,622
Cash-in-hand			
Local currency	1		
Foreign exchange	45		
Total	46	Balances from other banks	38
Other accounts	112	Other accounts	186
Grand total	10,271	Grand total	10,271

Sources: Credit Lyonnais, Agences au Soudan: trésorerie (22 December 1955). DAE 10997. Credit Lyonnais, Analysis of Advances (30 November 1964) & Balance Sheet (30 November 1964). DAE 11350.

In 1964, this led to a novel financial development, namely, Credit Lyonnais selling part of its activities to the Bank of Sudan as shares in a local subsidiary. In the early 1960s, Sudanese public authorities experienced tighter foreign exchange positions than had been enjoyed a decade previously. From 1962, the government and the central bank had begun advocating voluntary 'localisation' by foreign commercial banks, namely, the incorporation of a local subsidiaries to be partly owned by Sudanese shareholders, which was articulated as the extension of Sudanisation to the private sector.[420] Such an arrangement would allow local shareholders to share in the profits of commercial banking, but it would also decrease the proportion of local bank profits that would be remitted outside of Sudan as foreign exchange outflows.

Chapter Six will explore how foreign-owned banks responded to government attempts to encourage or compel localisation. However, Credit Lyonnais was the only foreign bank to voluntarily incorporate a subsidiary in Sudan in this period. The French bank's dependence on the Bank of Sudan for its liquidity gave the latter leverage (quite literally) with which to compel the French bank to localise. However, localisation also served the interests of Credit Lyonnais as a means of divesting from its profitable but perilously illiquid activities in Sudan. There is no available archival record from Credit Lyonnais detailing the process and reasoning that resulted in a local subsidiary, but Barclays DCO speculated at the time that 'Credit Lyonnais are simply trying to find means for gracefully easing themselves out.'[421] An important obstacle to localisation, beyond the willingness of a foreign bank to commit to it, was the extent of local disposal income available for purchasing bank shares. A large cross-section of Sudan's capitalists had invested in the Sudan Commercial Bank from its creation, and this doubtlessly absorbed most of the disposable income that local investors were willing to commit to a banking venture. So, the Bank of Sudan decided with regard to Credit Lyonnais that it would itself purchase shares in the new local subsidiary.

In January 1963, a protocol was signed between Credit Lyonnais and the Bank of Sudan providing for the creation of a joint subsidiary. The articles of association for the new company were only registered with the Ministry of Commerce, Industry & Supply on 19 October 1964. The new institution, Al-Nilein Bank ('the bank of the two Niles') took over the activities of Credit Lyonnais in Sudan. Al-Nilein had a paid-up share-capital of £S.3 million out of an

[420] Bank of England, London, Letter to DJ Speares, UK Foreign Office (15 December 1966). FO 371/190438.
[421] Barclays DCO, Notes on the Chairman's visit to Sudan, Rhodesia, East Africa (February/March 1963), p. 4. BB0080/3646.

authorised capital of £S.4 million. Of the former, £S1.8 million was subscribed by the Bank of Sudan and £S.1.2 million by Credit Lyonnais, making the central bank the majority shareholder. Accordingly, a proportion of the funds lent annually by the Bank of Sudan to Credit Lyonnais were now invested in shares in a commercial subsidiary, thereby transforming a relationship of financial dependence into one of direct corporate control.[422]

Credit Lyonnais waived claims for payment of goodwill in the creation of Al-Nilein, and accepted payment for its shares sold to the Bank of Sudan in foreign exchange transferrable over four years.[423] This indicated that the French indeed viewed the arrangement as a welcome bailout rather than a commercial sale. However, there was a pecuniary reward for Credit Lyonnais elsewhere in deal. The entry 'Capital' in both balance sheets in table 5.11 represented an initial investment of £E.500,000 by Credit Lyonnais' Alexandria branch in 1953 in its new Sudanese offices. After the nationalisation of Credit Lyonnais in Egypt in 1956, Egyptian authorities demanded the repatriation of these funds as assets belonging to the nationalised entity, but the French bank refused. According to Sudanese capital controls, these funds imported from Egypt could only be transferred within Egypt and Sudan. As part of the negotiations leading to the creation of Al-Nilein, the Bank of Sudan agreed to reclassify these funds as 'French non-resident assets', meaning that they could be gradually transferred to France through the release of foreign exchange. This was a means for Credit Lyonnais to recover £S.500,000 that had become immobilised in Sudan through the vicissitudes of regional business, politics, and finance.[424]

This episode is a further example of accounting escaping the routine control of company accounts, after a negotiation resulted in a regulatory intervention to change the legal status of specific book entries. This action by the central bank highlighted its capacity to generate, rather than merely observe, accounting conventions. This event is indicative of wider dynamics in the international political economy of the 1960s, as the system of international capital controls formalised in 1944 at Bretton Woods was gradually giving way to a regime of capital account liberalisation. These events in Sudan are an example of how financialisation was driven by state actions re-regulating rather than de-regulating, including in the global periphery. Regulatory authorities such as the Bank of Sudan permitted the gradual liberalisation of capital accounts to bolster economic sovereignty, for example, by attracting investment, or, in this

[422] Credit Lyonnais, Jean Dauphin, Voyage au Soudan (March 1965), p. 9. CL/55/AH/7.
[423] Goodwill is an accounting concept representing the difference between net asset value and the market price of a company.
[424] Ibid., pp. 9-10.

case, to conclude a transaction taking over foreign bank shares. However, the aggregate effect of these measures was to compromise national sovereignty – especially in periphery countries – due to the destabilising effects of global financial flows.[425]

Al-Nilein Bank began activities on 1 November 1964. The three French directors of Credit Lyonnais in Sudan, Guy Davezac, Pierre Masson and Georges Petit, became directors of Al-Nilein. Petit was made General Manager, an appointment reserved for Credit Lyonnais in the bank's founding protocol. They were joined on the board of directors by three representatives of the Bank of Sudan, namely, Ali Husni, Muhammad Al-Makkawi Mustafa, and the Deputy Governor, Ibrahim Muhammad Ali Nimir. Finally, the chair of the bank, an appointment made by the Bank of Sudan, was Bashir Al-Bakri, a former Sudanese ambassador to France.[426]

Professional tensions soon emerged between the old and new directors. An inspection report by Credit Lyonnais in 1965 recorded that 'In our understanding, and according to how the statutes had consequently been understood, the Chairman served as a mere flag [of the Sudanese state], without real powers; he was to devote little time to the Bank. In contrast, BASHIR BAKRI has very much the intention of exercising real power, to come into the Bank every day and to assert his presence in meetings of the Board of Directors.'[427] The report described the Sudanese directors as 'merely spokespeople' of the Bank of Sudan who were pushing for the Sudanisation of internal staffing positions. Regarding the new chair, the patronising advice of the report was that French officials were 'not required to discourage [Bakri's] initiatives, but to take them seriously if we do not wish to create an enemy for ourselves, and we should study his ideas and refute them, if necessary, not dismissively but through serious arguments.'[428] The first annual report of the bank declared the Sudanisation of staff positions as its official policy, announcing that a schedule to this effect for management positions was already being implemented.[429] Out of the 169 staff Al-Nilein inherited from Credit Lyonnais, only three individuals other than the French directors were non-Sudanese staff, namely, two Greeks and one Maltese. This indicates that the targets of Sudanisation were quite specific individuals.[430]

[425] Eric Helleiner, 'Explaining the globalization of financial markets: bringing states back in', *Review of International Political Economy* 2, 2, (1995), pp. 315-341.
[426] El Nilein Bank, *Annual report* (1965). MEDU 17/4/BAN/1.
[427] Dauphin, Voyage au Soudan, p. 10.
[428] Ibid.
[429] El Nilein, *Annual Report* (1965).
[430] Dauphin, Voyage au Soudan, p. 17.

Credit Lyonnais continued to send the Sudanese staff of Al-Nilein to Paris for training, which it described as ‘following young individuals [through their training] so that they return to Sudan with a good impression of our country and aware of the importance of our institution.’[431] This contrasts with Barclays DCO’s prediction that the French bank wished to be ‘gracefully easing out’ of Sudan. Although Credit Lyonnais was no doubt content to be relieved of some of its exposure to an illiquid business in Sudan, it remained dedicated to its subsidiary by investing in staff training, a strategy that was understood as intertwined with the national interests and standing of France in that country. It reveals as well that the European bank was more at ease with Sudanese colleagues who were subordinates, rather than managerial equals. Credit Lyonnais also supported its subsidiary through technical inspections and by acting as a correspondent supplying foreign exchange, which table 5.11 demonstrates was a large proportion of the bank’s financing by 1964.

Al-Nilein inherited the structural weaknesses of Credit Lyonnais in Sudan, namely, a perilous shortage of liquid resources with which to finance its substantial lending. In 1965, Al-Nilein decided to reverse its predecessor’s policy of focusing exclusively on large-scale export lending, and sought instead to build a local deposit base, a policy endorsed by both of the bank’s owners. In this, Credit Lyonnais’ 1965 inspection proposed a role for Bakri, suggesting that he should compile a list of wealthy Sudanese and approach them individually to canvass their accounts for the bank. Bakri, for his part, also proposed that the bank develop new financial services, such as life insurance, an idea that the French inspector resisted.[432]

The bank’s search for new business and deposits also included branch expansion. Previous chapters have described how Credit Lyonnais abstained from the branch banking strategies of Barclays DCO, the Ottoman Bank and Banque Misr, operating instead from two high-turnover branches in Khartoum and Port Sudan. Three branches had been opened in the White Nile in 1957, but this unsuccessful incursion resulted in all of them save Al-Duiem being closed. In four years, Al-Nilein doubled the number of offices that it had inherited from Credit Lyonnais, a total of three offices produced by an eleven-year operation in Sudan. Al-Nilein opened branches in Omdurman in 1965, Karima in 1967, and Wad Madani in 1969.[433]

A new inspection report by Credit Lyonnais in 1969 revealed that the bank had been highly successful in building its deposit base, expanding from a mere 1,200 deposits in 1965 to 6,579 in 1969. This was reportedly as a result of expanding branches, canvassing potential

[431] Ibid., p. 19.
[432] Ibid., p. 16.
[433] El Nilein Bank, *Annual Reports* (1965, 1967 & 1969). MEDU17/1 BAN.

clients, expanding medium-sized lending which brought a counterpart in customer deposits, and offering new services such as accident insurance. The latter proved a vindication of Bashir Al-Bakri's proposals for service diversification.[434] The report made further proposals such as delegating more routine decisions from the local board to branches, modernising bank machinery, and limiting new hires to make staff costs more efficient.[435] 1969 also saw Al-Bakri retire from Al-Nilein. Ibrahim Muhammad Ali Nimir succeeded him as chair and also became co-managing director alongside Georges Petit.[436] With this full-time appointment, Nimir left his position as Deputy Governor of the Bank of Sudan where he was replaced by Awad Abd Al-Majid.[437]

Table 5.12 demonstrates Al-Nilein's success at building its deposits relative to advances and table 5.13 shows that this was due, in part, to the bank's late but successful entry into the local drive for saving accounts. Ratios in both tables are distorted by the fact that the Bank of Sudan held a significant sight deposit with Al-Nilein during its first two years to support its liquidity, but this means that the bank's success in building overall deposits in the late 1960s was all the more impressive. Table 5.14 shows that Al-Nilein retained its predecessor's dominance in specific areas of lending, notably exports and industrial financing, dwarfing lending by the Industrial Bank in the latter regard. Table 5.12 also demonstrates that, in contrast to the Sudan Commercial Bank, Al-Nilein's revenue was rising relative to gross expenditure.

Al-Nilein was a highly peculiar creation whereby a central bank participated directly in local commercial banking through a majority-owned subsidiary. Nevertheless, it built successfully on a profitable banking business to improve its liquidity and provide effective competition to its rivals.

[434] Credit Lyonnais, Compte rendu de mission de MM. GUOYMARD & GROSJEAN' (1969), p. 1. CL/192/AH001.
[435] Ibid.
[436] El Nilein Bank, *Annual report* (1969). MEDU 17/4/BAN/1.
[437] Central Bank of Sudan, Awad Abdel Magied Aburiesh. Available online: https://cbos.gov.sd/en/node/618. (Accessed on 20 December 2020).

Table 5.12. Business of Al-Nilein Bank 1965 to 1970										
	Deposits (£S)	Advances (£S)	D:A	Revenue (£S)	Expenditure (£S)	Revenue: Expenditure	Deprecation (£S)	Tax obligations (£S)	Net profit (£S)	Dividend
1965	1,100,790	6,151,627	0.18	833,432	506,112	1.65	10,498	155,751	161,071	5%
1966	2,616,017	8,735,539	0.30	927,434	518,104	1.79	13,262	195,411	200,657	6%
1967	4,570,173	13,819,644	0.33	1,595,818	889,100	1.79	27,118	341,816	337,784	9%
1968	4,920,718	18,308,798	0.27	2,052,292	1,189,431	1.73	19,308	414,392	429,161	11%
1969	6,778,032	15,881,808	0.43	2,179,713	1,226,835	1.78	20,654	554,249	377,975	12%
1970[a]	8,151,354	19,129,062	0.43	1,216,939	564,725	2.15	13,379	393,160	245,675	Disputed [b]

[a] Bank nationalised from 25 May 1970 with Bank of Sudan as sole shareholder.

[b] Disputed between shareholder and board of directors. The Bank of Sudan as sole shareholder after 25 May instructed dividend to be paid to its own account only. The board of directors refused to execute this instruction due to Credit Lyonnais' claim to profits earned before 1969.

Source: El Nilein Bank, *Annual reports* (multiple years). MEDU 17/4/BAN/1.

Table 5.13. Deposit distribution of Al-Nilein Bank 1964 to 1970								
	Current accounts		Deposit accounts		Savings accounts		TOTAL	
	£S	%	£S	%	£S	%	£S	%
1964	1,089,000	75.5%	100,000	6.9%	251,000	17.4%	1,440,000	100%
1965	777,465	70.6%	115,269	10.5%	208,056	18.9%	1,100,790	100%
1966	2,105,400	80.5%	158,809	6.1%	351,808	13.4%	2,616,017	100%
1967	3,228,063	70.6%	502,707	11.0%	839,403	18.4%	4,570,173	100%
1968	3,194,476	64.9%	625,030	12.7%	1,101,212	22.4%	4,920,718	100%
1969	4,692,523	69.2%	466,155	6.9%	1,619,354	23.9%	6,778,032	100%
1970	5,392,880	66.2%	617,239	7.6%	2,141,235	26.3%	8,151,354	100%

Sources: Credit Lyonnais, Balance Sheet (30 November 1964). DAE 11350 and El Nilein Bank, *Annual reports* (multiple years). MEDU 17/4/BAN/1.

Table 5.14. Al-Nilein Bank's share of total commercial bank lending in Sudan. 1969 and 1970		
Type of lending	1969	1970
Loans against cotton	55.6%	53.8%
Loans against non-cotton produce	47.6%	44.3%
Working capital for industry	28.8%	30.4%
All short-term advances	36.4%	33.7%
All advances	31.9%	29.5%

Source: El Nilein Bank, *Annual report* (1970). MEDU 17/4/BAN/1.

The Real Estate Bank

This section examines the third state-investment bank to open in Sudan, the Real Estate Bank, which was created in 1967. Like the small-scale, long-term and under-collateralised activities financed by the Agricultural and Industrial Banks, lending for real estate was an activity that was typically neglected by foreign-owned commercial banks as a matter of policy. In practice, however, these banks accepted mortgage securities and occasionally financed purchases and construction of property for their most important clients. Unlike the Agricultural and Industrial Banks, the Real Estate Bank does not appear to have left an archival trace from this period in the National Records Office of Sudan, the Central Bank of Sudan library, the University of Khartoum or libraries and archives outside of Sudan. Consequently, I am dependent on a brief secondary analysis by Fatima Mahmoud.

Sudan's export boom in the 1940s and early 1950s had seen revenues partly reinvested in urban property development, especially in Khartoum, Khartoum North, Omdurman, and Port Sudan. As European administrators, businesspeople and their families left Sudan later in the 1950s, desirable residential neighbourhoods that had once been the almost exclusive reserve of expatriate communities were attainable for wealthy Sudanese. New suburban neighbourhoods were built, notably on the southern fringes of Khartoum, and Sudanese professionals who purchased new builds in these areas found that they owned assets with rapidly rising values.[438] In the 1960s, urban property became an effective store of value against accelerating inflation.

If windfall gains and active speculation rewarded Sudanese who were able to purchase urban property in new suburbs, then the Real Estate Bank mobilised public finance to expand property ownership to those with more modest incomes. Mahmoud writes 'The Agricultural and Industrial Banks were conceived as institutions for furthering the interests of capitalists. The Estates Bank, by contrast, was meant to solve housing problems for low-income groups.'[439] This is perhaps too rosy a picture. Salaried workers were a small section of Sudan's overall population. So, even those with 'low' but steady incomes appropriate for mortgage financing enjoyed privileged access to a monied urban economy. The Real Estate Bank existed to expand property ownership by transforming waged and salaried workers into small-scale capitalists, contracting debts to invest in a long-term asset.

Figures presented by Mahmoud indicate that the bank was initially successful in extending finance to members of 'low-income groups', who received 82% of loans issued by

[438] Gamal Hamdan, 'The growth and functional structure of Khartoum', *Geographical Review* 50, 1, pp. 21-40.
[439] Mahmoud, *Sudanese bourgeoisie*, p. 64.

the bank in 1972. After this date, the bank's policy changed dramatically. The bank was facing the same liquidity pressures as other public institutions, which could only be resolved by additional inflationary financing from the Sudanese state or a reduction in new loans. As a result, the bank was permitted to seek capital from the private sector through share and bond issues. It subsequently redirected its lending towards members of the local business sector who assured the financial viability of the bank. The share of the bank's lending to 'low-income' individuals fell to 22% in 1973, demonstrating the about turn in policy after President Jaafar Nimeiri's retreat from socialism, to be explored in Chapter Seven.[440]

There had been unsuccessful attempts to establish the Industrial Bank as a partnership between public and private, possibly foreign, capital. Al-Nilein Bank was a successful public-business partnership with the state takeover of shares in a commercial bank, Credit Lyonnais, which was in turn owned by the French state. The Real Estate Bank was an example of this process occurring in reverse, with the Sudanese state opening a public company to privatisation and investment from local business. This anticipated multiple waves of reprivatisation of public assets in Sudanese history, from the late 1970s onwards.

***

This chapter has examined the five banks incorporated in Sudan before 1970, and has analysed each as a project by different capital providers to establish new ways of organising and profiting from local finance. Each enjoyed qualified successes in achieving their ends. Three state-investment banks used public funds to lend to areas that had been neglected historically by foreign commercial banks. However, their activities were frequently constrained or repurposed in response to political events or resource pressures. The Sudan Commercial Bank was a successful private-sector institution that nevertheless relied on state support through public endorsement and institutional deposits. Al-Nilein went further still, being a commercial bank that was majority-owned by the central regulatory authority of the financial sector. I have described multiple instances of politicians, civil servants, and diplomats leaving the public sector for business roles, revealing a state-finance nexus that created shared pecuniary interests between the public and corporate sectors. Four of the five banks examined in this chapter were created under the military-developmentalist regime of Ibrahim Abboud, meaning that Sudan had a transformed banking landscape by 1964 when this regime was toppled by a popular uprising.

[440] Ibid.

Chapter Six: Banking, finance and democratic politics

This chapter examines banking, finance and democratic politics during Sudan's second parliamentary period, from 1964 to 1969. Changes in business structure between 1958 and 1964 transformed the terms of political debate compared with Sudan's first parliamentary period, with opposing political-business coalitions proposing divergent responses to Sudan's local and external resource imbalances. In particular, some governments – notably those led by Muhammad Ahmad Mahjub – turned towards active state intervention in the economy and direct regulatory challenges to foreign capital.

The first section presents a major reinterpretation of politics during Sudan's second parliamentary period based on the investment theory of party competition. The second section examines the continuation of a state-finance nexus in this period as banks reshuffled their relationships with outgoing and incoming elites. The third section examines two events in 1967 which caused the Sudanese government to challenge the country's external relationship with sterling. The final section examines the Banking (Localisation) Act, which constituted the greatest legislative challenge to banks in Sudan prior to nationalisation.

Business structure and party competition 2

This section presents a major reinterpretation of Sudan's second period of parliamentary rule. Chapter Four described how Ibrahim Abboud appointed Mamoun Beheiri as Minister of Finance in November 1963, from which office Beheiri implemented a 'year of austerity' in an attempt to redress the country's external and local deficits. Although Beheiri's measures succeeded in those aims, at least in the short term, they inflicted economic hardship on the Sudanese population. In this context, Abboud's military government introduced gradual measures of liberalisation in a bid to renew its popular legitimacy. This included allowing trade unions to register, albeit with continued restrictions on their activities, in a corporatist vision of national economic development.

In September 1964, the government convened a series of public debates in the University of Khartoum aimed at exploring solutions to Sudan's 'southern question', namely, the costly civil war in the country's southern provinces.[441] These debates were rapidly co-opted by northern opposition politicians to criticise limits to political and civil liberties in the country as a whole. The government consequently suspended the debates. Police broke up student meetings and seminars organised in defiance of this suspension, and one student, Ahmad Al-Qurashi, was killed by police fire. Al-Qurashi's funeral sparked major protests in Khartoum Province, and, shortly, across Sudan against the military government. To this was added a general strike launched by professional associations and trade unions. Under this revolutionary pressure, Abboud dissolved the Supreme Council of Armed Forces on 26 October and appointed a Transitional National Council (TNC) to oversee a return to parliamentary rule. Several weeks later, Abboud himself resigned and full executive powers were vested in the TNC.[442]

The Transitional National Council (TNC) governed Sudan from the 'October Revolution' of 1964 until April 1965, when the organisation of elections completed Sudan's return to parliamentary rule. The Umma Party once again returned the largest number of parliamentarians, though without an outright majority. Coalition politics in this period was dominated by a split of the Umma Party in 1966 into two factions led respectively by Imam Hadi Al-Mahdi (Umma-Imam) and his nephew Sadiq Al-Mahdi (Umma-Sadiq). These factions succeeded each other in government, each in alliance with the National Unionist Party (NUP).

[441] Willow Berridge, *Civil uprisings in modern Sudan: the "Khartoum Springs" of 1964 and 1985* (London: Bloomsburg, 2015), p. 21.
[442] Ibid., pp. 21-28.

Even more so than the first parliamentary period, the second period of parliamentary rule in Sudan is frequently reduced by scholars to one of petty personal and sectarian rivalries or, according to Peter Woodward, a 'farce.'[443] Tim Niblock devotes a mere page to this period in his otherwise authoritative study of Sudanese politics, where he explains the split in the Umma Party in terms of a 'traditionalist' (Imam) and 'modernist' (Sadiq) wing, but does not elaborate.[444] After an incisive analysis of the politics of the TNC, Willow Berridge describes the succeeding parliamentary period as one of 'intense personal competition between major northern politicians such as Isma'il al-Azhari, Muhammad Ahmad Mahgub and Sadiq al-Mahdi'.[445] For Alden Young, the divisions within the Umma Party are a 'macabre' three-way battle between Hadi Al-Mahdi, Sadiq Al-Mahdi and Muhammad Ahmad Mahjub, and he explains that 'This battle pitted religious authority based on scholarship versus that based on heredity against secular learning and experience in a myriad of combinations.'[446] However, none of this accounts for the fact that the alternating governments led by rival factions of the Umma Party pursued diametrically opposed policies in the key area of economic and financial regulation. Below, I present an analysis of this period based on an investment model of party competition, and which reintroduces policy to the analysis of Sudanese politics.

The TNC was a government of national unity that included ministers from the Umma Party, the NUP, the People's Democratic Party (PDP), the Sudanese Communist Party (SCP), the Islamic Charter Front (ICF, the Sudanese chapter of the Muslim Brotherhood) and southern representatives, as well as trade unions and professional associations. The Prime Minister within the TNC was Sirr Al-Khatim Al-Khalifa, a senior civil servant from the Ministry of Education, who was not a party member.[447] The SCP and its allies in the professional associations and trade unions received ministerial portfolios in health, agriculture and local government, to the derision of local banks. Notwithstanding, strategic portfolios such as finance, foreign affairs and defence remained firmly in the hands of orthodox political or technocratic appointments. Despite his role in applying harsh austerity measures in the ousted military government, Mamoun Beheiri was invited by the parties in the TNC to continue in his ministerial office, thereby indicating the implicit assumption that political revolution need not imply revolution in budgetary or monetary policy. Beheiri, however, declined the appointment.

[443] Peter Woodward, 'Sudan's fragile state' in John Ryle et al. (eds), *The Sudan handbook* (James Currey: Woodbridge, 2011), p. 88.
[444] Tim Niblock, *Class and power in Sudan: the dynamics of Sudanese politics, 1898-1985* (Macmillan: Basingstoke, 1987), pp. 228-229.
[445] Berridge, *Civil uprisings*, p. 40.
[446] Alden Young, *Transforming Sudan*, p. 134.
[447] Ibid.

Instead, the key position of Minister of Finance was given to Mubarak Zarruq, an NUP politician who had been Sudan's first Minister of Foreign Affairs in the government of Ismail Al-Azhari.[448] The NUP was still a broad political coalition with a radical left wing, but Zarruq was not from this faction. The local directors of Barclays DCO reported to London that 'Our Sudanese colleagues seem well satisfied with the appointment', while Credit Lyonnais judged that Zarruq 'appears informed and conscious of his responsibilities and should tackle [Sudan's financial problems] in the difficult conditions of heated demagoguery within a coalition government'.[449] This was an orthodox appointment.

I agree with Berridge's assessment that the TNC oversaw Sudan's return to electoral democracy while simultaneously foreclosing on much of the radical policy potential of the October Revolution in which the SCP, organised labour, and student unions had played a leading role.[450] However, I believe that Berridge, along with other scholars, underestimates the extent to which specific government coalitions between 1965 and 1969 reopened many of these possibilities, particular in economic policy, as I shall seek to demonstrate.

Elections in April 1965 returned the Umma Party as the largest group in the Legislative Assembly, with 76 out of 173 parliamentarians, followed by the NUP with 54. The PDP was seen to have supported the military government, and its representation fell to a mere three seats. Eleven seats were won by the SCP, five by the ICF and the remainder by regionalist parties and independents.[451] Shortly after negotiations began regarding the formation of a coalition government, Zarruq died in office. He was briefly replaced as Minister of Finance by Ibrahim Al-Mufti, another NUP politician. Al-Mufti was Ismail Al-Azhari's cousin, and had been the Minister of Commerce, Industry & Supply in both of Al-Azhari's governments.[452] In June, a coalition was formed between the Umma Party and the NUP. The Umma Party's president, Sadiq Al-Mahdi, was too young to accede to the position of Prime Minister under the Sudanese constitution, so the position went to Muhammad Ahmad Mahjub, a professional lawyer who had represented both Credit Lyonnais and the Dairat Al-Mahdi.[453] In 1956, Mahjub had succeeded Zarruq as Minister of Foreign Affairs, and he had returned to this position in the TNC. While the Umma Party obtained the position of Prime Minister, Ismail Al-Azhari from

[448] Barclays DCO, LHO, Letter to General Managers (2 November 1964). BB0011/2592.
[449] Ibid & Jean Dauphin, Voyage au Soudan (1965), p. 7. CL/55/AH/7.
[450] Berridge, *Civil uprisings*, pp. 149-174.
[451] Niblock, *Class and power*, p. 229.
[452] Wazaarah al-maaliiah wa al-takhTiiT al-iqtiSaadiiah, tariikh al-wazaarah. Available online: http://mof.gov.sd/en/about/history-of-the-ministry. (Accessed 28 November 2020). Foreign Office, UK, Sudan: prominent personalities (1956). FO 371/125960.
[453] See Chapter Three.

the NUP was appointed President of Sudan, while the first ever direct elections for this position were scheduled for the end of his term in 1969.

Previous chapters have argued that the Umma Party was backed by capitalists in commercial cotton production. Indeed, this association is established in the literature, even if its implications for the party's policies in government are rarely explored. Furthermore, in a survey of major Sudanese businessmen in the 1970s, Fatima Mahmoud found that there was a bias among Sudan's largest capitalists, regardless of sector, towards support for the Umma Party, and that the party remained the representative of the Sudanese elite oriented towards Western commercial and financial markets.[454] However, I argue that transformations in the cotton sector after 1958 meant that the Umma Party was no longer an automatic supporter of economic orthodoxy by 1965. The 1958 cotton crisis led to this sector's substantial indebtedness, and attempts by foreign-owned banks to recover past debts by foreclosing on security. This caused some factions of the party in government to support policies of economic nationalism and state intervention to support sectors of the economy that had otherwise failed in a marketplace dominated by foreign capital.

After the 1965 elections, Barclays DCO noted with consternation 'that nationalisation of foreign banks is a frequent cry from the left and was hinted at in the manifestoes of the Umma and N.U.P.'[455] The British embassy, meanwhile, was concerned by the rise of Mahjub who, although a member of the ostensibly conservative Umma Party, fraternised with prominent communist lawyers such as Ahmad Sulayman through the Bar Association.[456] Berridge cites these interactions to argue that leading communists such as Sulayman were well integrated in elite social circles, as they mingled with conservative politicians who were colleagues in the legal profession. However, the reverse argument also holds, namely, that the 'conservative' Mahjub saw prominent communists as legitimate members of the political debate in Sudan.

Al-Mufti was replaced as Minister of Finance in this new government by Husain Al-Sharif Al-Hindi. Al-Hindi was a member of the NUP, but, unlike Zarruq and Al-Mufti, he was from its left wing and was possibly the most radical individual to occupy this ministry in Sudan's history. Although related by family to the leadership of the Hindiyya tariqa, Al-Hindi was a secular nationalist and pursued heterodox economic and monetary policies from his ministerial office. Unlike Beheiri, Al-Hindi favoured import, credit and capital controls rather

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454 Fatima Mahmoud, *The Sudanese bourgeoisie: vanguard of development?* (London: Zed Books, 1984), p. 144.
455 Barclays DCO, Half-yearly report: Sudan (30 September 1965).
456 British Embassy, Khartoum, Letter to Foreign Office (15 February 1965), cited in Berridge, *Civil uprisings*, pp. 156-157.

than budgetary austerity to redress Sudan's balance of payments pressures, and Chapter Five described the use of the Agricultural Bank to grow Sudan's cooperative movement during Mahjub and Al-Hindi's first term in office.

Chapter Three described how the arrival of a military government in 1958 was endorsed by greater external creditworthiness. After the formation of an elected government in 1965, the reverse occurred, as a French financial bulletin noted:

> If, before the popular uprising in October 1964 against the military regime, *the country was already suffering from an economic crisis*, [my emphasis] it nevertheless enjoyed a certain degree of external confidence and it could expect aid to help surmount the most immediate difficulties. In contrast, since the arrival on 13 June [1965], of the new government following the revolution, this confidence seems to have disappeared under the menace of Sudanisation, nationalisation, worker and peasant demands, and strikes by clerical workers. Moreover, from October 1964 until June 1965, there was no inflow of foreign capital, private, public or international, with the World Bank itself exercising caution. [Underlining in original].[457]

Mahjub's Umma—NUP coalition was a synthesis of the interests of indebted cotton growers and the radical nationalist wing of Sudanese politics. However, this invited policy challenges. Capital controls combined with public deficits arising from the ongoing conflict in southern Sudan, without corresponding austerity in social expenditure, resulted in accelerating inflation. There remained large Sudanese capitalists outside of the indebted cotton sector, including those who were traditional supporters of the Umma Party, who would have been alarmed by this radical turn and its effects. In July 1966, the loss of external investment threatened a reserve crisis and there were rumours of an imminent devaluation of the Sudanese Pound.[458] However, this was precluded by a split in the Umma Party that brought down Mahjub's government.

The split was led by Sadiq Al-Mahdi against the influence of Mahjub and Al-Mahdi's uncles Yahia and Imam Hadi Al-Mahdi, the heirs of the indebted Daira. Subsequent attempts to interpret this split through personal or sectarian rivalry overlook the fact that this was a divide among political investors, between indebted cotton growers being foreclosed on by foreign-owned banks and Western-oriented big business with no desire for a confrontation with foreign capital. Moreover, there were contemporary rumours in Khartoum that Sadiq Al-Mahdi received funding from the US Central Intelligence Agency (CIA) as part of its regional anti-communist strategy, a fact that has since been verified by multiple interviews with US diplomats.[459] The British Embassy also recorded having contacts with Sadiq Al-Mahdi as part

[457] Unknown provenance, holdings of Credit Lyonnais, *Événements et perspectifs* (17 November 1965). DEEF 73100.
[458] RW Munro, British Embassy, Khartoum, Letter to NL Hibbs, Board of Trade (14 July 1966). FO 371/190438.
[459] Interview with Robert Oakley, United States Embassy, Khartoum (7 July 1992). Association for Diplomatic Study & Training. Available online: https://www.adst.org/Readers/Sudan.pdf. (Accessed 28 November 2020).

of its regional political and anti-communist strategy.[460] For both of these Western states, 'anti-communism' in the postcolonial world was frequently and readily elided with generalised opposition to progressive and nationalist policies, such as those of the Mahjub—Al-Hindi governments.

Al-Mahdi had recently reached the minimum required age to become Prime Minister, and acceded to this position in July 1966 heading a technocratic pro-business coalition. Al-Mahdi also governed in alliance with the NUP which also had its own orthodox wing representing large-scale mercantile interests. Al-Mahdi appointed Hamza Mirghani as Minister of Finance. Mirghani had been one of the three Deputy Under-Secretaries in the Condominium's Finance Department in 1953, and he had since left Sudan for a position in the International Monetary Fund (IMF). He now returned as a technocratic appointment in this ministry, pursuing highly orthodox policies to exit Sudan's renewed crisis in external reserves, including budgetary austerity and the negotiation of IMF drawing rights.[461] As labour militancy was rising in response to domestic inflation – including among local bank staff – Mirghani privately encouraged employers to resist wage and salary demands.[462] Barclays DCO noted with satisfaction that 'the post of Minister of Finance has recently reverted to sound professional hands,'[463] while the British Ambassador reported that 'Hamza Mirghani is clearly anxious not to upset Her Majesty's Government or the City.'[464]

For Young, Mirghani's appointment is the end of an era and the end of his study. The former civil servant from the Condominium's Finance Department had returned to be its minister, thereby institutionalising the technocratic outlook of a civil servant in the political leadership of his ministry. Moreover, due to Mirghani's previous employment with the IMF and his subsequent negotiation of drawing rights, Young argues that 'The adoption of values such as transparency and stabilization in the middle of the 1960s alters the received narrative of the neoliberal crisis of the African state, which is traditionally dated to the 1981 publication of the Berg Report.'[465] This identifies neoliberalism somewhat too closely with the bogeyman of the IMF, which was a foundational part of the original Bretton Woods system, to which economic neoliberalism was a subsequent reaction. Moreover, Mirghani's ascendancy was

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[460] Robert Fowler, British Embassy, Khartoum, The communist threat to Sudan (13 June 1968). FCO 168/3553.
[461] Young, *Transforming Sudan*, p. 106.
[462] Colin Mellor, Labour Advisor, Barclays DCO, Khartoum, Letter to General Managers (22 September 1966). BB1214/0066.
[463] Barclays DCO, Half-yearly reports: Khartoum El Gamhoria (30 September 1966).
[464] Robert Fowler, British Embassy, Khartoum, Letter to Foreign Office, UK (22 November 1966). FO 371/190438.
[465] Ibid., p. 130.

short-lived, as he and Sadiq Al-Mahdi were ousted from office only ten months later. The Imam wing of the Umma party had successfully negotiated a new coalition with the NUP which saw Mahjub and Al-Hindi return to their previous positions in May 1967, which they would retain for over two years. Returned to office, Al-Hindi intensified his nationalist challenge to foreign capital in Sudan, by liquidating Sudan's sterling reserves as part of a geopolitical confrontation, causing banks to shoulder part of the exchange loss from sterling's 1967 devaluation, creating state monopolies that nationalised imports of multiple consumer items, and enacting legislation requiring a 75% localisation of bank shareholding. These developments are analysed in this chapter. Meanwhile, Al-Hindi sought to protect social expenditure by fighting exchange outflows with capital controls, credit limits and import licensing, and accepting the resulting cost of rising inflation. These policies considered alongside the nationalisation of banks in 1970, examined in Chapter Seven, show that there were more dynamics at play in Sudan in the late 1960s than the triumph of neoliberalism.

So far, this section has argued that governing coalitions in Sudan's second parliamentary period were an alternation between interventionist and orthodox wings of both the Umma Party and the NUP. This raises the question of why Sudanese politics was not organised around parties that embodied this policy opposition. A clue comes from the work of Fatima Mahmoud. In her interviews with the 100 wealthiest businessmen in Sudan in 1976, Mahmoud recorded their political affiliation. Table 6.1 is reproduced from Mahmoud where, frustratingly, it is presented only in terms of percentages, without the original numbers making clear, in particular, what overlap exists between economic sectors.

Table 6.1. Political affiliation of 100 largest businessmen by sector
1976 interviews by Fatima Mahmoud

Party	All sectors	All agriculture	Mechanised farming	Industry	Trade	Services
Umma	38%	44%	68%	50%	36%	50%
PDP	30%	20%	14%	22%	21%	
NUP	16%	4%	10%	11%	23%	50%
Sudanese Socialist Union [a]	16%	12%		11%	18%	
Undisclosed		20%	8%	6%	2%	
TOTAL	100%	100%	100%	100%	100%	100%

[a] Founded in 1971. Ruling party of military government.
Source: Fatima Mahmoud, *The Sudanese bourgeoisie: vanguard of development?* (London: Zed Books), p. 144.

Table 6.1 confirms the sectoral alignment of Sudan's parties, with the Umma Party dominant among agriculture (especially mechanised farming) and overall, and the PDP and the NUP in combination dominant in trade.[466] In addition, Mahmoud notes the dilution of the association between sectors and parties following independence, as large business conglomerates diversified their investments. Furthermore, she notes that big business was more inclined towards the Umma Party, regardless of sector, as noted above. It is striking that party identifications among Sudan's economic elite persisted seven years after a return to military rule and the dissolution of political parties in 1969, and that separate PDP and NUP identities existed despite the formal merger of these parties in 1967 to form the Democratic Unionist Party (see last section). Mahmoud explains that party membership was an important means of forming business networks and accessing credit.[467] This is an important insight, namely, that political parties were vehicles through which business sectors were organised for purposes beyond electioneering, which ensured their continued social and economic relevance during periods of military rule. Parties were means of building networks between suppliers and distributors, debtors and creditors, and personal and professional relationships among Sudan's elite, relationships which overlapped with those of family and religion. In some periods, such as the early 1950s, Sudan's parties were able to act as unified political representatives of their sectors. In others, such as the 1960s, they divided based on other policy oppositions, but without these divisions necessitating the ultimate dissolution of Umma, NUP or PDP identities.

This section has argued that Sudanese politics in this period was not a 'farce' of personal and sectarian rivalries. Rather, the split in the Umma Party, like that in the NUP in 1956, was driven by different sections of capital organising around shifting coalitions of political investors. Mahjub and Al-Hindi embodied an alliance of indebted cotton capitalists and left-leaning nationalists who were willing to mount a political and regulatory challenge to foreign finance-capital in Sudan that has been entirely overlooked by historians. This chapter seeks to redress that oversight and explores that challenge in detail.

[466] It is notable that the ICF is not represented among Sudan's largest capitalists. This supports an argument I make elsewhere that the ICF and its successors built their support in Sudan through a small business revolution. Harry Cross, 'Banking, business and sovereignty in Sudan' in Kai Koddenbroch et al. *Monetary sovereignty in Africa in the 21st century* (London: Pluto Press, 2021).
[467] Mahmoud, Sudanese bourgeoisie, p. 100.

Changing the guard

This section examines how Sudan's banks navigated regime change and the large-scale turnover of political elites, seeking subsequently to re-establish close working relationships with new public authorities.

As Sudan returned to parliamentary rule, close relationships that had been forged between private banks and some members of the outgoing military elite were rapidly devalued. In 1962, Barclays DCO had issued a mostly unsecured loan to Zain Al-Tayeb, the military governor of Darfur, for the construction of a property in Khartoum. The bank specified that the loan had been 'granted on policy grounds (though unsatisfactory security position has been taken up with branch).'[468] After the October revolution, Al-Tayeb was pensioned off and lost the salary with which he had been repaying his bank. Barclays DCO noted that 'Branch have been unable to establish contact with debtor and legal proceedings have been instituted' but that 'L[ocal] H[ead] O[ffice] consider repayment to be very doubtful […] We propose to increase provision to cover fully the debt.'[469]

Others were more fortunate. The outgoing military Commissioner of Labour, Brigadier Muhammad Abd Al-Halim, was appointed as a legal advisor by Banque Misr.[470] Meanwhile, Mamoun Beheiri, who had declined to continue as Minister of Finance in the TNC, left Sudan after the October Revolution and became the first President of the African Development Bank.[471] As for Beheiri's ministerial predecessor, Abboud's long-serving Minister of Finance Abd Al-Majid Ahmad, he had secured subsequent employment shortly before the outbreak of the revolution. Ahmad had resigned as Minister of Finance in November 1963, ostensibly due to ill-health. Several months later, he had been hired as a local director by Barclays DCO. The appointment had been some time in planning. During a visit to Sudan in 1961, a London official of the bank met with Ahmad and described him as 'A friendly and very Anglicised Civil Servant – he has lunched at the Bank in London. Very well disposed to Bank […] He is educated and pleasant, might well be a possibility for a Sudanese Local Director. Discussions followed at Local Head Office.'[472] Barclays DCO paid Ahmad £1,000 per annum, and a later visit in 1966 observed that 'Abdel Magid is not I believe a poor man; a former Minister of

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468 Barclays DCO, LHO, Bad and doubtful debts: Miralai Zain El Abdin Hassan El Tayeb (31 December 1965). BB0011/2342.
469 Ibid.
470 Foreign & Commonwealth Office, UK, Leading personalities (1969). FCO 39/485.
471 African Development Bank Group, Past presidents. Available online: https://www.afdb.org/en/about-us/corporate-information/history/past-presidents. (Accessed 30 November 2020).
472 Barclays DCO, Mr Rodway's Visit to Sudan, (February/March 1961). BB0080/4350.

Finance he has other directorships.'[473] Ahmad's appointment was part of a deliberate strategy by Barclays DCO to hire Sudanese directors, and in 1965, the bank also appointed Nasr Al-Haj Ali, who had been the Vice-Chancellor of the University of Khartoum. The same visit observed that 'in the purely business sphere [Ahmad's] influence outweighs that of his colleague [Ali] who has such an impressive academic background.'[474] Both Ahmad and Ali remained local directors of Barclays DCO until its nationalisation in 1970.

The October revolution also prompted the rise or return of new political elites. The Sudan Commercial Bank was fortunate in seeing several of its founding shareholders obtain senior government positions, including Mubarak Zarruq (Minister of Finance, 1964 to 1965); Muhammad Ahmad Mahjub (Minister of Foreign Affairs, 1964 to 1965 and 1967 to 1968; Prime Minister, 1965 to 1966 and 1967 to 1969) and Hamza Mirghani (Minister of Finance, 1966 to 1967; also, the son of a director of the Sudan Commercial Bank).[475] In sum, from the creation of the TNC in October 1964 until the military coup in May 1969, there was no point at which the Sudan Commercial Bank did not have at least one of its founding shareholders occupying one of the senior positions of Prime Minister, Finance Minister or Minister of Foreign Affairs. Foreign-owned banks' suspicions that the Sudan Commercial Bank and Al-Nilein were receiving preferential state support through public deposits and readier access to foreign exchange consequently continued into this period.[476]

Chapter Five described how senior politicians from Sudan's first parliamentary period, who returned as politicians after 1964, had been accommodated by the intervening military-developmentalist regime when they engaged in apartisan technical and pecuniary activities in the public and private financial sectors. In contrast, many were treated harshly when they chose to undertake acts of political opposition. In 1961, Ismail Al-Azhari, Mubarak Zarruq, Abdallah Khalil and Muhammad Ahmad Mahjub had all been co-signatories to a letter condemning political repression by the military government. For this, they were arrested by the military regime and imprisoned for several months in Juba.[477] As will shortly be described, some were also customers and debtors to commercial banks, which had to reckon with their return to political influence after 1964.

Barclays DCO, in particular, held a number of bad debts held by prominent Ansari or Umma Party members following the 1958 cotton crisis. These included a £S.15,000 loan to

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[473] Barclays DCO, General Managers, Memorandum to Mr Wathen (10 March 1966). BB0029/0603.
[474] Ibid.
[475] See Chapter Five.
[476] Barclays DCO, Mr Thomson's Visit to Sudan (1-5 August 1968). BB0029/0309.
[477] Berridge, *Civil uprisings*, p. 16.

Muhammad Ahmad Mahjub in 1962 for the purchase of a house in Khartoum. Mahjub paid £S.5,500 towards his debt in 1963, but reneged on payments the following year. Mahjub was the lawyer of the Dairat Al-Mahdi which had plunged into insolvency due to the crisis, and Mahjub attributed his defaulted payments to the Daira reneging on a legal fee of £S.11,620 owed to him in 1963.[478] The bank held the mortgage on Mahjub's property, which had an estimated forced sale value of £S.15,000. Although the bank was in a position to force the sale of Mahjub's property to recover his debt, the local managers informed their London office in August 1965 that 'Mahgoub is now Prime Minister and we are reluctant to take legal action against him although we have consulted our lawyer.'[479] The local office asked the general managers to make provision for the debt in London so as to avoid adverse reaction from Sudanese staff executing such a request, as they had done previously with the Dairat Al-Mahdi. Prospects for the loan's recovery were complicated by the fact that Mahjub's annual income had fallen from over £S.15,000 in private legal practice (before his largest client had reneged on payments) to only £S.2,000 with his salary as Prime Minister.[480] As the Prime Minster and his bankers sought to negotiate settlement of the debt, Mahjub reported in June 1966 that the cash-strapped Daira was willing to settle its debt to Mahjub by transferring a property in Khartoum to his ownership, to be sold in liquidation of his debt to Barclays DCO. However, Barclays DCO refused this arrangement, as it already held the mortgages for the Daira's urban properties. Releasing a mortgage for such a transfer would reduce the securitised component of the Daira's compounding debts to settle the debts of Mahjub which were already fully secured by a mortgage.[481]

The Prime Minister was angered by the bank's refusal of what he perceived to be a legitimate means for him to receive payments owed and to settle his debts to his bank, and requested a meeting. Barclays DCO sent its Sudanese director, Abd Al-Majid Ahmad, who had been Minister of Finance when Mahjub had been gaoled in Juba, to meet the Prime Minister. Ahmad reported back to the bank that the Prime Minister 'was very angry during the interview'. Furthermore, Mahjub cited the assistance he had rendered the bank in 1959 by securing a reduction in Abd Al-Rahman Al-Mahdi's estate tax from £S.300,000 to £S.15,000 – thereby releasing more money for private creditors[482] – and claimed that, as a result, the Khartoum

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[478] See Chapter Three.
[479] Barclays DCO, LHO, Letter to General Managers (16 August 1965). BB0011/2342.
[480] Barclays DCO, LHO, Memorandum (June 1966). BB0011/2342.
[481] Barclays DCO, General Managers, Memorandum to the Assistant General Manager (30 June 1966). BB0011/2342.
[482] See Chapter Three.

branch manager of Barclays DCO had given him a verbal promise that the bank would prioritise payment of Mahjub's legal fees as it oversaw the sale of mortgaged Daira assets.[483]

Barclays DCO's local directors discussed how to resolve the issue and a British director reported their conclusion to London that 'Having carefully considered this matter we feel that we cannot afford to continue to incur the displeasure of the Prime Minister who is known to be not particularly well disposed to foreign banks and as distasteful as it is to do so we recommend that the Dairat are permitted to draw a cheque for £11,620 in favour of Sayed Mahgoub to be utilised in liquidation of his overdraft.' He explained that this proposal, which transferred the debt from Mahjub to the Daira, was preferable to the transfer of a property in the other direction and its subsequent sale, as this would raise publicity concerning the financial straits of the Daira and its political allies.[484] The general managers responded that they preferred the transfer of a property from the Daira to Mahjub as this would be followed by a cash sale, from which any surplus could also be used towards paying down the Daira's debt. Transferring the debt from Mahjub to the Daira would transform a secured debt into an unsecured one held by an insolvent debtor. However, they granted the local directors final discretion as to the course of action pursued.[485]

The local directors wrote to Mahjub in July 1966 proposing settlement on the lines proposed by their general managers (and Mahjub himself). However, their letter remained unanswered when Mahjub was forced out of office several days later. In December, further letters to the Daira and Mahjub went unanswered, which the Local Directors described as 'not surprising in the light of the present political situation,'[486] namely, the parliamentary deadlock between different factions of the Umma Party. The archival record of Barclays DCO does not record how the affair finally played out, with the documentary series ending in 1966. It is likely that Mahjub's debt was settled on the lines proposed and later correspondence between the bank's Khartoum and London offices regarding bad and doubtful debts do not discuss his account.[487]

This section has described how banks renewed a 'state-finance nexus' after Sudan's 1964 revolution as they sought to maintain close working relationships with public authorities. Significantly, revolving doors promised professional and pecuniary rewards to politicians and officials who espoused orthodox economic policies favourable to private capital. The treatment

483 Ibid.
484 IF Dolling, Local Director, Barclays DCO, Letter to General Managers (22 June 1966). BB0011/2342.
485 Barclays DCO, General Managers, Letter to LHO (6 July 1966). BB0011/2342.
486 Barclays DCO, LHO, Letter to General Managers (22 December 1966). BB0011/2342.
487 Barclays DCO, Classified debt returns (30 June 1968). BB0011/0902.

of Muhammad Ahmad Mahjub's debt to his bank indicated that banks were willing to depart from general policies and purely financial considerations to avoid political antagonism, but that the presentation of financial propriety was equally important. Barclays DCO did not, for example, seek to write off the debt in exchange for political favour.

Sudan and sterling

This section explores how the second Mahjub—Al-Hindi government challenged key aspects of Sudan's external relationship with sterling. The international use of sterling, in trade, reserves and as an exchange rate peg, was one of the most significant financial legacies of the British empire that endured after decolonisation. This applied to Sudan, even though the country was not a member of the sterling area. However, sterling came under mounting international pressure in the 1960s and two events in 1967 undermined the historic links between Sudan's economy and the currency of its erstwhile coloniser.

First, the Arab-Israel War in June 1967 caused Arab states to condemn British and US-American support for Israel. Recently returned to office, the government of Muhammad Ahmad Mahjub hosted the ensuing Arab League summit in Khartoum. Ahead of the summit, the Sudanese government proposed financial measures of retaliation by Arab states, notably by collectively divesting their external reserves from sterling. Major oil exporters such as Kuwait and Saudi Arabia initially supported such a policy, and had they executed it then it would have had a major destabilising effect on Great Britain and its financial markets. In the event, both of these governments produced rationalisations based on domestic interest to divest solely a small symbolic proportion of their sterling reserves.[488]

Sudan, uniquely among Arab states, divested almost entirely from sterling and absorbed the exchange cost for converting this, the largest proportion of its external reserves, mostly into Swiss-Franc securities. Susan Strange, who reviews this episode, downplays its significance given the small size of Sudan's external reserves, arguing that any impact from the measure was undermined by the capitulation of Kuwait and Saudi Arabia. Furthermore, the impact on Great Britain was mitigated by its central bank swap lines with Switzerland, which saw the Swiss central bank reinvest its receipts from Sudan in sterling.[489] Nevertheless, the political significance of Sudan's unilateral action should not be overlooked, not least as it prefigured later forms of Arab economic action, such as oil price rises in 1973.

In June 1967, the Sudanese cabinet of ministers also voted to break diplomatic relationships with the United States due to its support for Israel. The United States responded by withdrawing its aid to Sudan, which was a blow to the already-strained Ten-Year

[488] Susan Strange, *Sterling and British policy: a political study of an international currency in decline* (Oxford: Oxford University Press), pp. 108-109.
[489] Ibid.

Development Plan, and further removed external means of financing from the Industrial Bank.[490]

Second, Great Britain's devaluation of sterling's from \$2.80 to \$2.40 on 18 November 1967 further challenged Sudan's relationship with this currency. Market pressures on sterling reserves were due in no small part due to the costs of British commitments to the Middle East, to which Sudan made its modest contribution through its public divestment from sterling. Moreover, by divesting, Sudan was spared the effects of the devaluation on the value of its reserves which were now held almost entirely in other currencies. Nevertheless, Sudan's external trade was still invoiced in sterling and a significant proportion of this was with the United Kingdom. Although Sudan was formally monetarily sovereign and could determine its official exchange rate, this episode highlights the constraints in which it did so, arising from the financial path dependencies of empire. Britain's unilateral devaluation obliged Sudan to decide whether to devalue in line with sterling and maintain its terms of trade with one of its largest trading partners, or, whether to maintain its existing non-sterling exchange rate and, therefore, render Sudanese exports more expensive and less competitive in sterling markets.

When the United Kingdom had devalued sterling in 1949 it had been followed by the vast majority of territories with a sterling peg, including Egypt which contained Sudan in its currency area. In 1967, however, a much smaller proportion of these territories were direct imperial dependencies of Britain, and many, including Sudan, had gradually diversified their external trade beyond the British market. Some countries, such as Egypt and Jordan, devalued in line with sterling; others, such as Hong Kong, devalued but to a lesser extent; while Sudan, meanwhile, decided to maintain its existing dollar peg, namely, to revalue against sterling. Table 6.2 shows the resulting official rates.

Table 6.2. Official exchange rates before and after 18 November 1967 (UK devaluation of sterling)

	£:£S	\$:£S	£S:£	£S.:\$
Before 18 November 1967	0.975	0.348 approx.	1.03 approx.	2.87 approx.
After 18 November 1967	0.836 approx.	0.348 approx.	1.20 approx.	2.87 approx.

I am not aware of the internal debates in Mahjub's government that led to the revaluation against sterling in 1967. At first blush, the decision appears surprising, as Sudan was facing acute balance of payment pressures (its current account deficit in the three months ending

[490] See Chapter Four.

December 1967 were ‘one of the largest ever recorded on a quarterly basis’[491]) and a *de*valuation had been rumoured in the previous year. One explanation could be that this was purely a matter of prestige based on the unexamined assumption that a strong currency is inherently virtuous, or possibly because apparently imminent devaluation had once forced Mahjub and Al-Hindi from office in 1966. However, clear economic rationales also existed for the decision. The supposed benefits of devaluation for the balance of payments – by making exports more competitive and imports more expensive – are reversed if levels of imports and exports are inelastic relative to price. Sudan was an exporter of raw commodities, and if the Ministry of Finance judged that demand for these goods in industrial markets would remain stable irrespective of price, then revaluation would increase the receipts earned from these exports, while lowering the cost of imports whose quantity was increasingly controlled by credit limits and licensing. In the optimistic assessment, at least, of Husain Al-Sharif Al-Hindi in early 1968, revaluation had not seriously impacted Sudan’s economy as cotton sales were increasing.[492]

This account ought to inform the analysis of policy prescriptions made in later periods of Sudanese history. Between 1978 and 1983, Sudan implemented multiple large-scale devaluations following IMF conditionalities. As Sudan’s external trade remained inelastic (if not in secular decline), this merely lowered the receipts for Sudan’s existing exports while drastically raising the amount paid on imports. The result in the 1980s was a deepening currency crisis and social hardship followed by a popular uprising.[493]

The revaluation of the Sudanese Pound against sterling in 1967 impacted parties to sterling transactions negotiated before 18 November which had not yet been executed. Importers in Sudan who had issued bills promising payment in sterling experienced an apparent windfall gain, as the local cost of settling these bills was reduced. In contrast, exporters who had accepted bills experienced windfall losses on the local value of their sterling receivables. Chapter Two described how commercial banks in Sudan routinely discounted commercial paper belonging to their clients, undertaking to collect payment for their own account. In these cases, the windfall gains or losses of customers were passed to banks. Table 2.4 demonstrated that a much higher number and value of inward bills (paying for exports and carrying losses) were handled by banks in Sudan, relative to outward bills (paying for imports and carrying

[491] Bank of Sudan, *Quarterly bulletin* (31 December 1967), p. 7.
[492] Cited in Arab Bank, *Annual report* (1967), p. 59. MEDU 33/4/BAN.
[493] John Prendergast, ‘“Blood money for Sudan: World Bank and IMF to the ‘rescue’, *Africa Today* 36, 3/4 (1989), pp. 46-47.

gains). Barclays DCO estimated that it held £250,000 in discounted bills in Sudan on 18 November, implying an exchange loss exceeding £35,000.[494]

On 27 November, the Sudanese government announced that the Bank of Sudan would release sterling to settle import bills negotiated before 18 November at the old exchange rate, and that commercial banks were to pass this cost on to their clients. The central bank would then reserve the windfall gain on these transactions for its own account as a fund to compensate exporters for their windfall losses, through a mechanism yet to be determined. Indeed, this was a condition for many cotton producers to execute their export contracts so as not to do so at a loss. Meanwhile, commercial banks made representations to the Bank of Sudan asking that they be included in any compensation measures for the inward bills they had held upon revaluation.[495]

It was not to be, as the government's compensation measures excluded banks and only applied to exporters themselves. On 21 December, the government ruled that exporters would be offered seven-year 3% loans (rather than a direct subsidy) to make good their losses, and that these loans were to be issued via their banks. The liquidity of the latter was to be guaranteed by an offer to discount these loans with the central bank at 2.5%. Commercial banks, however, were to absorb their own losses on discounted bills.[496] In addition to equalising the distribution of windfall gains and losses arising from revaluation, these measures can also be interpretated as the means for a government headed by Umma-Imam ministers to channel liquidity to their backers among cotton growers, while simultaneously attributing losses to the foreign-owned commercial banks that were squeezing this sector in the recovery of past debts. Despite this specific loss by banks, revaluation also carried benefits, most notably by increasing the foreign exchange equivalent of profits remitted to head offices.

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[494] Barclays DCO, LHO, Telegram to General Managers (19 November 1967). BB0011/2357.
[495] Barclays DCO, LHO, Letter to General Managers (27 November 1967). BB0011/2357.
[496] Barclays DCO, LHO, Letter to General Managers (21 December 1967). BB0011/2357.

The Banking Act

This section examines the biggest legislative challenge to foreign banks in Sudan before 1970, namely, the Banking Act of Husain Al-Sharif Al-Hindi. From 1962, the Bank of Sudan under Mamoun Beheiri had advocated voluntary bank localisation – namely, the incorporation of subsidiaries with a proportion of local ownership. Now, Al-Hindi advocated statutory measures to require such a move. However, it was not until Al-Hindi was demoted from Minister of Finance to Minister of Local Government in the government of Sadiq Al-Mahdi that he secured support in the Council of Ministers for this policy. Foreign banks watched in alarm as the Sudanisation of bank shares was adopted as government policy in the budget speech to parliament of Hamza Mirghani in December 1966.[497]

Barclays DCO was informed by its Sudanese directors and largest local customers that the policy had been forced on Mirghani by Al-Hindi against the former's will. After ousting the Imam wing of the Umma Party from government, Mirghani and Al-Mahdi relied on a precarious parliamentary majority and the support of the NUP, which was why Al-Hindi was retained as minister. As such, Mirghani's declared open-ended support for localisation was understood as a useful means of forestalling more radical demands for outright nationalisation from both the SCP and the radical wing of the NUP. Mirghani signalled to the British embassy that, once legislated for, localisation would remain the long-term objective of the government, but that it would be achieved gradually with the cooperation of banks themselves. An official of Barclays DCO reflected that 'it is difficult to understand why Hamza Mirghani, whom I met several times and regard as a very intelligent person, associates himself with a policy which everyone says he does not really believe in.'[498] The fact that Al-Hindi only formally advanced such legislation against the overall policy orientation of Al-Mahdi's government suggest that he had been prevented from initiating the same measure by his allies when he had held a more senior position in the previous government.

When Al-Hindi returned to the Ministry of Finance in May 1967, he was in a stronger position to pursue localisation as the policy of the government in practice as well as in principle. He had a precedent of nominal support for the policy by the conservative government of Sadiq Al-Mahdi, and the Arab-Israeli War increased popular and political pressure for retaliatory

[497] Barclays DCO, Mr Dyson's report on his visit to the Sudan (January 1967), pp. 1-2. BB0080/4653.
[498] Ibid., p. 2 and British Embassy, Khartoum, Letter to UK Foreign Office (26 November 1966). FO 371/190438.

measures against Western influence in the region, as described in the previous section. Al-Hindi consequently drafted a Banking Act to be submitted to parliament for approval which proposed extensive regulations of banking activity in Sudan. It required banks to be registered with the Bank of Sudan and approved by the Minister of Finance; forbade banks from closing branches without the approval of the central bank; and required banks to observe stringent liquidity ratios relative to lending. However, it defined liquid assets so as to include commercial paper, which would exempt the local banks Al-Nilein and the Sudan Commercial Bank from falling foul of the legislation. Most significantly, the Act required banks to be incorporated within Sudan and for a minimum 75% of shares to be owned by Sudanese residents.[499]

The Act's first reading in parliament was delayed by the general legislative deadlock between factions in both of Sudan's major parties. In April 1968, it was further delayed when the government dissolved the parliament and held early elections in the hope of reducing Sadiq Al-Mahdi's supporters in parliament, and Umma-Imam and Umma-Sadiq fought the election on opposing lists. In December 1967, the NUP and the PDP had reunited to form the Democratic Unionist Party (DUP), which continued to be led by Ismail Al-Azhari. Due to the divisions of the Umma Party, the DUP became the largest party in the 1968 elections with 101 seats out of 218, though Umma lists collectively received more votes. In contrast with the government's expectations, Umma-Sadiq lists narrowly outpolled Umma-Imam in both votes and seats (36 and 30 seats, respectively).[500] This confirms an investment model of Sudanese party competition against a sectarian interpretation, as the pro-business faction of the Umma Party outpolled the faction led by the Imam of the Ansar. However, Sadiq Al-Mahdi lost his parliamentary seat to an Umma-Imam candidate which enabled Muhammad Ahmad Mahjub to remain as Prime Minister of an Umma-Imam—DUP coalition.

By August 1968, the Banking Act had still not been presented to Sudan's finely-balanced parliament, and Barclays DCO noted that 'There is no news of any moves to introduce this legislation but equally no suggestion that it will be dropped. It remains as a useful diversionary measure to distract attention from other local problems.'[501] It appears that Al-Hindi was as capable as his predecessor of presenting open-ended support for localisation while refraining from pushes towards enforcement, thereby shoring up political capital and placing pressure on banks to localise voluntarily.

[499] Banking Act 1967, Draft, held by Barclays DCO, LHO. BB0011/2587.
[500] Niblock, *Class and power*, p. 230.
[501] Barclays DCO, Mr Thompson's visit to the Sudan (1-5 August 1968). BB0029/0309.

Foreign-owned banks considered which strategies to adopt were the Banking Act to become law. The Ottoman Bank informed the British Embassy and the Sudanese government that it supported localisation in principle, not least as it had previously operated a joint subsidy in Iraq from 1958. However, it would refuse payment for shares in its business in local currency that was subject to exchange controls and unable to be remitted outside of Sudan.[502] Barclays DCO, meanwhile, opposed localisation due to an unwillingness to dilute control of a business that carried its name, stating that 'What [the government] would really like is the best of both worlds, i.e. for us to agree to Sudanise and then continue to run the business.'[503] Furthermore, Barclays DCO did not wish to create a precedent for the other territories across which it operated – which included many recently-independent jurisdictions – of being susceptible to relinquishing substantial local control and assets at discounted rates. On this basis, the bank informed the Ministry of Finance that it would pull out of Sudan rather than dilute local ownership.[504]

However, the bank faced a dilemma, in that its preferred mechanism for exiting from a territory would be sell to a commercial purchaser willing to pay for net assets and goodwill (capitalised future profits) in transferrable currencies. In contrast, a General Manager in the bank observed that 'What we must avoid at all cost is being put into liquidation, as distinct from being taken over as a going concern, as we could then lose a lot of money.'[505] Liquidation forced by circumstances would imply a significant discount on possible market values with the bank obliged to accept the offers of available buyers from a position of weakness. Despite its intransigent stance in communications with the Sudanese government, Barclays DCO privately developed contingency plans for the creation of a localised entity.

The bank initially prepared to exploit loopholes in the legislation, for example, by incorporating a holding company in Sudan wholly owned by Barclays DCO that would also be the 'resident' investor in a local subsidiary. However, the bank acknowledged that such measures, while being within the letter of the law, could also invite the displeasure of the government and further legislative retaliation. The option was therefore conceived of as a transitional measure to ensure compliance while negotiations for a bespoke arrangement took place with the Ministry of Finance.[506] The Banking Act defined banking activity narrowly as commercial bank operations. So, the local and general managers of Barclays DCO explored

[502] Bank of England, London, Letter to DJ Speares, UK Foreign Office (15 December 1966). FO 371/190438.
[503] Barclays DCO, Mr Dyson's report, p. 2.
[504] Ibid.
[505] Ibid., p. 4.
[506] Barclays DCO, General Managers, Note to Mr Rodway (31 October 1968). BB0011/2587.

models whereby its holding company would also specialise in non-commercial banking activities, such as investment banking, corporate banking and foreign exchange transitions for large-scale customers. If the bank was to be required to relinquish majority ownership in Sudan, then it anticipated retiring the Barclays name in that country and transforming its commercial banking profits in Sudan into a management contract for a company of which it was no longer the owner.[507]

To this end, Barclays DCO prepared draft Articles of Association for a Sudanese banking company that would ensure compliance with local law, facilitate its gradual dilution of shares in exchange for transferable currency, and maintain profitability through a management contract. The bank collated these provisional documents using example texts from the Banking Act of California and the Articles of Association of the Jamaican subsidiary of the Bank of Nova Scotia. By the end of the 1960s, growing waves of nationalisations and localisations by postcolonial governments were transforming Sudan into a test case for Barclays DCO. Accordingly, Sudanese company statutes were to become a template for other geographical divisions, and the bank's general managers instructed that 'The draft Memorandum and Articles for a banking company in the Sudan, will also form the basis for similar companies in other territories as and when needed. Copies are being made for this purpose with the references to Sudan law omitted.'[508]

Barclays DCO sought to identify prospective local partners with whom it could invest in a subsidiary. The Bank of Sudan estimated that the total value of 75% of foreign-owned bank shares in Sudan would exceed £S.5 million, meaning that this much disposable demand would have to be identified in the Sudanese economy were the Banking Act to be implemented fully. The Sudan Commercial Bank had easily found subscription for £S.1.1 million shares just under a decade earlier, but no more, and this was already with the subscription of Sudan's largest capitalists. Barclays DCO reflected that the government 'are in a dilemma as they know that the only people with any money to spare for investment on this scale are the wealthy businessmen like the Aboul Elas and the last thing they want is to see the Aboul Elas and others building up even bigger empires.'[509] To address insufficient local disposable income, the government stated that local shares would initially be subscribed by the Bank of Sudan – as had occurred with Al-Nilein – before being gradually resold to private shareholders. Barclays

[507] Barclays DCO, Mr Dyson's report, p. 3.
[508] Barclays DCO, General Managers, Memorandum: Sudan – Localisation (October 1968). BB0011/2587.
[509] Barclays DCO, Mr Dyson's report, p. 3.

DCO was not in favour of this option as it wished to retain policy independence from the central regulatory authority and the Sudanese state.

Barclays DCO prepared an approach to the Blue Nile Insurance Company in the event that it was required to localise. This company, registered in Sudan, had two-thirds of its shares owned by the Middle East Investments Company which was registered in Beirut, Lebanon, which in turned had invested in the Ottoman Bank's Iraqi subsidiary in 1958. The Middle East Investments Company was an example of the transnationalisation of finance in this period which occurred within the Middle East as well as across the globe. Barclays DCO did not know the Blue Nile Insurance Company's disposable funds in Sudan and, consequently, its capacity to purchase a significant holding in the country's largest bank.[510] The British bank also sought to identify and train new candidates for Sudanese directors, to demonstrate its openness towards Sudanisation of management and to cultivate loyal local managers for a new corporate entity. In 1969, Barclays DCO paid for the Deputy Governor of the Bank of Sudan, Awad Abd Al-Majid, to attend a managers' training course in London, a move no doubt calculated to cultivate favour and allies in the central bank through this professional exchange.[511]

Finally, Barclays DCO took measures to mark up the book value of its assets in, in the (correct) anticipation that it would be pushed to accept compensation for net asset values but to forego goodwill if either localisation or nationalisation was forced upon it by the Sudanese government. This was part of a general policy, and the bank's general managers organised visits by their head architect to local divisions in Sudan, Libya and Ghana, specifying that 'We have in mind a write up of at least 25%.'[512]

In December 1968, the Act was finally presented to parliament and passed its first reading. It was reported that Umma parliamentarians were to rally to oppose the bill on the second reading due to the cost to the government of subscribing to 75% of shares across the foreign-owned banking sector. After much debate, the Act successfully passed its second reading in February 1969. The third and definitive reading occurred later that same month. The leader of the Communist Party proposed amendments to the Act advocating a 75% government ownership of banks and 25% local private ownership – in other words, the total removal of foreign ownership. The amendment was defeated, but the Act was passed.[513] In an audience with Barclays DCO shortly after this, Al-Hindi informed the bank that the Act's

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[510] Barclays DCO, LHO, Proposed Banking Legislation (16 March 1969). BB0011/2587.
[511] Central Bank of Sudan, Awad Abdel Magied Aburiesh. Available online: https://cbos.gov.sd/en/node/618. (2 December 2020).
[512] General Managers, 'Bank premises/capital: Sudan Libya Ghana' (9 August 1968). BB0011/2587.
[513] Barclays DCO, LHO, Letter to General Managers (20 February 1969). BB0011/2587.

implementation would be at his discretion and that he invited transitional measures short of 75% to be proposed by banks themselves.[514] In communication with their general managers, Barclays DCO prepared a proposal of 10% local ownership, though they were privately prepared to raise this to 25%.[515] In Sudan, as in all jurisdictions, laws were only as effective as the executive's desire to implement them, and Al-Hindi continued to use the Act as part of an open-ended bargaining process with foreign-owned banks.

On 25 May 1969, Mahjub and Al-Hindi were removed from office by a military coup by junior army officers who were an eclectic mixture of socialists, communists and Arab nationalists. The Banking Act remained law in Sudan under the new regime. Banks waited to discover whether the new government would impose a schedule for localisation. In December 1969, the Governor of the Bank of Sudan, Abd Al-Rahim Al-Mirghani, informed Barclays DCO's Sudanese director, Abd Al-Majid Ahmad, that localisation would be imposed in the coming year with the level of local ownership determined by the business and revenues of each company.[516] 1970 would, in fact, see banks nationalised, rather than localised, which is the subject of the final chapter.

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This chapter has proposed a major reinterpretation of Sudan's second parliamentary period according to the investment theory of party competition. Although Sudan's 'traditional' parties – the Umma, NUP and PDP – continued to exist as representatives of distinct religious groupings and business sectors, each was simultaneously divided into orthodox and interventionist wings which alternated in governing coalitions where they applied opposing economic policies. On the one hand, a revolving door between the public and private sectors sustained an orthodox policy consensus between foreign-owned capital and large sections of Sudan's political and administrative elite. On the other, the governments of Muhammad Ahmad Mahjub and Husain Al-Sharif Al-Hindi mounted regulatory challenges to foreign finance in Sudan with a view to supporting local business interests. This was a heterodox policy platform that culminated in a drive towards statutory bank localisation.

[514] Barclays DCO, LHO, Letter to General Managers (13 March 1969). BB0011/2587.
[515] Barclays DCO, General Managers, Draft letter to LHO (undated, April 1969). BB0011/2587.
[516] Barclays DCO, LHO, Letter to Divisional General Manager (23 December 1969). BB0011/2587.

Chapter Seven: Nationalisation

This chapter examines the nationalisation of the banking sector in 1970 by the military government of Jaafar Nimeiri. The first section describes the banking sector on the eve of nationalisation by comparing banking in Sudan in 1956 and 1970. The second section analyses the politics of the military regime that culminated in nationalisation. Rather than viewing nationalisation as a lurch to the far-left, I argue that this was an extreme logical culmination of attempts in the previous decade to exert public oversight of the economy and control foreign exchange outflows. This made nationalisation the ultimate policy of the nationalist civil servant, and the third section on new banks and bankers examines how this administrative class benefited from managerial appointments in the nationalised financial sector. The fourth and fifth sections examine negotiations regarding valuation and compensation between the Sudanese government and British nationalised firms. The latter were supported by the British Foreign Office, the former imperial power in Sudan. I analyse the language of these negotiations as acts of accounting that escaped the control of company accountants, thereby rendering temporarily explicit the social and political nature of value under capitalism.

Banking in Sudan from 1956 to 1970

This section compares banking in Sudan between 1956 and 1970. It will demonstrate the outcome of different business strategies pursued by Sudan's banks during these fourteen years, and, furthermore, evidence of a provincial business class of Sudanese that did not exist to the same magnitude in 1956. The implications of this are discussed later in this chapter.

Table 7.1 shows the geographical spread of bank branches in Sudan before nationalisation.

Table 7.1. Bank branches in Sudan (25 May 1970)

Location	Bank	Opened
KHARTOUM PROVINCE		
Khartoum	Barclays DCO	1903
	National & Grindlays	1949
	Banque Misr	1953
	Al-Nilein	1953
	Barclays DCO	1954
	Arab Bank	1956
	State Bank of Ethiopia	1958
	Agricultural Bank	1959
	Sudan Commercial Bank	1960
	Industrial Bank	1961
	Sudan Commercial Bank	1965
	Barclays DCO	1967
	Real Estate Bank	1967
Omdurman	Barclays DCO	Before 1925
	National & Grindlays	1953
	Banque Misr	1953
	Arab Bank	1959
	Barclays DCO	1964
	Al-Nilein	1966
	Sudan Commercial Bank	1969
Khartoum North	National & Grindlays	1957
	Barclays DCO	1967
Khartoum South	National & Grindlays	1962
	Barclays DCO	1967
KASSALA PROVINCE (EASTERN)		
Port Sudan	Barclays DCO	1919
	National & Grindlays	1949
	Al-Nilein	1953
	Banque Misr	1956
	Arab Bank	1959
	Sudan Commercial Bank	1964

Qadarif	Barclays DCO Agricultural Bank National & Grindlays Sudan Commercial Bank	1953 1959 1966 1967
Kassala	Barclays DCO	1955
Tawkar	Banque Misr	1960
New Halfa	National & Grindlays Sudan Commercial Bank Agricultural Bank	1960 1964 1964
BLUE NILE PROVINCE (JAZIRA)		
Wad Madani	Barclays DCO Agricultural Bank National & Grindlays Al-Nilein	Before 1925 1959 1964 1969
Kosti	National & Grindlays Barclays DCO Agricultural Bank	1951 1956 1959
Hassa Heissa	Barclays DCO	1953
Sinnar	Barclays DCO Agricultural Bank	1956 1959
Al-Dueim	Al-Nilein Agricultural Bank	1957 1960
Sinja	Barclays DCO Agricultural Bank	1958 1959
Al-Damazeen	Barclays DCO	1961
Manaqil	Barclays DCO (Agency)	1962
Tandalti	National & Grindlays	1964
NORTHERN PROVINCE		
Atbara	Barclays DCO Agricultural Bank	1951 1969
Shandi	Barclays DCO Agricultural Bank	1953 1960
Dongala	Agricultural Bank	1960
Berber	Agricultural Bank	1964
Meroe	Agricultural Bank	1964
Karima	Al-Nilein	1967
KORDOFAN PROVINCE (WESTERN)		
Al-Ubayyid	Barclays DCO Banque Misr Sudan Commercial Bank	1952 1955 1964
Um Ruwaba	Banque Misr Barclays DCO	1961 Re-opened 1965
Al-Nuhud	Sudan Commercial Bank	1969
Dillinj	Agricultural Bank	1970

DARFUR PROVINCE (WESTERN)		
Nyala	Banque Misr Barclays DCO	1961 1963
Al-Fashir	Banque Misr	1961
Zalinjay	Agricultural Bank	1966
SOUTHERN SUDAN (3 PROVINCES)		
Juba	Barclays DCO	1951
Barclays DCO: 23 branches Agricultural Bank: 15 offices National & Grindlays: 10 branches Banque Misr: 8 branches Sudan Commercial Bank: 8 branches Al-Nilein: 6 branches Arab Bank: 3 branches State Bank of Ethiopia: 1 branch Industrial Bank: 1 branch Real Estate Bank: 1 branch TOTAL BRANCHES: 74 Sources: Compiled from Barclays DCO, Half-yearly reports (multiple years). Archive, Barclays Bank. Al-Nilein Bank, *Annual reports* (multiple years). MEDU 17/4/1. Sudan Commercial Bank, *Annual reports* (multiple years). MEDU 17/4/1/ Ottoman Bank, *Report & accounts* (1964). MEDU 25/4/BAN. Arab Bank, *Annual report* (multiple years). MEDU 55/4/BAN. Ottoman Bank, *Minutes of London sub-committee* (multiple dates). CLC/B/172/MS23970. Sudan Bankers' Association, Minutes (multiple dates). DAE 10995. al-bank al-ziraa3a al-sudanii, *al-bank al-ziraa3a al-sudanii: al-madiiyyah wa al-ḥaḍrah wa al-mustaqbalah* (Khartoum, 1970). NRO 2/3/42.		

The withdrawal of the National Bank of Egypt conceals in table 7.1 the length of time during which Tawkar and Al-Ubayyid had enjoyed bank representation, since 1904 and 1913, respectively. Several bank branches had come into and out of existence between 1956 and 1970, namely, two out of Credit Lyonnais' three branches in the White Nile region (at Kosti and Tandalti) of which Al-Nilein retained only the branch at Al-Dueim; the Ottoman Bank's branch at Wadi Halfa (see Chapter Four); and a number of small branches belonging to Barclays DCO in the Jazira.

In 1969, the Ottoman Bank sold its activities in London, Africa and the Middle East to National & Grindlays Bank. This was at the instigation of the bank's 50% shareholder, the Banque de Paris et des Pays-Bas (Paribas), which wished to divest from multinational banking in these regions where it believed foreign companies were increasingly exposed to nationalisation by independent governments, in favour of focusing on the Ottoman Bank's activities in Turkey. National & Grindlays paid the Ottoman Bank £5.5 million external sterling for its branches across these regions, and took over from the Ottoman Bank in Sudan on 1

March 1969.[517] National & Grindlays was a British multinational bank created in 1958 from the amalgamation of the National Bank of India and Grindlays Bank, both of which specialised in commercial banking in India. Socialist economic policies in India in the 1950s prompted the bank to expand its activities outside of India, within a wider Indian Ocean economy.[518] The bank operated in Sudan for fewer than 15 months before it was nationalised, confirming the generalised fears of Paribas for multinational banking in the region.

A comparison of tables 2.2 and 7.1 demonstrates the geographical expansion of branch banking in Sudan after decolonisation. Sudan's network of 31 bank branches in 1956 had been built over five decades, including 21 branches opened since 1949. The total number of bank branches more than doubled during fourteen years of independence, at a much faster rate than under the Condominium as a whole, but slower than during the boom decade before 1958. The number of branches controlled by the four foreign commercial banks in Sudan in 1956, and the same banks or their successors in 1970, doubled from 24 to 48. This was a sizeable majority of total bank branches, demonstrating their capacity to protect their dominance in the local banking sector with branch banking as a core component of their local strategies.

Khartoum Province increased its share of branches between 1956 and 1970 from one-fifth to one-third of all branches. This reflected the fact that new banks systematically opened their head branch in Khartoum, and early expansion often included Omdurman. In the 1960s, Barclays DCO and the Ottoman Bank had engaged in competition for suburban deposits from residential Khartoum South and industrial Khartoum North. All commercial banks save the State Bank of Ethiopia (which had only one branch) had representation in Port Sudan, but no bank maintained a second branch in this conurbation.

Outside of this urban axis, provincial bank branches were overwhelmingly concentrated in the central agricultural economy, consisting of the Jazira in Blue Nile Province and extending eastwards towards Qadarif and New Halfa. State development also drove the 'opening' of western Sudan, with bank branches following government investments and the expansion of the railway into Darfur, where there had been no bank branches in 1956. It is noteworthy that three commercial bank branches led by Banque Misr opened in Darfur in quick succession in the early 1960s, shortly after the rail link was established, only for branch expansion to stall thereafter. Also noticeable from Table 7.1 is the lack of branch expansion in southern Sudan, which retained its sole commercial bank branch opened in 1951 (although

[517] National & Grindlays, *Information sheet. Democratic Republic of the Sudan* (1969). MEDU 17/1/GEN/6.
[518] Geoffrey Tyson, *100 years of banking in Asia and Africa* (1963).

branches of the central Bank of Sudan were opened in each of the three southern provincial capitals in the 1960s). This is readily explained by the civil war in that region.

Finally, the neglect of Northern Province by commercial banks was a remarkable constant of this period. Only two new commercial bank branches opened in Northern Province in this period, including one in Wadi Halfa which subsequently closed. Downriver from the industrial city of Atbara, nearly all banking was by the specialised state-owned Agricultural Bank. This suggests, again, that the 'northern riverain elite' who are emphasised in historiography conducted important business affairs from Khartoum, and invested in Khartoum and the Jazira.

The geographic distribution of banking business within Barclays DCO is described by table 7.2. As with table 2.3 in Chapter Two, which is used for comparison in table 7.3, the caveat exists that this represents the business of but a single bank, albeit Sudan's largest. Barclays DCO faced its greatest competition in Khartoum, so the table probably underestimates the skew of money and finance towards the capital city.

Table 7.2. Distribution of banking business among branches of Barclays DCO in Sudan (£S.000s) 12 months ending 30 September 1969											
Branch	Deposits	%	Advances	%	Revenue	%	Expenditure	%	Net profit	Deposits: Advances	Revenue: Expenditure
KHARTOUM PROVINCE											
Khartoum Jamhuria Av.	6,261	28.4%	6,712	43.8%	582	33.1%	297	22.8%	285	0.93	1.96
Khartoum Jama'a Av.	3,654	16.6%	2,286	14.9%	278	15.8%	145	11.1%	133	1.60	1.91
Khartoum Suq Al-Arabi	246	1.1%	81	0.5%	15	0.9%	22	1.7%	-7	3.04	0.68
Omdurman	1,992	9.0%	555	3.6%	128	7.3%	96	7.3%	32	3.59	1.34
Omdurman Post Office Sq.	1,211	5.5%	219	1.4%	64	3.6%	48	3.7%	16	5.53	1.33
Khartoum North	181	0.8%	52	0.3%	10	0.6%	18	1.4%	-8	3.48	0.56
Khartoum South	232	1.1%	12	0.1%	7	0.4%	14	1.1%	-7	19.3	0.50
KASSALA (EASTERN) PROVINCE											
Port Sudan	1,097	5.0%	3,508	22.9%	353	20.1%	110	8.5%	243	0.31	3.20
Qadarif	478	2.2%	223	1.5%	35	2.0%	24	1.9%	11	2.14	1.45
Kassala	559	2.5%	18	0.1%	14	0.8%	24	1.8%	-9	31.1	0.60
BLUE NILE PROVINCE (JAZIRA) PROVINCE											
Wad Madani	1,375	6.2%	341	2.2%	64	3.6%	69	5.3%	-5	4.03	0.93
Sannar	378	1.7%	170	1.1%	24	1.4%	26	2.0%	-2	2.22	0.94
Kosti	259	1.2%	102	0.7%	17	0.9%	18	1.4%	-2	2.54	0.91
Al-Damazeen	109	0.5%	81	0.5%	11	0.6%	9	0.7%	2	1.35	1.16
Sinja	324	1.5%	16	0.1%	6	0.4%	14	1.0%	-7	20.25	0.46
Hassa Heissa	593	2.7%	10	0.1%	9	0.5%	17	1.3%	-9	59.3	0.51
Manaqil	101	0.5%	2	0.0%	1	0.1%	2	0.2%	-1	50.5	0.46

NORTHERN PROVINCE											
Atbara	1,256	5.7%	52	0.3%	28	1.6%	44	3.4%	-16	24.1	0.63
Shendi	253	1.1%	82	0.5%	16	0.9%	16	1.2%	0	3.09	0.99
KORDOFAN PROVINCE (WESTERN)											
Al-Ubayyid	700	3.2%	315	2.1%	47	2.6%	48	3.7%	-1	2.22	0.98
Um Ruwaba	109	0.5%	50	0.3%	8	0.4%	10	0.7%	-2	2.18	0.79
DARFUR PROVINCE (WESTERN)											
Nyala	180	0.8%	214	1.4%	29	1.7%	20	1.6%	9	0.84	1.46
SOUTHERN SUDAN (THREE PROVINCES)											
Juba	420	1.9%	20	0.1%	16	0.9%	22	1.7%	-6	21.0	0.73
LOCAL HEAD OFFICE (ACCOUNTING ENTRY)											
Local Head Office [a]	96	0.4%	197	1.3%	0	0.0%	191	14.6%	-191	0.49	
TOTAL	22,061	100.0%	15,321	100.0%	1,760	100.0%	1,304	100.0%	457	1.44	1.35
Treasury Bills			8,300								

[a] The Local Head Office is an accounting entity incorporating fixed costs that were general to the territory as a whole. Its use in Barclays DCO's accounts in Sudan began in 1969. In 1956, these costs were mostly included within the branch account of Khartoum Jama'a.

Source: Compiled from Barclays DCO, Half-yearly reports: all branches (31 March 1969 and 30 September 1969). Balance sheet: Sudan (30 September 1969). BB0011/2587.

Table 7.3. Distribution of banking business by branch for Barclays DCO in Sudan 1956 and 1969

PROVINCE	12 months ending 30 September 1956						12 months ending 30 September 1969					
	Deposits	Advances	Revenue	Expenditure	D:A	R:E	Deposits	Advances	Revenue	Expenditure	D:A	R:E
Khartoum	72.3%	74.4%	63.9%	60.3%	1.34	1.75	62.4%	64.7%	61.5%	49.1%	1.39	1.69
Port Sudan (branch)	5.7%	23.6%	26.0%	23.0%	0.33	1.87	5.0%	22.9%	20.1%	8.5%	0.31	3.20
Kassala (minus Port Sudan)	3.0%	0.3%	1.5%	2.4%	14.3	1.04	4.7%	1.6%	2.8%	3.7%	4.30	1.03
Blue Nile (Jazira)	5.1%	0.4%	2.4%	6.2%	17.4	0.65	14.2%	4.7%	7.5%	11.9%	4.35	0.85
Northern	7.9%	0.1%	3.0%	3.2%	133	1.54	6.8%	0.9%	2.5%	4.6%	11.3	0.72
Kordofan	1.9%	0.3%	1.4%	2.4%	7.46	0.92	3.7%	2.4%	3.1%	4.4%	2.22	0.95
Darfur	n/a	n/a	n/a	n/a	n/a	n/a	0.8%	1.4%	1.7%	1.6%	0.84	1.46
Southern (3 provinces)	4.0%	0.8%	1.8%	2.4%	7.05	1.25	1.9%	0.1%	0.9%	1.7%	21.0	0.73
Local Head Office [a]	n/a	n/a	n/a	n/a	n/a	n/a	0.4%	1.3%	0.0%	14.6%	0.49	
TOTAL	100.0%	100.0%	100.0%	100.0%	1.38	1.65	100.0%	100.0%	100.0%	100.0%	1.44	1.35

[a] See table 7.2 for note on Local Head Office.
Source: Compiled from tables 2.3 and 7.2.

Table 7.3 demonstrates a decrease in revenue relative to expenditure from 1956 to 1969. On the revenue side, this reflected decreases in lending activity due to credit and import controls. On the expenditure side, this reflected an increase in interest-bearing savings accounts and increased staff costs after staff unions successfully negotiated improved pay and conditions in 1965, 1966 and 1968.[519] Interest paid on savings accounts was partly balanced by interest received on Treasury Bills, which represented over one third of the bank's employed funds. The expansion in the number and size of provincial branches with a larger number of staff relative to the value of business transacted decreased the concentration of total expenditure in Khartoum Province and Port Sudan. Khartoum Province retained its overwhelming dominance in 1969 with more deposits, advances, revenue and expenditure (including the Local Head Office account) than the rest of Sudan combined. The share of each of these in Khartoum Province decreased by up to 10 percentage points compared with 1956, which may be accounted for by business lost to other banks in the capital city. It is worth recollecting that business financed from Khartoum often took place elsewhere. Port Sudan remained the most important branch outside of Khartoum Province.

The decreased share of business in all categories in Khartoum Province and Port Sudan was taken up (necessarily) by provincial branches. Whereas Chapter Two established that provincial branch expansion in the 1950s was driven by the pursuit of deposits, table 7.3 demonstrates that these deposits were gradually being met by an increased demand for lending within provinces, as the ratio of deposits to advances fell dramatically in Kassala, Blue Nile, Northern, and Kordofan provinces. The proportional share of total advances captured by these provinces increased by multiple whole orders of magnitude. The Jazira remained the most important site of banking activity outside of the Khartoum Province and Port Sudan, and the loss of Gezira Board balances in this province made its proportionate gain in balances all the more impressive. The contrasting case of southern Sudan, where banking business collapsed from 1956 to 1969, is again readily explained by armed conflict in that region.

Table 7.3 consequently paints a mixed picture of the evolution of banking in Sudan during the thirteen years following independence. On the one hand, the Khartoum conurbation retained its dominance, to an extent that is probably underestimated by data from the bank with the largest provincial branch network. On the other hand, there was a clear expansion of provincial depositing and borrowing, with the former more than compensating for the withdrawal of official balances from the bank in the early 1960s. Sudanese in the country's

[519] Barclays DCO, Collated correspondence: Trade union action (1966) & (1968). BB1214/0066 & 1214/0067.

provinces were able to capture a share of the increasing turnover of money-capital in Sudan and emerge as a small- and medium-sized provincial capitalist class, while Sudan's banks were able and willing to serve these individuals.

Table 7.4 estimates of the distribution of deposits and advances across Sudan's banking sector in 1956 and 1969, with the latter relying on a number of estimates and assumptions which are described presently.

<table>
<tr><th colspan="9">Table 7.4. Distribution of deposits and advances among Sudanese banks. (£E/£S.000s) 1956 and 1969</th></tr>
<tr><th rowspan="2">BANK</th><th colspan="4">30 October 1956</th><th colspan="4">31 December 1969 (approximate)</th></tr>
<tr><th>Deposits</th><th>%</th><th>Advances</th><th>%</th><th>Deposits</th><th>%</th><th>Advances</th><th>%</th></tr>
<tr><td>Barclays DCO</td><td>14,266</td><td>62.6%</td><td>7,309</td><td>34.2%</td><td>25,290</td><td>44.3%</td><td>14,443</td><td>21.9%</td></tr>
<tr><td>Credit Lyonnais/ Al-Nilein</td><td>5,020</td><td>22.0%</td><td>8,656</td><td>40.5%</td><td>6,778</td><td>11.9%</td><td>12,605</td><td>19.1%</td></tr>
<tr><td>Sudan Commercial Bank</td><td>n/a</td><td>n/a</td><td>n/a</td><td>n/a</td><td>6,973</td><td>12.2%</td><td>11,032</td><td>16.7%</td></tr>
<tr><td>The Ottoman Bank/ National & Grindlays</td><td>2,974</td><td>13.1%</td><td>2,666</td><td>12.5%</td><td>5,000 to 6,000</td><td>8.5 to 10.5%</td><td>5,000 to 6,000</td><td>7.5 to 9%</td></tr>
<tr><td>Banque Misr</td><td>518</td><td>2.3%</td><td>2,751</td><td>12.9%</td><td>4,500 (March 1970)</td><td>Up to 8%</td><td rowspan="3">22,000 to 23,000</td><td rowspan="3">33 to 35%</td></tr>
<tr><td>Arab Bank</td><td>n/a</td><td>n/a</td><td>n/a</td><td>n/a</td><td rowspan="2">7,000 to 8,000</td><td rowspan="2">12 to 14%</td></tr>
<tr><td>State Bank of Ethiopia</td><td>n/a</td><td>n/a</td><td>n/a</td><td>n/a</td></tr>
<tr><td>TOTAL</td><td>22,778</td><td>100%</td><td>21,382</td><td>100%</td><td>57,124</td><td>100%</td><td>66,065</td><td>100%</td></tr>
<tr><td>TREASURY BILLS</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Barclays DCO</td><td></td><td></td><td>n/a</td><td>n/a</td><td></td><td></td><td>8,300</td><td>83.0%</td></tr>
<tr><td>Other banks</td><td></td><td></td><td>n/a</td><td>n/a</td><td></td><td></td><td>1,700</td><td>17.0%</td></tr>
<tr><td>TOTAL</td><td></td><td></td><td>n/a</td><td>n/a</td><td></td><td></td><td>10,000</td><td>100%</td></tr>
<tr><td>GRAND TOTAL</td><td></td><td></td><td></td><td></td><td></td><td></td><td>76,065</td><td></td></tr>
<tr><td colspan="9">Sources: Compiled from Bank of Sudan, Quarterly bulletin (31 December 1969). Al-Nilein, Annual report (1969). MEDU 17/4/1. Barclays DCO, Balance sheets (30 September 1969) & (31 March 1969). BB0011/2587. Cutting, Banque Misr seeks Sudan participation, Khartoum News Service (early March 1970). BB0011/2587.</td></tr>
</table>

1969 figures for the Sudan Commercial Bank, Al-Nilein, and sector totals from the Bank of Sudan are taken from the annual reports of those institutions, and consequently have the greatest claim to accuracy. Figures for Barclays DCO are an average of two balance sheets from 30 September 1969 and 31 March 1970; they are included here under the heroic assumption that 31 December 1969 represented the midpoint of seasonal variation and inflationary tendencies between these dates. In August 1968, Barclays DCO judged that the

Ottoman Bank's 'business in the Sudan is said to be about one quarter of ours.'[520] This highly approximative judgement is applied in table 7.4 by dividing the loans of Barclays DCO and its Treasury Bill holdings by four, and using this to estimate advances by National & Grindlays. This bank's deposits are estimated as equivalent to its advances, a further heroic assumption.[521] The estimate of Banque Misr's deposits is from a Sudanese newspaper in March 1970, announcing plans for Banque Misr to incorporate a local subsidiary. All other entries are obtained by subtracting from the Bank of Sudan's totals. The range in reliability of this data makes it clear that the percentages in this table are highly approximate and should only be used to infer indicate orders of magnitude between different banks' activities.

Barclays DCO remained the largest bank in Sudan between 1956 and 1969, mobilising its branch network, large turnover, and first-mover advantages to implement strategies (branch expansion, savings campaigns, and personal relationships with large customers) to remain the largest deposit-taking bank in Sudan. It also had the largest amount of funds employed, especially when its £S.14.4 million in advances are considered alongside its £S.8.3 million investment in Treasury Bills. The significance of Treasury Bills in directing returns to the financial sector (as they were being withdrawn elsewhere through credit controls, price inflation and taxation) is clear from the preceding table: Treasury Bills constituted over 15% of bank funds employed in 1969, and over one third of those employed by the country's largest bank. This secure investment, redeemed in currency issued by the Sudanese state, albeit at only 3% interest, allowed liquid banks to disinvest from riskier lending in the real economy. Nevertheless, Barclays DCO's share of deposits and employed funds had fallen considerably since independence. This was partly to the benefit of the banks that had come into existence after 1956 (the Arab Bank, State Bank of Ethiopia, and Sudan Commercial Bank) which, in combination, enjoyed a share of deposits in 1969 possibly approaching 25%, and an even greater share of advances.

If the business of National & Grindlays in 1969 was indeed one quarter of Barclays DCO's, then this represented a decline in this company's overall share of business from 1956. This confirms impressions from minutes of the Ottoman Bank's London committee and sub-committee, which describe reoccurring shortages of working capital in Sudan obliging the bank to restrict new lending. Compared with National & Grindlays, Al-Nilein issued significantly

[520] Barclays DCO, Mr. GAO Thompson, Visit to the Sudan (1-5 August 1968). BB0029/0309.
[521] Ottoman Bank, Minutes of the London sub-committee (4 January 1961). CLC/B/172/MS23970.

more loans despite having a probably comparable level of deposits. Its share of total deposits was also markedly lower than Credit Lyonnais' in 1956, for reasons explained in Chapter Five.

According to Table 7.4 – and, assuming an estimate produced by the *Khartoum News Service* was accurate – the only bank present in Sudan in 1956 that increased its share of total deposits by 1969 was Banque Misr. The bank may have sought means to raise deposits after it became unable to draw on resources in Egypt after 1960.[522] Furthermore, Saad Abu Al-Ela, the manager of his family's cotton-growing subsidiary, was known to bank with Banque Misr to whom he transferred his account from Barclays DCO and the Agricultural Bank in 1960.[523] It may be that, at the very moment this bank lost its credit line with Egypt, Sudan's largest business family – themselves of Egyptian extraction – bailed out this bank with deposits and requests for financing, thereby acquiring a compliant and dependent personal bank. This, however, is conjecture. Finally, the arithmetic remainders of total bank deposits and advances in this period suggest that the Arab Bank and the State Bank of Ethiopia, despite limited deposit bases, made important contributions to overall advances, possibly approaching 20% overall.

Table 7.5 shows the breakdown of bank lending in 1969, excluding state-investment banks.

[522] See Chapter Four.
[523] Barclays DCO, Letter to General Managers (10 September 1960). BB0011/2025.

Table 7.5. Distribution of bank lending in Sudan (£E./£S.000s). 1956 and 1970				
	30 October 1956 (Table 2.5)		12 months ending 31 May 1970 (average)	
CULTIVATION				
Cotton	1,794	8.7%	121	0.2%
Other	4	<0.1%	158	0.2%
Total	1,798	8.7%	279	0.4%
EXPORTS				
Cotton	8,000	38.9%	18,391	27.8%
Gum	635	3.1%	4,028	6.1%
Sesame			3,090	4.7%
Groundnut			23,428	5.2%
Cotton seeds			208	0.3%
Other	2581	12.6%	2,829	4.3%
Total	11,216	54.5%	31,974	48.4%
IMPORTS				
Purchases (consumer items)			4,228	6.4%
Credit Sales (consumer items)			1,235	1.9%
Capital imports			2,262	3.4%
Total	3,803	18.5%	7,725	11.7%
INDUSTRIAL				
Working capital for businesses			11,073	16.8%
Credit sales by businesses			936	1.4%
Local manufactures			1,286	1.9%
Total	609	3.0%	13,295	20.1%
Other business enterprises	137	0.7%	3,175	4.8%
Personal loans	140	0.7%	930	1.4%
TOTAL SHORT TERM	***17,703***	***86.1%***	***57,378***	***86.9%***
Medium & long-term				
Industrial investments			677	1.0%
Other investments			2,523	3.8%
Other loans	1,719	8.4%	901	1.4%
Loan rescheduling agreements	1,141	5.5%	4,586	6.9%
TOTAL MEDIUM & LONG-TERM	***2,860***	***13.9%***	***8,687***	***13.1%***
GRAND TOTAL	***21,567***	***100.0%***	***66,065***	***100.0%***
Payment Agreements	***1,004***			
Treasury Bills			***10,000***	
Source: Bank of Sudan, *Quarterly bulletins* (30 June 1969 to 30 June 1970).				

Most notable in Table 7.5 is the collapse in lending to cotton cultivation, which experienced both its dramatic rise and fall in the 1950s. In contrast, cotton exports remained the largest single line of business, with their relative decrease in time probably reflecting falling prices. There was also a reduction in import finance due to increased credit controls and licensing. In contrast, there was a marked increase in lending to local business, industry and private persons (from 4.4% to 26.3% of total) confirming the impression from branch data above that a local business class had grown in size in this period. There was also a remarkable stability in the distribution of short- and long-term finance, though this is no longer the case once one includes investment in Treasury Bills under total short-term financing.

Finally, there is the question of revenue and profits. Graph 2.2 described the trend in revenue for Barclays DCO throughout this period. Credit and import controls led to a relative decline in profits from exchange and advances in favour of commission. As in 1956, the only two banks with available accounts detailing the source of profits in 1969 are Barclays DCO and Credit Lyonnais/Al-Nilein. A comparison of their revenue is given in Table 7.6. This table demonstrates that the secular tendency described for Barclays DCO was not shared by Credit Lyonnais/Al-Nilein. This may confirm suspicions by the British bank the Al-Nilein was less stringently policed by regulatory authorities regarding its adherence to credit controls, despite or because of the fact that regulatory authorities sat on Al-Nilein's board. Barclays DCO may also have been more exposed to a reduction in import business through exchange controls, whereas more of Credit Lyonnais' business went to exports and local concerns. 0.5% of Al-Nilein's total revenue (classed in table 7.6 as interest) came from local dividends.

Table 7.6. Sources of revenue for Barclays DCO and Credit Lyonnais/Al-Nilein Bank					
Barclays DCO 12 months ending 30 September 1955			**Barclays DCO 12 months ending 30 September 1969**		
Interest	£E.588,411	65.3%	Interest	£S.1,104,742	62.7%
Exchange	£E.170,241	18.9%	Exchange	£S.178,883	10.2%
Commission	£E.143,134	15.9%	Commission	£S.477,214	27.1%
Credit Lyonnais 12 months ending 31 December 1955			**Al-Nilein Bank 12 months ending 31 December 1969**		
Interest	£E.155,995	67.9%	Interest	£S.1,692,820	77.7%
Exchange	£E.45,202	19.7%	Exchange	£S.151,756	15.3%
Commission	£E.28,505	12.4%	Commission	£S.335,137	7.0%
Sources: Table 2.7 and Barclays DCO, Half-yearly reports: Sudan (31 March & 30 September 1969). Al-Nilein Bank, *Annual report* (1969). MEDU 17/4/BAN.					

This section has analysed the banking system in Sudan in 1970 and compared it to that of 1956. In particular, I have highlighted the growth of provincial banking business and increased financing for activities other than external trade, which dominated lending under the Condominium. These trends should be analysed in conjunction with the decline in average bank deposit size presented in Chapter Four. Banks were now serving new monied constituencies in Sudan with interests other than automatic support for current- and capital-account openness towards external markets, with potential support instead for policies of economic nationalism, protectionism and public intervention to support Sudanese-owned business against foreign-owned rivals. The implications of this are examined in the next section.

The road to nationalisation

This section examines the genesis and politics of the Sudanese government's policy of nationalisations in 1970, which I argue responded to the interests of key constituencies within the Sudanese state and the local business sector, rather an ideological project to challenge private ownership.

By late 1968, the combination of inflation and controls on credit, imports and exchange were suppressing business profits. A Barclays DCO official visiting Sudan reported that 'Thoughts of a reversion to military rule are being bandied about'. However, this was 'only, so far as I could gather, in commercial circles – there was no suggestion that the Army wished to step in.'[524] In the volatile situation, the British Embassy judged that 'we should certainly not abandon Sadiq El Mahdi and the Umma Party […] Nor should we neglect the solid middle-class elements in the N.U.P. and our friends in the Sudan Armed Forces. […] We would do irretrievable damage to our position here if we were to abdicate from our influential position with them.'[525] A possible coup by senior army officers was one means of restoring orthodox, deflationary and anti-labour policies to government. Another was the presidential election scheduled for December 1969. This winner-takes-all election was likely to check the influence of radical and progressive political factions on coalition politics in the Sudanese parliament.

Both possibilities were pre-empted by a coup on 25 May 1969 by junior army officers organised in a 'Free Officers' Movement', modelled on its Egyptian homologues who had taken power in 1952. The movement united a progressive coalition of socialist, communist and Arab nationalist officers, and governed Sudan through a Revolutionary Command Council (RCC) chaired by Colonel Jaafar Nimeiri. The only civilian member of the RCC was Babiker Awadalla, who Nimeiri made Prime Minister in a new government. Awadalla had been the Chief Justice of Sudan until 1966, when he had resigned in protest at a decision by Sadiq Al-Mahdi's government to reinstate a ban on the Communist Party voted by the parliament in 1965, but which the supreme court had ruled unconstitutional. Awadalla had since entered the private sector as a trader and had been the prospective candidate for left-wing forces (the Communist Party, trade unions, and professional associations) in the 1969 presidential election. Within the new government, led by Awadalla but answerable to the RCC, Husain Al-Sharif Al-Hindi was replaced as Minister of Finance by Mansour Mahjub, one of the three Sudanese

[524] Barclays DCO, Mr Crankshaw's Visit to Sudan (1-5 August) BB0029/0309.
[525] Robert Fowler, British Ambassador, Khartoum, The Communist Threat to Sudan (13 June 1968). FCO 168/3553.

Deputy Under-Secretaries in the Condominium's Finance Department in 1953, alongside Mamoun Beheiri and Hamza Mirghani, who had both already held this ministerial office. From 1966, Mahjub had worked as a general manager in the Sudan Commercial Bank.[526]

The powers of the Ministry of Finance were reduced upon Mahjub's appointment. Mahjub's department was renamed the Ministry of the Treasury and retained responsibility for managing external reserves and regulating the financial sector. Powers over planning, strategic expenditure and infrastructure were meanwhile vested with a new Ministry of Economics, led by Ahmad Sulayman, a member of the Communist Party. Sulayman was a professional lawyer and Chapter Six described how he socialised with Muhammad Ahmad Mahjub, a fellow lawyer and leader in the Umma Party in Sudan's Bar Association. In 1963, the possibility of Mansour Mahjub replacing Mamoun Beheiri as central bank governor had caused worried observers to label him as a 'leftist' and a 'nationalist'.[527] When Mahjub became a minister in 1969, the political contours of Sudan (and, possibly, Mahjub's own) had shifted such that the banking community now perceived him as a restraining influence in the new government.[528]

During its first year, the official policy of Awadalla and Nimeiri's government towards the financial sector was to apply the 1968 Banking Act, which remained in statute. In meetings with Barclays DCO (and possibly other banks), Mahjub, like his predecessor, encouraged voluntary compromise measures that fell short of 75% localisation. One of his proposals was for a consolidated banking sector with a government-owned bank specialising in export and exchange alongside the subsidiary of a foreign bank, possibly Barclays DCO, to specialise in imports and long-term capital and agricultural finance. This model, which would see Barclays DCO lose many of its profitable and short-term lending outlets, did not find favour with the bank.[529]

This account emphasises continuities between state policies during Sudan's second parliamentary period and the military regime after 1969. This is diametrically opposed to interpretations in the existing literature, encapsulated by Timothy Niblock, that 'The Sudanese state which emerged after the coup carried out by free officers on 25 May 1969 was substantially different from that which had existed prior to that date.'[530] The 1969 coup appears as a moment of decisive rupture as the elites of independence were swept away by a new

[526] See Chapter Five.
[527] See Chapter Four.
[528] Barclays DCO, LHO, Letter to General Managers (27 February 1970). BB0011/2587.
[529] Ibid.
[530] Tim Niblock, *Class and power in Sudan: the dynamics of Sudanese politics, 1898-1985* (Macmillan Press: Basingstoke, 1987), p. 233.

generation of radicals, whose revolutionary programme culminated in nationalisation. However, turnover in senior political office once again masked much greater continuity in the personalities and profiles of administrators and officials within the state apparatus, and recruitments from these categories for technical ministerial appointments. By 1969, the nationalisation of banks had already been debated in election campaigns in 1965 and 1968, and officials in the Bank of Sudan and the Ministry of Finance were working towards a policy of 75% localisation of bank shares under a law introduced by an Umma—DUP government. State takeover of economic activity began under Husain Al-Sharif Al-Hindi with the creation of state monopolies for importing and distributing tea, coffee and salt in 1968.[531] Similarly, a cadre of administrators in the Ministry of Finance and the Bank of Sudan were responsible for preparing and implementing these policies, with which many no doubt grew to identify.

Early in 1970, government policies escalated towards seizures and repossessions, targeting the cotton estates of the Dairat Al-Mahdi, and the urban properties of both Sadiq Al-Mahdi and Sheikh Muhammad Uthman Mirghani, who had succeeded his father Ali Al-Mirghani as leader of the Khatmiyya when the latter died in 1968.[532] The government contended that the Daira was in tax arrears and had only been kept afloat by the connivance of foreign banks with the (in)vested interests of the Ansar and Umma, thereby bestowing a political interpretation on the rescheduling of debts between banks and large-scale clients. These seizures caused losses for Al-Nilein Bank, which financed and held mortgages against the Daira's cotton ginnery and oil mill at Rabak. Likewise, National & Grindlays' Kosti branch incurred multiple bad debts due to government seizures of local cotton estates.[533] Conflict between the government and the Ansar led by Imam Hadi Al-Mahdi escalated into violence and the military bombing of Aba Island, where Ansar troops were assembled, in April 1970. Hadi Al-Mahdi was killed the following year attempting to escape from Sudan into Eritrea.[534]

Secret preparations for wider nationalisation and appropriations saw Abd Al-Rahim Al-Mirghani removed as Governor of the Bank of Sudan on 16 May 1970. Al-Mirghani was part of a previous generation of civil servants, who had overseen the Ten-Year Development Plan under Ibrahim Abboud as a civil servant in the Ministry of Finance, and he was not naturally inclined towards the increasingly interventionist measures of Nimeiri's government. He was

[531] Oluwadare Aguda, 'The state and the economy in the Sudan' *The Journal of Developing Areas* 7, 3 (April 1973), p. 434.
[532] Robert Tignor, 'The Sudanese private sector: an historical overview' *The Journal of Modern African Studies* 25, 2 (1987): 179-212
[533] Barclays DCO, Visit by RGV Smith to Sudan (26 February 1970). BB0011/2587.
[534] Gabriel Warburg, 'Mahdism and Islamism in Sudan' *International Journal of Middle East Studies* 27, 2 (1995), pp. 220-221.

replaced as Governor of the Central Bank by Abd Al-Latif Hassan who had been the chief accountant of the Bank of Sudan from 1967.[535] A new position of Chair of the Bank of Sudan was created and granted to Muhammad Mahasi, who was made responsible for overseeing the nationalisation of banks.

Nimeiri announced nationalisation measures on 25 May 1970 in a speech commemorating the anniversary of the coup, at a public ceremony attended by President Jamal Abd Al-Nasir of Egypt and Chairman Muammar Al-Qaddafi of Libya, who were both regional allies of Nimeiri. All banks in Sudan, both foreign and locally-owned, were nationalised, as were the British trading firms Gellatly Hankey, Mitchell Cotts and Sudan Mercantile. The policy came into effect immediately, and expatriate staff were prevented from accessing their former premises the following morning. In the following weeks, a rolling programme of appropriations occurred under the distinct legal vehicles of 'nationalisation', 'sequestration' and 'confiscation', with descending rights to compensation and increasing accusations of criminal activities levelled at the outgoing firms' owners. Sequestrations and confiscations were mostly targeted at businesses belonging to members of Greek, Cypriot, Coptic, and Syrian and other minority communities. All banks were nationalised, and the Nationalisation Act (1970) stipulated a process of valuation by appointed government committees with rights to appeal, and subsequent compensation to nationalised owners with 4% Ten-Year Sudanese Government Bonds.[536]

Nationalisation was followed by further ministerial reshuffling. In July, Mansour Mahjub was replaced as Treasury Minister by Brigadier Muhammad Abd Al-Halim. Al-Halim had been the Commissioner of Labour under Ibrahim Abboud before being appointed as a legal advisor to Banque Misr in 1964.[537] Unlike Mahjub, Al-Halim was a supporter of outright nationalisation, and British observers identified him politically as a pro-Egyptian nationalist.[538] Meanwhile, Mahjub was appointed Minister of Economics, replacing Ahmad Sulayman who was made Minister of Industry.

The standard contemporary interpretation by appropriated firms was that these decisions to nationalise, sequester and confiscate were a determined pivot to the left by socialist government, with Robert Tignor subsequently describing 'the state's anti-business

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[535] Central Bank of Sudan, Abdelateef Hassan (accessed 15 August 2020). Available online: https://cbos.gov.sd/en/node/617.

[536] 'Abdallah Muhammad Suleiman, A*l-tameem wa al-musadrah* (Khartoum: Abd Al-Karim Mirghani Cultural Centre, 2016).

[537] See Chapter Six.

[538] UK Foreign Office, Sudan: Prominent personalities (1969). FCO 39/485.

predilections.'[539] It has already been argued that nationalisation was a less decisive break with political and economic debates in Sudan in the 1960s than might be supposed. Moreover, the Treasury Minister Mansour Mahjub and, as is shown below, several of his colleagues, had consistently denied that they supported outright nationalisation, preferring voluntary or statutory localisation. After a marked change of policy, the regime's retreat from the implications of nationalisation was no less marked as will be shown in later sections of this chapter. All of this invites explanation.

The most left-wing current within the RCC, and the only one to consistently, if not unanimously, advocate nationalisation before and after 1969 was the Sudanese Communist Party (SCP). Communists occupied a large number of social and economic ministries in the first government after the May 1969 coup, albeit none of the strategic positions of the Treasury, Foreign Affairs, or Defence. Furthermore, while Mansour Mahjub had been seeking compromises with foreign banks short of 75% localisation, the communist Ahmad Sulayman as Minister of the Economy had been secretly authoring much of the legislation that would bring about nationalisation. However, Sulayman was part of a minority tendency in the SCP that had supported the military coup, whereas the party's leadership, forewarned, had opposed both the military seizure of power and its members then taking up ministerial office.[540] The SCP had been banned along with other political parties from May 1969, even as Nimeiri sought the support of its cadres in government. In October, Nimeiri replaced two communist ministers to diminish the party's influence, and he himself took over the position of Prime Minister from Awadalla. Awadalla was not a communist, but he had been a key ally of the SCP and the broader left before and after 1969. In March 1970, the leader of the SCP, Abd Al-Khaliq Mahjub, was arrested and exiled to Egypt in a further assault on the party.[541]

So, by May 1970, the communist party was not a leading force within the RCC driving policies such as nationalisation. Indeed, in April 1970, another communist minister, Joseph Garang, stated publicly that the government would not implement even the 75% localisation required by the Banking Act were foreign banks to move towards voluntary reinvestment of more of their profits in Sudan.[542] Ahmad Sulayman was clearly marginal in both the party and its government ministers. Nor would communist inspiration of the nationalisation measures account for the fact that rights to compensation were granted to foreign firms but not Greek,

[539] Tignor, 'The Sudanese Private Sector', p. 198.
[540] Alain Gresh, 'The Free Officers and the comrades: the Sudanese Communist Party and Nimeiri face-to-face, 1969-1971' *International Journal of Middle East Studies* 21, 3 (1989), pp. 397-398.
[541] Ibid., p. 400.
[542] Richard Jones, 'Foreign banks under pressure in Sudan', *Daily Telegraph* (14 April 1970). BB0011/2587.

Syrian, Armenian and other resident businesses, reflecting a concession to foreign capital but a domestic national chauvinism that was in continuity with earlier iterations of Sudanisation. In contrast, nationalisations by communist parties in Russia, China, and Cuba had occurred with no compensation paid to foreign firms.

Another current within the government was composed of Sudanese and Arab nationalists, personified by Babiker Awadalla. Like Joseph Garang and Mansour Mahjub, Awadalla stated publicly that he did not advocate outright nationalisation, and the UK Foreign Office gained sight of a personal letter by Awadalla to a business associate in London that confirmed his preference for public-private partnerships on the model of Al-Nilein.[543] Finally, in the RCC, there was Nimeiri himself, and other army officers who lacked clear partisan or ideological affiliations and who shuffled opportunistically between alliances.

A speech by Nimeiri in June 1970 setting out the reasons for the nationalisation, sequestration, and confiscation of private corporations gives an important insight into the true considerations that underpinned these policies. Nimeiri accused Uthman Salih, who had been sequestered, of supporting anti-government forces in Sudan, treason, tax evasion and smuggling to 'Jewish concerns' outside of the country. Artin Sarkis, the owner of Krikab Confectionaries and Khartoum Drug Stores was accused of smuggling. The National Textile Company was accused of tax evasion, forging import licences, bribery to avoid prosecution and smuggling. The Barsamian & National Engineering Company was accused of 'suspicious relations' with imperialists, civil servants and previous regimes, profiteering, and smuggling. Franco-Pinto was accused of being a 'hide-out' for Zionists in Sudan and smuggling money to foreign share-holders. Philip Hajjar was accused of being a 'notorious smuggler' who had escaped prosecution by bribing the outgoing Minister of Justice. Trust Commercial was accused of customs evasion; obtaining restricted licences; disguising refrigerator and conditioner imports as the import of spare parts; and smuggling. The Greek absentee owners of the National Distillery Company were accused of tax evasion and smuggling. The Express Bus Company was accused of tax evasion, failing to provide appropriate customs certificates against imports, poorly treating Sudanese, and smuggling. The Sudanese Tractor Company was accused of importing restricted commodities, forging documents, delaying imports to engage in price arbitrage, and smuggling. Ibrahim Zahran was accused of tax evasion, being 'suspicious', and smuggling. The lawyer Emil Kronfli 'Exploited his social status to create suspicious relations in local and international circles', exploited professional secrets, accessed

[543] UK Foreign Office, Edward Jerjian on Babiker Awadalla (10 July 1969). FCO 39/485.

unlimited bank facilities through his relationship with certain embassies, and was engaged in smuggling; furthermore, 'His Oasis Hotel was a main centre for espionage and smuggling'. Finally, Nimeiri contended that 'The foreign banks stood behind all the smuggling operations carried out by the establishments which were mentioned in the list and others which were not'.[544]

These comments conveyed, to put it mildly, a heightened concern with smuggling and other exchange control violations. Concern with the balance of payments had disciplined and constrained all Sudanese governments from the late 1950s. Previous chapters described how orthodox policy responses of fiscal austerity administered by Abd Al-Majid Ahmad and Mamoun Beheiri as Ministers of Finance gave way to more heterodox interventions such as import licensing, statutory localisation, and state-owned trading monopolies under Husain Al-Sharif Al-Hindi. Enforcing these controls would have animated officials and administrators in the Bank of Sudan and the Ministry of Finance from the mid-1960s. In this light, nationalisation appears as the ultimate attempt to exert direct public control over external exchange practices, breaking through the mediation of regulatory frameworks. This confirms the assessment of a contemporary journalist that 'Behind the ideological screen raised by the authors of the 25 May coup lies the hand of the nationalist technocrats.'[545]

This runs counter to the recent monograph by Alden Young, which argues that the Condominium class of civil servants introduced a neoliberal order to Sudanese economy and society by the 1960s.[546] To be sure, the Condominium administration produced no shortage of Sudanese who adhered to orthodox economic views and believed that a liberal regulatory environment should be the basis of public policy. However, those civil servants were also the most adept at securing employment beyond state administration, be it in the local private sector (Al-Sid Al-Fil, Abd Al-Majid Ahmad, and Mansour Mahjub) or international financial institutions (Mamoun Beheiri and Hamza Mirghani). Those officials who remained were more inclined to heterodoxy, interventionism, and a nationalist allegiance to state interests and local business when these came into conflict with foreign-owned companies that appeared to compound generalised efforts at exchange control. As nationalisation created new banks led by new bankers, it was this class of individuals who were the immediate beneficiaries. This is the topic of the next section.

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[544] UK Foreign Office, Extracts from President Nimeri's speech, *Rai El Am* (16 June 1970). FCO 39/703.
[545] Eric Rouleau, *Le Monde* (5 September 1969). Cited in Gresh, 'The Sudanese Communist Party', p. 404.
[546] Young, *Transforming Sudan.*

New banks, new bankers

The nationalisation of commercial banks created new companies whose activities were consolidated and reorganised according to the government's vision of a reformed financial sector. Nationalisation also provided an opening for the appointment of senior bank managers to replace the expatriate staff of former private institutions.

Army officers were prominent on the new banks' boards, especially officers who had been retired by the country's new leadership following the 1969 coup. As under Abboud, employment in the state financial sector was a means of placating potential opponents rather than rewarding allies. This caused the British ambassador to observe that the new bank managers were typically more pro-business and pro-Western than the political balance in the government itself.[547] The military appointments were supplemented by the appointment of civil servants to managing directorships, thereby bringing the technical competence required to administer the new institutions.

Barclays DCO had been forewarned of the impending nationalisations in April 1970 by Awad Abd Al-Majid, the Deputy Governor of the Bank of Sudan who the British bank had enlisted in a managers' training course in London.[548] Shortly after returning to Khartoum, Al-Majid met with the Local Director of Barclays DCO, who learned that 'a close friend of [Al-Majid] who is related to members of the Government Council is certain that on the anniversary of the revolution, towards the end of May, an announcement is to be made which will affect banks.'[549] Al-Majid recommended, again, that Barclays DCO pre-empt more drastic measures by voluntarily incorporating a subsidiary with partial local ownership, possibly by introducing annual stock options for the bank's local staff. The British director reported his suspicion to London that 'most of [Al-Majid's] remarks on localisation are officially inspired.'[550] Not for the first time, but certainly for the last, Barclays DCO declined to initiate voluntary localisation. The bank was nationalised 28 days later. Its successor institution was renamed the State Bank for Foreign Trade and Al-Majid became its managing director, demonstrating how nationalisation became the project of public-sector technocrats rather than socialist political reformers.

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[547] RGA Etherington-Smith, Khartoum, Sudan: Confiscations and nationalisations (24 August 1970). FCO 39/705.
[548] See Chapter Six.
[549] Barclays DCO, LHO, Letter to General Managers (27 April 1970). BB0011/2587.
[550] Ibid.

The other British bank, National & Grindlays, saw its successor institution named the Omdurman National Bank, the managing director of which was Al-Dirdeiri Ibrahim. Negotiations between British investors and the Sudanese government regarding compensation for nationalisation are considered in the next section.

The successor institution to the State Bank of Ethiopia was the Juba Commercial Bank. In 1972, a negotiated peace settlement concluded in Ethiopia ended the civil war in southern Sudan, and this bank became central to the government's efforts to expand economic resources in general, and banking services specifically, within Sudan's peripheries. The Bank of Sudan's provincial offices in Waw and Malakal in southern Sudan were transferred to the Juba Commercial Bank, becoming commercial bank branches.[551] In 1973, the Juba Commercial Bank was merged with the Omdurman National Bank to form the Juba-Omdurman Bank, renamed the Unity Bank in 1975. This bank expanded its branches further, in Renk and Yei in southern Sudan, and Al-Fashir, Nyala and Al-Janaynah in Darfur.[552]

The Arab Bank decried its nationalisation in Sudan in its 1970 annual report. As the bank had already been nationalised in Egypt, Syria, Iraq, South Yemen and Libya, it protested that 'We had stated in an earlier report that nationalisation should not apply to Arab institutions wholly owned by Arab Shareholders, and devoted to the service of the Arab economy in all Arab countries.'[553] Such protests were to no effect and the wave of nationalisations by Arab socialist governments culminating in Sudan reoriented the geography of the Arab Bank's activities towards its branches in the Arabian Gulf states as well as outside of the Arab World, in Switzerland and Nigeria, thereby reflecting a new international financial geography of petrodollar revenues and their international reinvestment. The nationalised Arab Bank in Sudan was renamed the Red Sea Bank, which was merged into Al-Nilein Bank in 1973.[554]

The only foreign bank other than Credit Lyonnais to have proposed local incorporation was Banque Misr in March 1970, when the bank's chair in Cairo announced the planned creation of a subsidiary called the Bank of Egypt & Sudan with a 51% Sudanese shareholding.[555] The project was precluded by nationalisation itself and the bank was reconstituted as the People's Co-operative Bank. Uniquely among the banks nationalised by Sudan's socialist government, this bank experimented with worker participation on its board of directors. Banque Misr was owned by the Egyptian government, and British officials noted

[551] Bank of Sudan, *The nationalisation of banks in the Sudan* (Khartoum, 1970/1?), p. 18. MEDU 17/4/BAN/3.
[552] Juba-Omdurman Bank, *Annual Report* (1973) & (1975). MEDU 17/4/BAN.
[553] Arab Bank, *Annual report* (1970). MEDU 33/4/BAN.
[554] El Nielin Bank, *Annual report* (1970). MEDU 17/4/BAN.
[555] Cutting, Banque Misr seeks Sudan participation, *Khartoum News Service* (early March 1970). BB0011/2587.

the irony, as they saw it, of the Egyptian president Jamal Abd Al-Nasir applauding Nimeiri's announcement that banks would be nationalised at the ceremony at which he was present.[556] Previous chapters have described how Banque Misr's balance sheet in Sudan had likely been severely impacted by the failure of the private cotton economy and the withdrawal of credit lines from Egypt. It may be that the Egyptian bank, like Credit Lyonnais in 1964, saw localisation or even nationalisation as a welcome buy-out from their imperilled Sudanese business. There is evidence that nationalised Egyptian investors in Sudan were compensated more rapidly than other foreigners after 1970.[557] In addition to the political context of allied national governments, it may have been easier for the Sudanese government to settle the compensation claims of Egyptian investors compared with their European counterparts. The latter had smaller aggregate claims and would have found greater use for settlement in Sudanese currency, government securities, and trade credits than European investors who insisted on payment in external currency. By 1975, the People's Cooperative Bank appointed as its Chair Saad Abu Al-Ela, the manager of his family's cotton-growing division who had been an important client of Banque Misr before nationalisation.[558]

Nationalisations in 1970 did not solely target foreign banks, and the shareholders of the Sudan Commercial Bank, which retained its name, were also nationalised. Compensation of their shares with securities earning 4% interest may have been more acceptable compensation for these residents of Sudan than it was for foreign shareholders, and they had no recourse to protest based on international law. The bank's board was entirely replaced, toppling the positions held by business patriarchs such as Hafiz Abd Al-Moneim and Salaam Abu Al-Ela.[559] Notwithstanding, the previous paragraph described how the latter's relative was later elevated to the position of chair in another nationalised bank, highlighting how the challenge to these local business interests by the government was neither lasting nor absolute, not to mention intervening political retreats.

Al-Nilein also retained its name after the 40% shareholding of Credit Lyonnais was nationalised. Whereas all other banks saw their senior management entirely overhauled by nationalisation, Al-Nilein enjoyed a much greater degree of continuity. Al-Nilein was already 60% owned by the Bank of Sudan and retained much of its Sudanese management while four French staff were repatriated. Ibrahim Muhammad Ali Nimir had been on the bank's board

[556] British embassy, Khartoum, Letter to UK Foreign office (27 May 1970). FCO 39/701.
[557] UK Foreign Office, Meeting with nationalised firms (18 February 1971). FCO 39/917.
[558] People's Cooperative Bank, *Annual report* (1976). MEDU 17/4/BAN.
[559] Sudan Commercial Bank, *Annual report* (1970). MEDU 17/4/BAN.

since its creation and had served as chair and co-managing director with Georges Petit from 1969. After nationalisation, he became the bank's sole managing director, while the position of chair passed to Hassan Mitwakil, formerly the managing director of the Gezira Board.[560]

The repatriated French directors visited Sudan on three occasions after nationalisation, in December 1970, and April and July 1971, to negotiate valuation and compensation on behalf of Credit Lyonnais. During their first visit, they recorded the satisfaction of bank customers with Al-Nilein as the only bank that continued working 'like before' following nationalisation.[561] They were amicably hosted by Nimir, their former colleague, and Mitwakil privately informed them of his doubts over the viability of the government's new Five Year Plan due to labour shortages in the cotton sector.[562] The recomposed board remained loyal to its former French investor by refusing a request from the Minister of Finance to distribute the 40% of 1969 (pre-nationalisation) profits due to Credit Lyonnais to the Bank of Sudan. (Remittance of profits had been delayed due to exchange shortages). The French visitors commended the 'very proper' attitude of the board.[563]

However, all may not have been as it appeared for the French visitors. A publication by the Bank of Sudan claimed that, in the days preceding nationalisation, a 'new Bank of Sudan Board of Directors formed by the [prospective] chairmen of the different banks headed by the Chairman of the Bank of Sudan [Muhammad Mahasi], discussed the plan and agreed on all the measures to be followed.'[564] It was probably through these meetings that Awad Abd Al-Majid learned of plans for nationalisation and sought to pre-warn Barclays DCO, with his warnings misinterpreted as official coercion. Since Al-Nilein already had Bank of Sudan representatives on its board, it is possible that either Nimir, Mitwakil, or both, were aware and actively involved in planning that bank's outright nationalisation and kept this information from their French colleagues.

As the French bankers prepared to negotiate valuation with Sudanese government officials, they noted that Credit Lyonnais continued to provide Al-Nilein with substantial credit lines in foreign currency, without which the bank would struggle to operate profitably. Withdrawing this would be their 'only true weapon' in negotiations.[565] As it transpired, Credit Lyonnais received a valuation of net asset values that they considered acceptable of

[560] El Nilein Bank, *Annual report* (1970). MEDU 17/4/BAN.
[561] Credit Lyonnais, Compte-rendu du voyage à Khartoum (8-14 December 1970). CL/192/AH/001.
[562] Ibid.
[563] Credit Lyonnais, Voyage à Khartoum (11-18 July 1971). CL/192/AH/001.
[564] Bank of Sudan, *nationalisation of banks*, p. 13.
[565] Credit Lyonnais, voyage à Khartoum (8-14 December 1970).

£S.1,302,127 for their 40% share in Al-Nilein, whereas the French bank had claimed £S.1,325,190 and was not expecting to successfully extract payment for goodwill.[566] After valuation, the French bankers turned to the much greater question, as they saw it, of the means of payment. Credit Lyonnais preferred rapid settlement in an international currency over compensation in ten-year Sudanese government bonds. In a meeting with Muhammad Mahasi at the Bank of Sudan, the French bankers indicated their willingness to concede a large discount on their valuation in exchange for prompt settlement in transferable currency. Mahasi was receptive to this, but stated that the question had to be put to the Council of Ministers. The French bankers left Sudan without final agreement, and under the impression that they had arrived 'too early', as final reports by valuation committees had yet to be concluded and the government was not yet willing to commit to figures for settlement of compensation claims. Moreover, they believed that they had been invited to Sudan at that specific point in time, along with officials from other nationalised banks, so that the government could demonstrate its willingness to conclude compensation to the International Monetary Fund (IMF) in order to suggest creditworthiness and ensure the renewal of Sudan's Special Drawing Rights.[567]

In their two meetings with the Bank of Sudan in 1971, Credit Lyonnais officials attempted to secure a full and final settlement between £S.400,000 and £S.500,000, payable in an international currency. Mahasi informed them in July 1971 that he again welcomed the proposal and wished to grant Credit Lyonnais special consideration over British banks due to the former's willingness in 1965 to create a local subsidiary. He expressed his anxiety that the terms of their settlement remain confidential so as to avoid comparable claims by British banks, and Credit Lyonnais agreed that it could be so.[568] Nevertheless, an agreement with the French bank had still not been concluded by March 1972, when British investors were pressed to settle soon lest the Sudanese government commit its scarce foreign exchange to prioritise compensation for Credit Lyonnais, who, the British were told, were willing to settle for a low figure.[569] Clearly, Sudanese officials were not unwilling to play national investor groups off against each other. Credit Lyonnais' final settlement is described in a later sections.

[566] Ibid.
[567] Ibid.
[568] Credit Lyonnais, Voyage à Khartoum (11-18 July 1971).
[569] British embassy, Khartoum, Letter to UK Foreign Office (17 March 1972). FCO 39/1165.

Valuation

This section examines negotiations regarding compensation following nationalisation between the Sudanese government and firms from Sudan's former imperial occupier, Great Britain. The British firms in question were the banks Barclays DCO and National & Grindlays; the trading companies Mitchell Cotts, Gellatly Hankey and Sudan Mercantile; and the Imperial Chemicals Industry. (Other British companies and individuals had minority stakes in companies nationalised but these are not considered here). The UK Foreign Office was also involved in these discussions as it helped British companies to coordinate their negotiating strategies and communications with the Sudanese government via its embassy in Khartoum. The next section demonstrates how it was crucial in negotiating a final settlement that incorporated most British claims. Although the British state was not a shareholder in any of the nationalised firms, the negotiations concerned the British balance of payments and, more importantly, legal and political precedents governing postcolonial nationalisations.

I argue that the language used in these negotiations reveals that they did not consist solely of bargaining over the price of compensation. Rather, these were normative debates about which political, legal and accounting principles should govern the process of valuation. This normative debate about what was being measured was a necessary precondition to any bargaining over price. As with negotiations regarding Sudan's redemption of Egyptian currency[570] or the liquidation of Credit Lyonnais,[571] the acceptable means of payment proved ultimately a larger point of contention than the nominal price to be paid.

The previous section stated that all British-owned companies in Sudan were subject to nationalisation, rather than confiscation or sequestration, which meant that they had a right to compensation under Sudanese law and were not simultaneously charged with criminal offences. The important exception was the accounting firm Russell & Co, which had audited the accounts of most major companies in Sudan from the Condominium onwards. In Nimeiri's speech cited in the previous section, he alleged that 'This company did not confine itself to legalising forging of accounts and evading taxes, but also gave its services as an adviser to these [appropriated] firms to instruct them in forging accounts.'[572] The company's licence was withdrawn and its managers were expelled from Sudan. This suggests that Russell & Co were engaged in activities typical of any accounting firm: accounting firms do not, of course, do

[570] See Chapter Four.
[571] See Chapter Five.
[572] Foreign Office, Extracts from speech.

accounting, namely, the original entry of numbers into ledgers, which is done by company accountants. Rather, 'accounting' firms practice audit as a privatised means of ensuring compliance with statutory accounting and reporting requirements. The specialised knowledge so derived can be sold back to companies as consultancy, to advise on means of recording and reporting that maximise private enrichment while avoiding the most stringent interpretations of the law.[573] The expulsion of Russell & Co was a symbolic rejection by the government of the received measures of wealth, price, and value in Sudan's corporate sector since independence. In accordance with its nationalisation laws, the government appointed three-person valuation committees for each company to determine the 'true' value of the firms in question. These committees were composed of professionals such as judges and civil servants as well as seconded financial accountants.[574] They were to complete their valuations by the end of 1970, after which companies had a right to appeal within one month.

British companies and the UK Foreign Office did not question Sudan's legal right to nationalise under international law. However, international law governing the rights of nationalised foreign investors was ill-defined in this period and subject to differing interpretations of precedent and appropriate application of general legal principles.[575] British company and government officials repeatedly insisted that international law required compensation for nationalisation to be 'prompt, adequate and effective'. For the firms in question, this implied immediate payment (prompt), as opposed to payment in Ten-Year Bonds; payment for goodwill as well as net asset value (adequate);[576] and payment in an international transferrable currency, rather than Sudanese Pounds (effective). As with Credit Lyonnais, British companies would eventually accept significant discounts on their proposed 'adequate' price in exchange for 'prompt' and 'effective' payment in sterling or US dollars.

The provenance of the phrase 'prompt, adequate and effective' was never referred to by its British proponents in communications with the Sudanese government, but it was taken from a protest issued by the US Secretary of State in 1938 following the nationalisation of US-American oil companies in Mexico. Compensation on this basis later occurred, and governments and investors in capital-exporting countries had subsequently sought to uphold

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[573] Michael Power, *The audit society: rituals of verification* (Oxford: Oxford University Press, 1997).
[574] Fath El Rahman Abdalia El Sheikh, *Compensation paid to foreign nationalised banks and companies in the Sudan* (Khartoum: University of Khartoum, 1981), p. 6.
[575] Francesco Francioni, 'Compensation for nationalisation of foreign property: the borderland between law and equity' *The International and Comparative Law Quarterly* 24, 2 (1975), pp. 255–283.
[576] Goodwill is an accounting concept defined as the difference between net asset values and market sales price. It is said to capitalise future profits.

this phrasing as a precedent in international law.[577] This was not unanimously accepted in legal scholarship or practice, wherein dissenting schools of thought supported the rights of capital-importing countries to nationalise with limited compensation based on legal principles of 'equity' and redress for unjust historic enrichment, or 'comunidad de fortunas', which held that transnational investors, by virtue of investing in a jurisdiction, merged their fortunes with the subjects of that jurisdiction, making their investments subject solely to national, rather than international, law.[578] Despite this plurality of legal interpretations, nationalised investors sought to portray an overwhelming legal argument for the fullest possible compensation.

Accordingly, the British companies opposed the Sudanese government's rejection of historic audits by Russell & Co and reasserted the integrity of their accounts. The chair of Sudan Mercantile wrote to the Foreign Office that 'This matter of assessing by Committee should in any case be unnecessary in the case of well-established expatriate companies with proper and audited accounts.'[579] However, this certainty in the capacity to discern the true value of an audited company was qualified by the intervention of the chair of Mitchell Cotts, JK Dick, who held that

> the dispossessed owner of the nationalised business should be allowed to contend for whatever basis of valuation he considers appropriate. In some instances, this may well be net asset value; in others it may be replacement value. In the majority of cases it will be probably be found that the well-tried formula of capitalising the net maintainable revenue of the enterprise by applying thereto an appropriate multiplier is the best.

No fewer than three means of valuation were proposed here. Dick concluded that 'In all cases, the basic principle should be that what one is trying to find is the sum of money that would be paid for the assets in question by a willing buyer to a willing seller in the open market.'[580]

These interventions reveal that this was an instance where accounting had escaped the control of the routine activities of company accountants. Accounting can be carried out according to multiple conventions yielding different assessments, and the Sudanese government had imposed a political interpretation on the choice of convention by major corporations. In contrast, British companies were seeking to reassert control over valuation as a technical process. These firms had been chief financial beneficiaries of routine accounting and business activity when these had been allowed to run their course within the historically produced architecture of international capitalism. The result was the remarkable assertion that

[577] Ibid., pp. 263-264.
[578] Ibid.
[579] Kenneth Keymer, Letter to UK Foreign Office (3 July 1970). FCO 39/703.
[580] JK Dick, Letter to the Confederation of British Industry (7 July 1970). FCO 39/703.

forced nationalisation by an anti-colonial government ought to pay the same price as a corporate acquisition in an 'open market.'

The Sudanese government countered the firms' arguments by claiming that the companies' trading names would not be used by their successor institutions, so compensation for goodwill in addition to net asset values was not required.[581] It also argued that foreign firms should only be compensated for external funds that they had invested in Sudan, not accumulated local assets. This was strongly opposed by the mercantile firms in particular whose initial investment in Sudan had occurred many decades prior (at nominal prices that had declined considerably in value) and which had subsequently reinvested local profits in fixed capital. These firms consequently argued that all balance sheet assets be treated equally.[582]

With banks, there was disagreement between foreign companies and valuation committees as to which accounts should be removed from assets as bad debts. Key controversies concerned accounts that the banks claimed had become 'bad' only after 25 May 1970 due to the appropriation measures, but which had legitimately been classed as assets upon nationalisation. It was a notably contentious judgement whether rescheduled Dairat Al-Mahdi debts had been 'bad' before or after this date.[583] Above all, representatives of the Sudanese government argued that the activities of the valuation committees were independent technical exercises, over which they held no control.

Despite the confidence with which British companies asserted that the value they were owed was determined by unassailable legal and accounting principles, they also anticipated sizeable discounts on their claims for the purposes of securing compensation in external currency. They anticipated, correctly, that once the ritual of nominal valuation was completed, the question of actual compensation at a discount but paid in foreign currency would become the subject of political negotiation. National & Grindlays informed the Foreign Office that

> In addition to [net asset value], our claim would include a sum to cover loss of profits, i.e. the goodwill of the business. […] we were thinking in terms of ten years' profits before tax. Ten years' profits may, in practice, be an unrealistically high amount to claim in these particular circumstances and we would naturally be prepared to envisage a somewhat more modest figure. For your private information we might well come down to eight years' profits and possibly even slightly less.[584]

The 'particular circumstances' referred to were Sudan's chronic shortages of foreign exchange. This supposed position of weakness for Sudan was in fact an effective means of tempering the

[581] El Sheikh, *Compensation*, pp. 19-20.
[582] Mitchell Cotts, Company valuation (July 1970). FCO 39/703.
[583] Credit Lyonnais, voyage à Khartoum (8-14 December 1970), pp. 5-6. Barclays DCO, Grounds for appeal: notes on alleged bad debts totalling £S830,805 (24 May 1971). FCO 39/919.
[584] National & Grindlays, Letter to UK Foreign Office (29 May 1970). FCO 39/701.

claims and expectation of British firms, as Sudan objectively lacked the resources to pay the 'prompt, adequate and effective' compensation defined by these companies' accountants.

However, any influence Sudan wielded by declaring that it was simply unable to compensate was checked by the impact of unsettled compensation claims on its external credit. Previous chapters have highlighted the importance of short-term commercial credit for Sudan's external trade. After 1970, the multinational firms that issued and handled much of this credit had seen their investments in Sudan nationalised. The previous section described how Credit Lyonnais considered suspending its external credit lines for Al-Nilein as its 'only true weapon' in compensation negotiations. However, Credit Lyonnais, Barclays DCO, National & Grindlays, and Banque Misr initially maintained their external credit lines for their successor institutions in Sudan, presumably so as not to surrender a bargaining tool at the outset of negotiations. The Arab Bank and the State Bank of Ethiopia, in contrast, froze their external accounts for Sudan.[585] Moreover, exporters to Sudan – notably of capital goods required for development projects – ceased to accept commercial credit from Sudan due to fears of non-payment. Unsettled compensation claims were perceived as an outstanding financial obligation that impacted Sudan's creditworthiness. In Britain, the Export Credits & Guarantees Department (ECGD) significantly reduced its guarantees of export credits to Sudan, which further prevented British firms from shipping to the country.[586] The ECGD was a public body that supported British trade by underwriting commercial credit. The ECGD's policy was determined through a murky combination of market considerations and the interventions of official government policy, and its withdrawal of credits to Sudan after 1970 followed ostensibly from the former. Finally, the British government suspended capital aid to Sudan after 1970 and concerns with the country's creditworthiness reduced the prospects of IMF and the World Bank financing, and several outstanding projects were placed in suspense.[587]

The British companies advocated a more determined policy of British government sanctions against Sudan and the total withdrawal of ECGD credits in order to exact compensation. Foreign Office officials reflected internally that this would further starve Sudan of the foreign exchange with which to compensate. Furthermore, Nimeiri's government was initially protected from the effects such measures by its economic relationship with socialist countries. A Foreign Office commentary comparing Sudan and Uganda, where British firms had also been nationalised, recorded that 'The big difference between Uganda & the Sudan is

[585] Bank of Sudan, *nationalisation of banks*, p. 22.
[586] ECGD, Visit of department's representative to Sudan (July 1970). FCO 39/704.
[587] Derek Mitchell, UK Director of IMF, Letter to UK Foreign Office (3 August 1970). FCO 39/704.

that Uganda is still dependant on Western aid & private investment & the threat of sanctions is taken seriously. The Sudan has almost entirely switched to Soviet bloc aid.'[588] The Sudanese government may not have been fully cognisant of the protection to its sovereignty afforded by Soviet support, and there was growing discontent with the Soviet trading relationship. A Gellatly Hankey official reported after visiting Sudan early in 1971 that 'It was becoming apparent to all, including the most lowly worker, that the bilateral trade and payments agreements with Eastern Bloc countries were working out very badly for the Sudan. In exchange for their good cotton they were obtaining literally rubbish.' These included dysfunctional tractors and outdated weaponry from the Soviet Union, low quality electrical fittings from China, and jute imported from India in payment agreements above market prices.[589] The participation of Nimeiri's government in socialist globalisation had been a question of expediency, not principle, and it soon began to pursue readmission to the Western capitalist system of trade and finance.

Nimeiri's government was also retreating from any domestic political implications of nationalisation. There was no attempt to use nationalisation to liberate production and social life from the discipline of capital. The British embassy drily described the Sudanese working class 'who imagined that nationalisation was to be for their benefit and who therefore demanded a say in the management. By and large they were put in their places quite rapidly.'[590] And, in the Bank of Sudan's own commentary on nationalisation in the banking sector:

> Before nationalisation the main function of the trade unions was to unite so as to secure the maximum economic gain for their members. [...] As this concept prevailed for a relatively long period it continued even after the May Revolution and the nationalisation. Indeed the old concept hardened further because some trade union leaders genuinely believed that the capitalists who exploited them have now gone and it is time for them to enjoy the fruits of their labour now that a socialist government is in power. [...] But the Government made it clear that its policy will be the right man for the right job and that pay increases have to be linked to higher productivity.[591]

In March 1971, several denationalisations were announced of businesses with owners resident in Sudan, as the government sought to return economic control to the accumulated technical knowledge and external business connections of the private sector.[592] The side-lining of communists before nationalisation has been described in a previous section; in October and November 1970, three more communist members of the RCC were dismissed and in April 1971 all mass organisations deemed to be fronts for the (already banned) SCP were

[588] Newspaper cutting, 'Request for state action on Uganda' *The Times (Business supplement)* (26 July 1970). FCO 39/704.
[589] File note, Visit to Sudan by LAC Newns (26 February 1971). FCO 39/917.
[590] British Embassy, Khartoum, The Sudan's economy (7 October 1970). FCO 39/700.
[591] Bank of Sudan, *nationalisation of banks*, pp. 14-15.
[592] British Embassy, Khartoum, Letter to UK Foreign Office (15 March 1971). FCO 39/918.

dissolved.[593] In May, Nimeiri transformed Sudan from a military regime into a single-party state through the creation of the Sudanese Socialist Union (SSU). Ahmad Sulayman, one of the architects of nationalisation, joined the SSU, while most communists remained outside.

That same month, Nimeiri escalated his repression of communists into a rolling programme of arrests and imprisonments. Finally, in July 1971, Nimeiri ordered the arrest of communists in senior military positions, including Hashim Al-Atta, who had been dismissed from the RCC in November. Al-Atta was forewarned and pre-empted his arrest by seeking to oust Nimeiri from power and restore the progressive potential of the 1969 government. Soldiers allied with Al-Atta arrested Nimeiri and took control of Khartoum in a bloodless coup. Al-Atta declared in a radio broadcast the arrival of a 'democratic political regime,' 'the pursuit of non-capitalist development opening up to socialism,' and 'regional autonomy for the South.'[594]

The counterrevolution was swift as the Egyptian government, allied to Nimeiri, ordered a garrison of soldiers stationed in Khartoum to retake the city in alliance with anti-communist Sudanese military units. After four days, Al-Atta was deposed, arrested and executed.[595] Nimeiri's restoration was followed by the widespread arrest and execution of communists, including members of labour organisations and civil society who were merely suspected of communist sympathies. In Iraq, historic British intelligence detailing the identity of communists was used by Ba'ath National Guard militia to liquidate that country's Communist Party in 1963 with British complicity.[596] Comparable lists had been compiled in Sudan under the Condominium, and it is not known whether these were used or actively circulated to support the murder of communists in 1971.

The 1971 counterrevolution was followed by a new wave of official and ministerial turnover, and Abd Al-Latif Hassan and Muhammad Mahasi were removed as Governor and Chair of the central bank. The position of Governor went unfilled, but Awad Al-Majid was moved from the State Bank for Foreign Trade to succeed Mahasi as Chair with responsibility for the bank nationalisation programme.[597] Whereas communists were violently executed, Hassan left public office to become a partner in the consultancy firm Abd Al-Latif Al-Tayeb & Partners. This turnover further delayed definitive resolution of companies' compensation claims, but British diplomats and businesspeople watched with satisfaction as Sudan retreated

[593] Gresh, 'The Sudanese Communist Party', pp. 404-406.
[594] Ibid., p. 406.
[595] Ibid.
[596] Mark Curtis, *Unpeople: Britain's secret human rights abuses* (Vintage: London, 2004), pp. 83-89.
[597] Central Bank of Sudan, Awad Abdel Magied Aburiesh (accessed 15 August 2020). Available online: https://cbos.gov.sd/en/node/618.

from its socialist political positioning. Britain sought to purchase Nimeiri's enduring re-integration into capitalist commercial and diplomatic alliances and immediately released £1 million capital aid for an irrigation project at Rahad, Kordofan, and an additional £10 million quota for ECGD guarantees. Several months later, Nimeiri announced a new 'open door policy' towards foreign capital, thereby consummating his political about-face.

Al-Majid communicated privately to the UK Foreign Office that many in the Sudanese government now considered nationalisation to have been a mistake and that he wished for a rapid conclusion to the question of compensation. On the other hand, he emphasised that Sudan's objective shortage of foreign exchange was the major factor preventing settlement on terms acceptable to foreign companies and stated that he did not wish to commit the Bank of Sudan to a final valuation of the nationalised firms without simultaneous agreement on the form of compensation, to avoid committing Sudan to foreign currency repayments it could not afford.[598] In contrast, British companies wished to exact recognition of the full nominal value that they believed they were owed before they conceded to discounts in exchange for prompt and effective settlement. Performative adherence to particular legal and accounting principles was important to these companies, most of which held investments across multiple postcolonial jurisdictions, and which did not wish to see precedents established for nationalisations followed by paltry compensation.

Finally, in early 1972, the valuation committees produced their assessments. Assessments were slightly below companies' own valuations of net assets, and did not include payment for goodwill. Every company registered an appeal calling for mark-ups by several orders of magnitude based on their account books before nationalisation.[599] However, British diplomats also suspected that the political realignment in Sudan and the desire for a settlement meant that it was time to progress from debates governing the principles of valuation to negotiating actual settlements. The embassy in Khartoum suggested that the British companies that were registering appeals send representatives to Sudan for meetings with Al-Majid 'at which they can do some straight bazaar bargaining.'[600] The next section describes the steps taken by the Foreign Office to circumvent the issue of Sudan's foreign exchange shortage.

[598] British Embassy, Khartoum, Report on meeting with ministerial committee on nationalisation: Ahmed Suleiman, Brigader Mohamed Abdel Halim and Awad Abdel Magid (23 December 1971). FCO 39/922.
[599] El Sheikh, *Compensation*, p. 15.
[600] British Embassy, meeting with ministerial committee on nationalisation (23 December 1971).

Compensation

This section examines the final conclusion of compensation settlements. The extension of British capital aid to Sudan after Nimeiri's bloody counterrevolution provided an injection of foreign currency that could be used to compensate foreign claimants. Some nationalised companies tried to take advantage of this to seek payment ahead of other firms. Barclays DCO, which had been renamed Barclays International in 1971, met with its former trainee Awad Abd Al-Majid in Khartoum to discuss the appeal to its valuation. In the meeting, the representative of Barclays International offered a large discount on its valuation and a foreign exchange loan to Sudan in exchange for prompt settlement of its claim in sterling.[601] However, Al-Majid equivocated and held out for a settlement with all claimants.

Nationalised foreign companies were competing not merely with each other's claims to Sudan's scarce external reserves, but also claims from new private investors interested in business in Sudan. Chief among these was the London & Rhodesia Mining Company (Lonrho). Lonrho was a British investment firm specialising in infrastructure and industrial projects in Africa and the Middle East. It had established contact with Sudan's government early in 1971, seeking to gain first mover advantage entering the country as the regime retreated from its socialist economic programme and re-privatised sections of the economy. Lonrho played a pivotal role in the 1971 counterrevolution by using its company jet to fly Sudanese anti-communist army officers to Sudan from trade missions in London and Belgrade. Thereafter, the company's chief executive, Tiny Rowland, gained close personal access to Nimeiri. Lonrho was appointed sole purchasing agent of the Sudan government in Britain, earning a substantial commission on all public imports to Sudan from that country.[602]

Lonrho's influence in Sudan increased further following a ministerial reshuffle in April 1972. Muhammad Al-Halim, who advocated applying the letter of the 1970 Nationalisation Act rather than bespoke settlements with companies, was replaced as Treasury Minister by Musa Mubarak. Mubarak had been an NUP/DUP parliamentarian in the 1960s and Minister of Industry in 1969. Although Mubarak retained ministerial responsibility for the nationalisation programme, the true authority on this issue passed to the new Minister of Economics, Ibrahim Moneim Mansour. Mansour had been Managing Director of the Sudanese-American Textile Industry in the 1960s, in which capacity he had served on the board of the Industrial Bank.[603]

[601] British Embassy, Khartoum, Letter to UK Foreign Office (13 March 1972). FCO 39/1166.
[602] S Cronjé, M Ling & G Cronjé, *Lonrho: portrait of a multinational* (Penguin Books: Harmondsworth, 1976), pp. 179-181.
[603] See Chapter Five.

In one regard, Mansour embodied the new policy orientation of the Nimeiri government as a private sector appointee to public ministerial office, reversing the professional trajectory travelled by public office holders until that point. On the other hand, his appointment highlights a continuity in the policies of Nimeiri's government, which I have argued implemented nationalisations to support Sudanese business at the expense of foreign capital, rather than as part of an ideological opposition to private business as such. By 1972, Mansour had become an employee of the Sudanese businessman Khalil Uthman who was the founder of the Gulf Fisheries Company. From this Uthman had amassed a considerable fortune which he reinvested in interests across the Gulf. Uthman was a close partner of Tiny Rowland and Lonrho, and he was appointed to that company's board in 1974.[604] Through these close connections, other British companies suspected that Mansour was Uthman and Lonrho's bridgehead inside the Sudanese government.

One of Mansour's first acts as minister was to conclude a settlement with Credit Lyonnais for $1,435,000 (£S.500,000) payable in three annual instalments at 4% interest. This was approximately two-fifths of the valuation committee's assessment of that company, and demonstrated the French bank's desire for a rapid settlement in foreign exchange.[605] This signalled to the British firms that Mansour was now the chief personality to approach in negotiations. Settlements with Banque Misr and the State Bank of Ethiopia were concluded before the end of the year.

Initially, Lonrho had favoured rapid settlement of outstanding British claims to reanimate capital aid and export credits to Sudan from which the company's local investment projects – most notably, a sugar factory at Kanana near the White Nile – could benefit. As 1972 progressed, the nationalised British firms now speculated that Lonrho was using Mansour to delay compensation so they could retain their monopoly position in Sudan, and privileged access to its scarce foreign exchange pool.[606] Furthermore, the British Embassy believed Lonrho was seeking to craft compensation agreements in line with its own interests, by encouraging firms to forego part of their claims in favour of investment in the sugar factory and, possibly, in the case of the banks, a new private financial institution.

Ibrahim Mansour's influence continued to grow with a further reshuffle in October 1972. Musa Mubarak left the Treasury to become Minister of Labour, and was succeeded by Ibrahim Al-Yas, a former civil servant from the Ministry of Finance. Awad Al-Majid, meanwhile, left

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[604] Ibid., p. 113.
[605] Barclays International, Letter to UK Foreign Office (20 July 1972). FCO 39/1167.
[606] British Embassy, Khartoum, Letter to UK Foreign Office (1 March 1972). FCO 93/157.

his position as Chair of the Central Bank and, shortly afterwards, founded the consultancy firm Awad Abd Al-Majid & Partners, thereby marketing his technical and institutional knowledge of the Sudanese state as the country reopened to external financial investment.[607] Leadership of the central bank remained vacant until 1973 when Ibrahim Muhammad Ali Nimir stood down as General Manager of Al-Nilein – where Ibrahim Al-Yas succeeded him – to become Governor of the Bank of Sudan. The Foreign Office regretted the renewed turnover of interlocutors in compensation negotiations, but Ibrahim Mansour retained his office, and his influence grew accordingly.[608]

Towards the end of 1972, British companies were increasingly exasperated at the continuing lack of agreement with Sudanese authorities governing compensation settlements. They asked the Foreign Office to expediate negotiation of a 'package deal' that would settle all outstanding claims, with this as a precondition for further British aid to Sudan.[609] A state visit by Nimeiri to Britain was scheduled for March 1973, and companies and the Foreign Office alike aimed to negotiate a settlement by this event.

At this stage in the protracted negotiations, the implications of the UK Foreign Office's support for the companies' refusal of payment in Sudanese bonds (of which Sudan was the sovereign issuer), and its insistence on payment in sterling, (which Sudan lacked but of which Britain was the sovereign issuer), were becoming clear to all parties. In March 1972, the nationalised companies had suggested that Britain extend aid to Sudan following any agreed settlement to ensure that the country had the foreign exchange with which to pay compensation. This was rebuked in an internal Foreign Office communication: 'We have no obligation to bail out nationalised companies. They invest of their own free will in expectation of profit, and where the risk is high they should charge accordingly. If they fail to do so the fruit is theirs.'[610] While this argument protected the British Treasury against dangerous precedents, it also raised the equally dangerous argument for overseas British investments that losses from nationalisation were part of the risks of business, not a violation of legal rights. Similarly, Awad Al-Majid, and later Ibrahim Moneim Mansour both asked the British government to expedite aid that could finance a settlement with companies. When this was indeed suggested by the British ambassador as early as 1970, the rebuke from the Foreign Office came that 'It is hard to imagine circumstances in which H[er] M[ajesty's] G[overnment] would ever be willing to

[607] Central Bank of Sudan, Awad Abdel Magied Aburiesh.
[608] UK Foreign Office, Minute on Sudan: Compensation of nationalised companies (31 October 1972). FCO 39/1167.
[609] Committee of nationalised firms, Letter to UK Foreign Office (August 1970). FCO 39/1167.
[610] UK Foreign Office, Minute: Sudan compensation (3 March 1972). FCO 39/1165.

lend another government money specifically for the purpose of compensating UK nationals which it had injured'. However, this strong statement of principle was followed in the same letter by an important qualification:

> What para[graph] 15 of the Guidance Paper does contemplate is that in certain circumstances, as part of a political new deal with the government of a country manifestly anxious to reform its ways (or, more likely, those of its predecessors) it may be found desirable to give new capital aid at about the same time as the other government is willing to settle compensation claims on reasonable terms. Even then one would expect the connexion to be implied rather than stated and a manifestation of a major improvement in political relations.[611]

The departmental paper in question on 'The expropriation of U.K. property in developing countries' further described the logic of issuing aid to countries that had implemented nationalisation programmes:

> settlement of expropriation claims is apt indirectly to involve an injection of new money by the "injured" government. It is often obtained only when the initial ardour of the expropriating government has cooled (or that government has been replaced by one of another complexion) or when its financial circumstances bring home to it the desirability of a return to financial respectability in the eyes of the inter-national financial community. […] In any case it is only realistic to expect that settlements by poor countries will tend to be for amounts that are something less than fair [to the compensated], and are spread over relatively long periods. In the worst cases settlement may even become more a matter of a token obeisance to the requirements of international law than of substantial financial satisfaction to the victims.[612]

The performative and normative purpose of the policy was clearly articulated. Consequently, as the Foreign Office prepared aid for Sudan in 1973 as a counterpart to settlement of compensation claims, it stringently maintained that this aid was not to finance the claims of nationalised companies, not least since much of it was earmarked for new capital imports. Simultaneously, officials calculated internally what proportion of sterling aid would be available to pay compensation.

Concluding negotiations on the 'package deal' of aid and compensation were conducted between the Foreign Office and Ibrahim Mansour in London concurrently with Nimeiri's visit. The Foreign Office maintained that the aid it gave to Sudan was linked to humanitarian and development projects, not compensation, but the minutes of meetings with Mansour demonstrate that officials were willing to break character to ensure that the true relationship between compensation and aid was properly understood:

> Mr Mansour then asked for an explanation of how the local costs element of the aid programme would help in the payment of compensation. Mr Parsons explained that HMG would pay to the Sudan Government in sterling an amount equivalent to the local costs (up to a maximum of 40% of our total aid). The Sudan Government would pay the costs locally in Sudanese pounds and could then use the sterling for the payment of compensation. […] Mr Craig pointed out that the lack of foreign exchange was the major obstacle to the payment of compensation. The scheme which Mr Parsons had outlined was designed to make foreign exchange available to meet a proportion of the payments. The Sudan Government would have to find the balance. […] Mr Mansour said that the

[611] UK Foreign Office, Internal minute (January 1971) FCO 39/706.
[612] UK Foreign Office, The expropriation of U.K. property in developing countries (3 November 1970). FCO 39/706.

> need to help the British companies made the Sudan's case a special one [in the level of aid it required] even if there could be no public link between aid and compensation.[613]

A contemporary estimate of final settlements relative to initial claims by companies is given in table 7.7. Comparison between entries is misleading, however, as variation in initial claims largely reflected different opening gambits and accounting conventions by the British companies. As a bank, Barclays DCO held very few net assets in Sudan relative to its local turnover. So, its initial claims included a large premium for goodwill that was not present in the final settlement. Very approximately, companies were typically compensated modestly below their net asset values.

Companies were paid a 20% down payment in May 1974, and three subsequent annual payments. National & Grindlays opted out of the 'package deal' and sought to negotiate a bespoke arrangement with the Sudanese government. Whereas the British merchant houses had argued that all assets be ranked equally for compensation, National & Grindlays now requested special consideration as it had recently paid hard currency in exchange for the Ottoman Bank's assets in Sudan and other territories. The bank deferred any settlement until after an IMF visit to Sudan in late 1973, which it hoped would increase the foreign exchange resources available to the country. In June 1975, the bank negotiated a settlement of £1 million with payments of the principal due in 1975, 1980, 1985 and 1990, and interest payments over the intervening years.[614]

[613] UK Foreign Office, Record of a meeting at the Sudanese Embassy, London (27 March 1973). FCO 93/158.
[614] National & Grindlays, Letter to UK Foreign Office (3 August 1978). FCO 93/1657.

Table 7.7. Initial and settled claims of nationalised British companies in Sudan (£)		
Company	**Initial claims**	**Total agreed**
Barclays International	8,213,688	2,145,487
JC Courage-Barclay	903,829	700,000
Sudan Mercantile	1,512,390	1,300,000
Mitchell Cotts	4,200,000	2,180,000
Gellatly Hankey	3,629,179	2,200,000
National & Grindlays	2,289,840	1,000,000
Ralli Bros	60,000	60,000
Industrial Chemicals Industry	70,000	38,185
Tunnel Cement	4,370,000	1,750,000
Source: PFM Wogan, UK Foreign Office, Sudan compensation (2 February 1973). FCO 93/157.		

The twin stories of valuation and compensation reveal how the radical threat of non-payment, arising from Sudan's objective scarcity of foreign exchange, caused nationalised foreign companies to accept compensation payments that were significantly below what they would have accepted in a commercial transaction. Banks, in particular, operated with few net assets relative to turnover and profits, and were accordingly penalised by non-payment of goodwill. Nevertheless, the Sudanese government's desire to regain external creditworthiness and access to commercial and capital financing compelled it to accept claimants' demands for compensation on a largely 'take-it-or-leave-it' basis that maximised payment to nationalised investors within the confines of Sudan's objective shortage of reserves.

Furthermore, I have revealed how British capital aid was deliberately used to finance compensation payments, which official guidance reveals was a routine, rather than exceptional, occurrence. This highlights the 'neo-patrimonial' nature of postimperial states, with public funds being issued for payment to private British firms under the guise of external aid. However, rather than this being done to enrich the specific companies concerned, official language cited above reveals how this was done to exact performative compliance by all parties to the normative principle of compensation for transnational investors. By lubricating the normative foundations of the international capitalist regime of value, the British state intervened to restore the general conditions for accumulation by British overseas investors and the renewed performance of capitalist value as a decentred, routinised, and technical process, rather than a legitimate object of political negotiation and contestation.

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This chapter has examined the nationalisation of foreign banks in Sudan and ensuing negotiations concerning valuation and compensation. I have argued that nationalisation was not born of a political challenge to capitalism or private ownership. Rather, it was the product of a ‘civil service view’ of the Sudanese economy that sought to end perceived actions by foreign-owned capital in Sudan which frustrated both the development of Sudanese-owned private businesses and the increasingly stringent exchange policies of the 1960s. The mistake made by such officials was to view crises and disequilibria in Sudan’s economy as resulting from deliberate regulatory violations and malign conspiracies by foreign-owned corporations, rather than from the routine operations and foundational dynamics of a capitalist economy. Negotiations regarding valuation and compensation revealed that normative principles governing the international capitalist regime of value were at stake. Sudan’s ability to negotiate from within this regime was slight, and re-adherence to its discipline re-enforced Sudan’s peripheral position within international capitalist economy.

Conclusion

The conclusion sets out answers to the research questions set out in the introduction based on the findings of this thesis. The final section of the conclusion examines the arguments' implications for the political possibilities available for the postcolonial state in Sudan in this period.

The banking sector and political independence

This thesis has shown that the history of banking in Sudan during the fourteen years after independence was not a mere overhang of the colonial (Condominium) period. Rather, banks were proactive before and after 1956 adapting and expanding their local business models to adjust to the changed circumstances of political independence.

Sudan's largest commercial bank, Barclays DCO, underwent a rapid branch expansion through the 1950s with the objective of remaining the largest domestic banker of Sudan, including to institutions of the Sudanese state. Although the overwhelming majority of the bank's lending continued to be carried out by its branches in Khartoum Province and Port Sudan, it sought to develop a close relationship with the new Sudanese government by opening branches in growing provincial towns and, in turn, receiving institutional deposits from local government and public boards. When these deposits were withdrawn in the early 1960s, the bank once again altered its strategy to target small- and medium-scale savings accounts of private depositors. As a result, the bank succeeded in multiplying the number of its branches and the number of its accounts by multiple factors over two decades.

The Ottoman Bank broke a 36-year banking duopoly when it entered Sudan in 1949. Like Barclays DCO, it pursued a policy of provincial branch expansion, though this was aggressive rather than defensive. The smaller size of this bank in Sudan meant that it pursued growth more slowly. Despite contemporary suspicions that Banque Misr only entered Sudan to further the interests of the Egyptian state ahead of the 1953 self-government elections, this bank pursued an active policy of provincial branch expansion after independence when the country's constitutional relationship with Egypt had been settled. The bank's dynamic growth in Sudan was halted in 1960 after it lost the ability to draw on Egyptian funds, meaning that it was less active in Sudan when it was a nationalised entity owned directly by the Egyptian state after 1961, compared with when it had been a private institution. Credit Lyonnais continued to enjoy profitable export-financing business in Sudan after independence, though a series of crises undermined its overall liquidity position. Although Credit Lyonnais agreed to incorporate Al-Nilein jointly with capital from Sudan's central bank in order, it can be inferred, to divest from a precarious business, the French bank remained committed to this subsidiary for a further six years by training Sudanese staff in Paris, producing thorough inspection reports, and continuing to develop local policies to redress its liquidity position and retain a leading position in the country.

These banks could rely on certain continuities in financial and institutional structures before and after 1956. Important in the external context remained the link between Sudan, sterling and British markets, as the country continued to hold reserves, peg its exchange rate (both until 1967), and invoice trade in sterling, even though Sudan was not part of the sterling area. Great Britain remained important to Sudan as a market for imports and exports, and as a provider of long-term finance. One bizarre, though apparently habitual, effect of this was the fact that Britain from 1973 bankrolled a large part of Sudan's nationalisation of British firms which had taken place three years earlier.

However, major changes also occurred in the economic and regulatory environments of this period. Significant was the introduction of exchange controls between Sudan and both Egypt and the sterling area, which were strengthened with time by Sudanese authorities seeking to ensure domestic economic stability against foreign exchange outflows. Banks in Sudan were required to balance assets and liabilities within much a smaller territorial area than they had previously, which prompted the search for local deposits described above. The separation of Sudan's external reserves from Egypt in 1949 also placed a pressure on governments to maintain external solvency, and policies including import tariffs, import licencing, credit controls, exchange controls, and demand reduction through fiscal austerity were all pursued at various periods.

The banks operating in Sudan in 1956 were joined by a range of other banking institutions in the ensuing fourteen years. Two further foreign-owned banks opened in Sudan in the 1950s, each pursuing policies of intraregional branch expansion from the Arab World and the Horn of Africa, respectively. Three state-owned investment banks opened between 1959 and 1967 which sought to expand financing to areas that had been neglected by foreign-owned commercial banks. However, the arrival of the Agricultural Bank was also used by commercial banks to divest from cotton cultivation financing that they now considered dubious. In 1959, private initiative – albeit with active public support – led to the creation of a Sudanese commercial bank that was owned by members of Sudan's resident business community.

In 1960, the central Bank of Sudan came into existence, and assumed responsibility for multiple public functions including regulating the financial sector, and pursuing local and external balance. However, the Bank of Sudan did not remain a mere regulator above the financial sector, and became an active economic participant that supported multiple public and private projects through equity purchases. It directed liquidity to state-owned investment banks where its employees sat on the boards of directors, and which was used either for these banks' general activities, or to direct financing towards specific private-sector projects, such as the Nile Cement Company, in a strategy of 'picking winners' (or not, in that instance). In 1964, the Bank of Sudan invested in Al-Nilein, a joint subsidiary with Credit Lyonnais, meaning that the central bank and its senior staff were now active as bankers in one of the leading commercial banks of the country.

Sudanese governments initially sought to maintain the economic and business structures that had prevailed under the Condominium, with the addition of public loans and official suasion directed at the foreign-owned private sector to encourage Sudanese entry into the most remunerative sectors of local business activity. In 1958, crisis in the production and sale of Sudan's chief export crop, cotton, dispelled public hopes of a rising economic tide that would benefit all sections of capital without conflict. The military-developmentalist government that came to power in that year continued to uphold a liberal regulatory environment for foreign capital in Sudan, but attempted to enforce a discipline to external market forces on all stages of production and distribution in Sudan, extending from the management of public accounts down to the individual producer. As the military government restored Sudanese capitalism at the expense of individual capitalists, by vesting them with lasting debts from the 1957 and 1958 cotton seasons, the state sought to revive the national economy through a corporatist vision of planning and development coordinated between the public and private sectors.

In the 1960s, as balance of payment pressures became both chronic and acute, some sections of official and political opinion began to view the business structures inherited from the Condominium as undermining, rather than supporting, national economic development. From 1962, Sudanese governments and the central bank officially supported the voluntary 'localisation' of foreign-owned banks, namely, the incorporation of subsidiaries with partial local ownership. In 1968, this became a legal requirement, though the measure was not enforced.

Concerns in state bodies with national economic control, and the suspicion that foreign-owned companies, facilitated by their banks, were violating exchange controls, culminated in the nationalisation programme of 1970. The Bank of Sudan became the sole owner of all commercial banks in Sudan and several of its staff became managing directors of nationalised institutions. The central bank also ceded its provincial offices in southern Sudan to become commercial branches of the Juba Commercial Bank, demonstrating again that the central bank was a participating actor, as well as a regulator, in public projects to reform business and economic institutions in Sudan. The fate of successive political projects to reform business, economy, and society in Sudan is the topic of a later section.

Ministers, civil servants and the state-finance nexus

The previous section described the strategies adopted by banks in response to shifting economic and regulatory environments after independence, as well as the reciprocal attitudes of Sudanese public authorities towards to financial sector. These two processes did not occur independently of one another. This section reviews how banks and other private companies sought to maintain close working relationships with public authorities within favourable regulatory environments, including by maintaining a revolving door between public and private sector employment which promised professional and pecuniary rewards for individuals who advocated policies amenable to private capital when in public office. This constituted a 'state-finance nexus' in which the politicians and officials concerned were far from passive participants, and actively arbitrated between the different professional avenues that were open to them.

This thesis has endorsed Alden Young's argument regarding the influence of Sudan's first generation of civil servants and public economic administrators in shaping the outlook and practices of state institutions.[615] Technical expertise was often a scarce commodity for the successive political projects that came to power in this period. Consequently, those trained in financial accounting and economic planning gained an important staying power in public institutions even as governments and regimes changed. In moments of political or economic crisis, such as 1958, 1963 and 1966, technocrats were appointed to the key political position of Minister of Finance where they were tasked with stabilising public finances. In combination, this helped to institutionalise a 'civil service view' of public economic administration. As Young identifies, this was frequently inclined towards economic orthodoxy and 'values such as transparency and stabilization' that Young argues represented a neoliberal crisis of the postcolonial state in Sudan earlier than is usually assumed.[616] Among individuals analysed in this thesis, Abd Al-Majid Ahmad, Mamoun Beheiri and Hamza Mirghani can be said to have embodied this tendency.

However, I also identify an opposing 'heterodox' civil service view in Sudan in this period. The most orthodox of civil servants, whose professional training had frequently occurred under the British authorities in the Anglo-Egyptian Condominium, were also the most adept at leaving public employment for more prestigious and remunerative positions in the private sector or international financial institutions. Of the individuals cited in the previous

[615] Alden Young, *Transforming Sudan: decolonization, economic development and state formation* (Cambridge: Cambridge University Press, 2018).
[616] Ibid., p. 130.

paragraph, Ahmad joined the local board of Barclays DCO and multiple other Sudanese companies after 1963; Beheiri became the founding President of the African Development Bank in 1964; and Mirghani joined the International Monetary Fund (IMF) in 1961. This created the possibility for a more junior tier of civil servants to fill their places, whose professional formation then occurred in the late 1950s and 1960s. This class of civil servants had fewer memories of close working relationships with British administrators. Furthermore, as Sudan's economy entered chronic balance of payment pressures, the officials in the central bank and the Ministry of Finance seeking to protect the country's reserves would have begun to view the orthodox regulatory regime and limited oversight of foreign-owned businesses in Sudan – which allowed, for example, banks to remit rising profits at the height of a crisis in external reserves – as a problem, rather than a solution. As such, institutional support for alternative policies such as localisation, nationalisation, capital controls and import licensing began to grow. The culmination of this view was the programme of nationalisations which, as demonstrated by Nimeiri's speech cited in Chapter Seven, was informed by balance of payment concerns rather than a socialist vision to reform society. Embodying this heterodox civil service view were individuals such as Mansour Mahjub (though his professional formation occurred under the Condominium), Muhammad Ali Mahasi and Ibrahim Muhammad Ali Nimir.

This thesis has identified multiple revolving doors between the public and private sectors, rewarding regulators who espoused orthodox policy positions with subsequent employment among the regulated. Abd Al-Majid Ahmad, who joined Barclays DCO, has already been cited. To this can be added Ibrahim Ahmad, who, after being ousted as Minister of Finance, became the general manager of the Sudan Commercial Bank in 1959; Al-Sid Al-Fil, who stood down as Deputy Governor of the Bank of Sudan in 1962 to join the trading company Gallatly Hankey; Brigadier Muhammad Abd Al-Halim, who was Commissioner of Labour until 1964, when he joined Banque Misr after the October Revolution; Mansour Mahjub, who stood down as chief civil servant in the Ministry of Commerce, Industry & Supply to join the Sudan Commercial Bank in 1966; and Awad Abd Al-Majid, the Deputy Governor of the Bank of Sudan who Barclays DCO sent on a managers' training course in London in preparation of him becoming a local director in Sudan. After serving as Chair of the Bank of Sudan for one year, Awad Abd Al-Majid founded a private consultancy firm in 1973. Public finance was also a propitious means of absorbing former political elite (and potential opponents), whether it was on the boards of the state-owned investment banks established under Ibrahim Abboud or the nationalised commercial banks created under Jaafar Nimeiri.

Full revolutions of the revolving door were completed by Al-Fil, who returned to the central bank as Governor in 1963, and Mahjub and Al-Halim who left the private sector to serve as Treasury Ministers in 1969 and 1970, respectively. In a later period, when Nimeiri was toppled by a popular revolution in 1985, Awad Abd Al-Majid returned to public office as Minister of Finance in a new transitional government of national unity. One can speculate whether these relationships influenced policy outlook. Did Mansour Mahjub's intervening tenure in the private banking sector help him to evolve from being 'credited with leftist and nationalist intentions' in 1963, when he was a candidate to become governor of the central bank,[617] to being a moderating influence in Nimeiri's first government in 1969? Did Awad Abd Al-Majid's loyalty to Barclays DCO motivate him to forewarn that bank of incoming nationalisation measures in 1970?[618]

If these instances highlight individuals who left public office for careers in the private sector, occasionally to return, then Ibrahim Moneim Mansour embodied the novel possibility of undertaking this trajectory in reverse. Mansour had first risen to prominence in the private sector when he was general manager of the Sudanese-American Textile Industry (SATI) in the 1960s. This was, of course, a private enterprise that benefited greatly from state support and finance. From 1967 until 1970, he was a representative of the private sector on the board of the state-owned Industrial Bank, giving him further access to the institutional crossroads between public funds and private enterprise. After nationalisation alienated Sudan from western finance, the expertise and personal connections that Mansour offered appeared a panacea to the Sudanese government. As manager of SATI, he had received significant US aid contributions, before these were cut off to Sudan in 1967. Subsequently, he became an associate of the Sudanese businessman Khalil Uthman, through whom Mansour gained connections with the British multinational Lonrho and investment companies in the Arabian Gulf, representing new supplies of external finance seeking to invest in Sudan. Lonrho's sizeable 2% commission that it enjoyed when it became the official UK purchaser of the Sudanese government shocked British diplomats, suggesting that Moneim's ministerial appointment served his own business connections as much as it did the Sudanese state and economy.

In July 1973, the Ministries of the Treasury and of National Economy in Sudan were recombined to form the Ministry of Finance & Economic Planning. Several months after negotiating a compensation settlement for nationalised British companies when he had been

[617] See Chapter Four.
[618] See Chapter Seven.

Minister of Economics, Mansour became the Minister of Finance in the newly combined department. In January 1975, he resigned from this position alongside with Nimeiri's Minister of Foreign Affairs, Mansour Khalid, when it emerged that they had awarded government contracts in ways that benefited their personal business investments.[619] Mansour was succeeded as Minister of Finance by the return of Mamoun Beheiri over a decade after he had occupied the same position as a technocratic appointment under a previous military regime. Mansour would also serve a second tenure as Minister of Finance from 1981 until 1984, also under Nimeiri.

In the introduction and throughout this thesis, I have argued that competing and sincerely-held political projects existed in this period to reshape Sudanese economy and society. However, I have also demonstrated how these projects were disciplined by the costs of political financing, local and external market dynamics, and political conflict within Sudan that on occasion turned to violence. In this regard, Ibrahim Moneim Mansour can be said to have embodied the transition from the occasionally utopian politics of the post-independence period, towards the collapse of non-market political projects and the naked 'money' system of politics described by Alex de Waal in Sudan and the Horn of Africa.[620]

It is tempting to interpret these professional relationships and revolving doors using any from a range of terminologies that exist in the region-specific literature. These include 'corruption', 'state capture', '(neo)patrimonialism' and a 'political marketplace'. These need not be without their uses. However, it would a mistake to understand any of these as something particular to African or Middle Eastern societies that is discovered by Western researchers. Foreign-owned companies, including banks, that recruited former regulators to positions among the regulated were importing models to Sudan practiced in other societies, including European metropoles. Under capitalism, technical and institutional knowledge, not to mention institutional access, has a market value. Earning the complaisance and ideological affinity of administrators while they are in office is equally valuable. I therefore agree with Alden Young who argues that 'neopatrimonial' practices could be identified among the outgoing British authorities of the Condominium at least as readily as among the officials and politicians of the new Sudanese state.[621] An even more decisive rebuke to any particularist tendencies in

[619] N. McBeath, 'Review: *Nimeiri and the revolution of dis-May* by Mansour Khalid' *Bulletin (British Society for Middle Eastern Studies)* 13, 2 (1986), pp. 215-216.
[620] Alex de Waal, *The real politics of the horn of Africa: money, war, and the business of power* (Polity Press: Cambridge, 2015).
[621] Young, *Transforming Sudan*, p. 9.

scholarly analysis is made by Edward Thomas, in a study of Islamic banks in Sudan in the 1990s:

> Some of the writers cited […] suggest that the economic changes of the 1990s were a story of patronage politics or corruption. Privatizations and financial reforms allowed the Islamists to create a political constituency out of the winners of a period of severe economic distress. But the competitive neoliberal order is supposed to create winners, and neoliberal policies routinely rearrange the boundaries between the economic and political domains – the spaces where corruption happens. Blaming Islamic banks for corrupt practices, or the government for patronage politics, misses some important points about the way that neoliberalism works.[622]

For the word ‘neoliberalism’ could equally be substituted the word ‘capitalism’, making this a general statement that extends to the period studied in this thesis.

Prosopographical analysis of the trajectories of different Sudanese public officials demonstrates important continuities in the country’s political economy. A focus on institutions suggests discrete periods: a colonial model of a foreign-owned banking sector (with a postcolonial hangover in the period covered by this thesis); a brief ‘socialist’ period during which the state owned the entirety of the local banking sector; and, from the late 1970s, the rise of Islamic banking which has reshaped economy, society and politics in Sudan in important ways.[623] The transition between each of these periods indeed represented important moments of rupture. However, as senior management, ownership and the relationship with external finance changed, banking staff and civil servants within Sudan remained, both navigating and creating these different moments of Sudanese history to their own advantage. Many of the Sudanese employees of foreign-owned banks before 1970 were able to do this beyond Sudan, by migrating to the Arabian Gulf in the 1970s. Their combined proficiencies in English, Arabic and banking expertise made them favoured appointees in a booming economy fuelled by the reinvestment of petrodollars in financial services. After successful careers in the Gulf, many returned to Sudan for comfortable retirements or to continue their careers in senior positions in foreign- and locally-owned companies.[624]

Alongside the revolving doors between public and private sectors created under private initiative, public authorities also took steps in this period through localisation and nationalisation to prise open the management structures of local businesses to official influence. This section ends by considering Ibrahim Muhammad Ali Nimir, who navigated these openings and whose professional trajectory spanned the supposedly discrete periods of

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[622] Edward Thomas, 'Patterns of growth and inequality in Sudan, 1977-2017.', *Working Paper. Institute for Middle East and Islamic Studies, Durham University* (2017), p. 26. Available online: https://www.dur.ac.uk/resources/sgia/imeis/lucefund/Luce-Fellowship-Paper-2017_Sudan-Thomas.pdf.
[623] Ibid.
[624] For this paragraph I am grateful for the insights gained from visits to the Barclays DCO retired staff club in Khartoum in 2018.

Sudan's economic history outlined above. In 1954, Nimir became one of the select number of Sudanese who graduated from Gordon College under the Anglo-Egyptian Condominium. From 1955 until 1960, he worked as an inspector in Sudan's Ministry of Finance. He then joined the Bank of Sudan from its creation and was appointed Deputy Governor in 1964. When Al-Nilein Bank was created that year as a joint subsidiary of Credit Lyonnais and the central bank, Nimir was one of the latter's representatives on Al-Nilein's board of directors. He was made co-managing director of Al-Nilein in 1969, a full-time responsibility that caused him to leave his position as deputy governor at the central bank. When Al-Nilein was nationalised, Nimir became its sole managing director and served in that position for three years. In 1973, he was appointed Governor of the Bank of Sudan, a position that had been vacant since Awad Abd Al-Majid had stood down the previous year.

In contrast with the high turnover of ministerial appointments under Nimeiri, Nimir remained governor of the central bank from 1973 until 1980. When he stood down in 1980, it was to once again enter the private banking sector and become the first General Manager of the National Bank of Sudan, an Islamic bank.[625] Nimir's professional trajectory extended from his education in one of the most Anglophile institutions of the Anglo-Egyptian Condominium, to a leading position during the Islamic banking revolution in Sudan, following which his career continued with managerial appointments and directorships into the 1990s. He therefore embodied the staying power of technical officials with a capacity to shape and benefit behind the outward appearance of repeated rupture and renewal.

[625] Central Bank of Sudan, Ibrahim Muhammed Ali Nimir. Available online: https://cbos.gov.sd/en/node/619. (Accessed 12 December 2020).

Business structures and political investors

The previous section began the demonstration that public policies towards the financial sector in this period were not developed solely in contemplative reflection of the problems of the Sudanese economy. Rather, the perception of problems and the development of solutions were shaped by a state-finance nexus between the private sector on the one hand, and public officials and politicians on the other. Under capitalism, however, true power and wealth is vested with those who command finance-capital and the means of production. The vicissitudes of the local and global economies and the specific regulatory interventions created new sites of (in)vested interests in Sudanese business and society. I have argued that business structure exerted a crucial influence on political events through the hidden influence of political investors.

Sudan’s first party system opposed the Umma Party and the National Unionist Party (NUP), which fought the 1953 self-government elections on ‘pro-British’ and ‘pro-Egyptian’ platforms, respectively. Historiography has interpreted this as a sectarian, ideological, or geopolitical opposition, but I have argued that it should be understood in commercial terms. Anglo-Egyptian rivalries in this period were causing the erection of commercial and monetary controls in the region, as Egypt left the sterling area in 1947 and imposed exchange controls against Sudan in 1952, twelve months before self-government elections. This threatened ruin for the majority of Sudanese capitalists, whose fortunes were gained from Sudan’s overland trade with Egypt, which had been unhindered by commercial or monetary controls for over five decades. The exception among Sudanese capitalists was Imam Abd Al-Rahman Al-Mahdi of the Ansar who operated a large network of private cotton estates from Aba Island on the White Nile. For the cotton-growing businesses of Al-Mahdi, Egypt was a rival, not a market, and if Sudan joined Egypt in applying reciprocal capital controls against the sterling area, then this would undermine the financing relationships enjoyed by this sector. In this context, the majority of the Sudanese capitalists, who specialised in the overland trade with Egypt, unleashed political money during the 1953 elections through commercial networks that traversed Sudan to secure a decisive victory for the NUP, including in Kordofan which was an Ansar religious stronghold but which exported goods primarily to Egypt. Kordofan voted in line with its commercial structure rather than its religious affiliations.

The NUP government from 1954 to 1956 temporarily improved Sudan’s diplomatic and commercial relationship with Egypt. However, it also sought to facilitate the entry of Sudanese into profitable lines of business that had previously been dominated by foreign capital, most notably the cotton sector. The Ministry of Finance advanced loans to small- and medium-scale investors for agricultural schemes, while large-scale merchants such as the Abu Al-Ela and Abd Al-Moneim who had traditionally profited from trade with Egypt also invested funds in cotton production. The NUP had been founded as a broad political coalition spanning from religious and mercantile elites to secular and radical nationalists, united by opposition to the Umma, and either a commercial or a political affinity with Egypt. The question of Sudan's constitutional relationship with Egypt was settled by independence, which ended a policy debate that had served to unite the party against the pro-British Umma. The NUP's internal coalition was further strained as the government sought to balance measures to reduce foreign exchange outflows and protect external reserves. In 1956, the NUP government became the first of many in Sudan to fall under the pressure of distributing the burdens of demand reduction among different domestic constituencies.

The decisive split occurred in June 1956 when NUP parliamentarians from the Khatmiyya tariqa defected to form the People's Democratic Party (PDP) which formed a coalition government with the Umma Party and ousted the NUP from office. This realigned the division in the Sudanese parliament from one opposing commercial orientations towards different external markets to one of large-scale capitalists in both the cotton and mercantile sectors behind the Umma—PDP government against the secular nationalists of the reduced NUP. After altering the franchise and constituency boundaries in its favour, the Umma—PDP government secured comfortable re-election in February 1958.

Expanding economic conditions, as occurred in 1956 and the beginning of 1957, allowed for the reconciliation of different sections of capital, each benefiting from a rising economic tide. Moments of crisis, in contrast, reimposed choices in public policy that brought elite political investors into conflict. 1958 saw crop failure and falling external demand ravage the Sudanese cotton sector, while a dispute with Egypt regarding the treaty distribution of Nile waters saw Egypt impose an embargo on imports from Sudan. As business faced compounding indebtedness and crashing revenues, the government faced a choice between maximising future access to Nile waters for the irrigation of cash crops and remaining subject to Egypt's commercial embargo, or ceding in negotiations over Nile waters and regaining access to the Egyptian market. New coalitions were planned in the Sudanese parliament as both Sheikh Ali Al-Mirghani in the PDP and Siddiq Al-Mahdi in the Umma sought coalitions with the NUP that would oust the other party from government.

Either outcome was pre-empted by a military coup organised at the invitation of the outgoing Umma prime minister against the spectre of a pro-Egyptian NUP—PDP government, which might align with the Arab socialist policies of Egypt's president, Jamal Abd Al-Nasir. Military interventions in politics have the capacity to disrupt the influence of political investors, by displacing power from those who command the most money to those who command the most guns. Sudan's military-developmentalist government established in 1958 was emancipated from the need to align with particular political-business blocs for the purposes of electoral financing. However, it also made clear that it sought to continue the politics of capital by other means, as it sought to restore Sudanese capitalism at the expense of individual capitalists. By slashing auction reserve prices and reviving cotton sales, the new government resolved a crisis of liquidity but created a crisis of insolvency as indebted agricultural schemes were saddled with lower prospective returns in future seasons. The government also made concessions with Egypt on the distribution of Nile waters and restored trade with that country. Sudan's military-developmentalist government remained committed to private ownership in the economy and a liberal regulatory environment for foreign capital. Nevertheless, it also began to direct public funds into new institutions such as development banks and large industrial enterprises in a corporatist vision of economic development through national planning and public-private partnership.

Transformations in the country's business structure resulting from the 1958 cotton crisis and the policies of the military-developmentalist government shaped the politics of Sudan's second parliamentary period. A major contribution of this thesis has been a reinterpretation of this period based on policy oppositions arising from competing blocs of political-business investors, rather than the 'farce'-like interplay of personal caprices and sectarian loyalties. The Umma Party now represented both large-scale, Western-oriented business interests, and Ansari cotton growers who were indebted to foreign-owned banks. The NUP-PDP bloc (which reunited to form the Democratic Unionist Party, DUP, in 1967) continued its existing internal division between conservative merchants and secular nationalists. This meant that both parties contained an orthodox wing favouring a liberal regulatory regime for private capital, and the tackling of balance of payment crises through fiscal austerity in social expenditure; and heterodox wings willing to impose regulatory controls on foreign capital, while seeking to redress the balance of payments through capital and exchange controls.

Consequently, Sudan's second party system was characterised by alternating coalitions of opposing wings in both the Umma Party and the NUP/DUP. Although this provided an opening for radical and progressive policies in the heterodox governments of Muhammad Ahmad Mahjub and Husain Al-Sharif Al-Hindi, this was not fundamentally a left-right divide.

Rather, the heterodox policies described responded to the interests of certain political investors who benefited from regulatory support and protection against their foreign-owned competitors.

In 1969, Sudan's second military coup once again displaced power over political processes from those who commanded political money to those who commanded guns. Unlike in 1958, this was tentatively used to challenge the power of specific concentrations of wealth over Sudanese society, notably by seizing urban property and agricultural schemes belonging to the Ansar and the Khatmiyya, and a sweeping programme of nationalisations, sequestrations and confiscations in 1970. The nationalisation of the banking sector was, to be sure, a marked escalation from the statutory localisation of foreign banks proposed by Husain Al-Sharif Al-Hindi in the 1960s. However, Chapter Seven has argued that this was not a political challenge to the general capitalist organisation of wealth and society in Sudan, but, rather, a calculated move against foreign (and resident non-Sudanese) businesses, as well as a technocratic intervention to redress the balance of payments by exerting direct state control over the economy.[626]

Under Jaafar Nimeiri's military regime, the influence of capitalist institutions over public policy was displaced from the financing of electoral competition by political investors to the (always present) decentred disciplinary mechanisms of the international capitalist market. Commercial credit and development finance to Sudan were reduced in response to the policies of the Sudanese government against foreign investors. This caused Nimeiri to appoint Ibrahim Moneim Mansour as Minister of Economics and, subsequently, Minister of Finance. Mansour, whose business connections were described in the previous section, was a new form of (or proxy) political investor whose access to public office could bring with it important lines of external financing in a government that did not need to finance electoral costs to retain political power, but whose rule could be undermined by crises in local or external reserves. This inaugurated a reoccurring trend for later periods in Sudan, as well as the wider region.

The investment theory of party competition was first developed by Thomas Ferguson to analyse electoral democracies in industrialised societies.[627] This thesis has applied the framework to a postcolonial society, beginning with the same principle that political participation is expensive and must be financed. It is now possible to advance a hypothesis about comparative party systems in core industrialised economies and peripheral non-industrialised economies based on this model. In the former, Ferguson argues that competition

[626] See Chapter Seven.
[627] Thomas Ferguson, *Golden rule: the investment theory of party competition* (Chicago: University of Chicago Press, 1995).

between business sectors often gives rise to party systems polarised according to free-trade versus protectionist policy positions.[628] In rare moments of capitalist crisis and strong labour organisation, party systems can reorganise around a capital-labour divide.

In non-industrialised economies, there are few value-added industries competing for a local market (which might otherwise finance protectionist policy platforms), and most major sections of capital are export-oriented. The 1950s in Sudan can therefore be interpreted as a model of party competition in a postcolonial society between exporters oriented towards different external markets, with political investors translating geopolitical rivalries between these external markets into domestic political divisions. This model confirms, and generalises, an argument being developed by Edward Thomas and Magdi El Gizouli with regard to Sudan, namely, that the long-term political dominance of merchant-capital has prevented the development of local industry due to the absence of (in)vested interests in industrial development among local elites.[629]

[628] See the introduction for a discussion of qualifications.
[629] Edward Thomas, personal communication. A similar point is made by Abbas Abdelkarim, *Primitive capital accumulation in the Sudan* (London: Frank Cass: 1992), p. 87.

Capitalism, imperialism and political possibility

Previous sections have outlined how the articulation and implementation of political projects in Sudan were shaped by (in)vested interests across Sudanese society, as well as the disciplining effects of crisis and imbalance arising from local and external capitalist dynamics. I conclude by reflecting on the role of finance in shaping political possibility under the postcolonial state.

An anti-colonial critique of multinational banks in Africa and the Middle East holds that they were deleterious to local development and contributed to global inequality by favouring the financing needs of fellow Europeans and multinational corporations over local lenders. This view can be found both in scholarly literature and popular discourses in Sudan in the period studied by this thesis.[630] It is held that these banks favoured the short-term and highly-securitised financing of external trade, including the extractive export of primary goods for industrial markets. In contrast, these banks neglected small-scale, less-securitised and long-term capital lending to local clients, supposedly out of a chauvinistic disdain towards the needs of a developing country. This thesis, and other scholarly literature on multinational banking, largely confirms this empirical description of bank's local lending portfolios.[631]

However, this view does insufficient scholarly justice to understanding the internal logic of these banks' lending policies on their own terms. Indeed, British and French banks in this period were aware of the criticisms levelled at them, and countered that they were willing to finance any project, provided that it met criteria of 'sound' banking principles. As far as the written archival record suggests, no Sudanese in this period was prevented from opening a bank account, and no rich Sudanese was unable to take out a loan. As the period progressed, the proportion of commercial banks' lending to Sudanese clients increased as foreign capital withdrew from the country, meaning that the largest clients of the banking sector were the companies of Abd Al-Salaam Abu Al-Ela, Abd Al-Hafiz Abd Al-Moneim, Uthman Salih and Abd Al-Rahman Al-Mahdi.

To be sure, in other moments of imperial banking history, European banks engaged in active collusion with colonial states to exclude local rivals, or else applied formalised racist

[630] Maurice Odle, *Multinational banks and underdevelopment* (New York: Pergamon Press, 1981). See introduction for discussion, and Chapter Six for contemporary examples.
[631] See Chapters Two and Seven. Geoffrey Jones, *British multinational banking, 1830-1990* (Oxford: Clarendon, 1993).

lending policies.[632] Furthermore, examples of engrained and implicit prejudice are found in the archival records of banks, such as the disdain of French staff in Al-Nilein Bank for the interventions of its Sudanese manager, Bashir Bakri.[633] The archival records suggest that European managers were more at ease with Sudanese subordinates, rather than colleagues, and prided themselves on being good employers to a workforce that was mostly recruited locally. Crucially, bank credit policies in this period were not informed by explicitly racial or discriminatory values targeted against the local population. Rather, they adhered to an internally-coherent market logic of what constituted viable lending opportunities for profit-oriented organisations.

Instead, racism operated as a structure and relationship reproduced by global capitalism, the history of which determined the legal coding of money, property and capital; their global distribution; the location of capital markets; and the languages used for practice and instruction in banking activity. Direct violence and racism established these path dependencies, and frequently intervened to maintain them. But, once established, these features of international capitalist architecture were able to reproduce through the decentred and routine activities of business in ways that reinforced spatial, racial and class inequalities on a global scale, without espousing explicitly racial principles. The emphasis of this thesis, consequently, has been on how the routine business activity of banks helped to reproduce these local and global inequalities in wealth and power.

Particular ways of posing a problem imply particular solutions. Contemporaries who accused European banks of malign neglect of potential local borrowers sought to counter this by simply organising alternative sources of finance that would not obey such prejudices. In Egypt, Banque Misr was a private institution with the nationalist objective of expanding small-scale, long-term and under-securitised loans to Egyptian clients. It pursued a similar policy in Sudan after 1953. From 1959, the Sudanese state created a series of public investment banks, which also extended credit in areas neglected by foreign commercial banks. Specifically, these concerned small-scale agricultural credit (the Agricultural Bank), capital financing (the Industrial Bank), and mortgage loans (the Real Estate Bank). These projects were far from unsuccessful in bringing new forms of production, business, and social life into existence. However, in moments of crisis, they carried the burdens of narrow profit margins, illiquid resources and unsecured debts. In these moments, the orthodox lending policies of European

[632] Odle, *Multinational banks*, pp. 29-31 gives examples of the former in Nigeria and the Caribbean. Apartheid South Africa and the United States are examples of the latter.
[633] See Chapter Five.

banks were vindicated on their own terms. It is telling, then, that the non-European bank that was the most effective at competing with European rivals and supporting radical political projects in the region was the Arab Bank. In its banking activities, the Arab Bank was highly orthodox, collecting local deposits to compete on the same terrain as European banks with regard to lending. When it successfully challenged Barclays DCO and the Ottoman Bank in British courts after the freezing of Palestinian bank accounts in 1948, it did so through recourse to conventional British banking and legal mechanisms. And, when the Arab Bank supported anticolonial projects, through its financial support for the Palestinian Liberation Organisation, it did so by channelling the profits of its conventional banking activity, rather than through interventions in the model of banking itself.

Most of the political projects analysed from this period sought to manage or reform Sudanese society within a capitalist framework. To be sure, this left a space for significant policy variation. In 1954, the Ministry of Finance extended loans to private Sudanese to encourage them to enter sections of the local economy alongside foreign capital, while the state after 1958 began to seek actively to shape the economy through a corporatist vision of national planning and public-private financing. In the late 1960s, coalition governments advanced opposing orthodox and heterodox solutions to balance of payment crises from within capitalist economic institutions, which proposed either submission to the price competition and demand reduction dictated by market forces, or attempts to protect the local economy from those forces. However, none of these policy orientations succeeded in resolving capitalist crisis, which was merely displaced in space and time. Insufficient financing available for small-scale Sudanese investors was resolved through public and private cultivation financing in the 1950s, but this led to a crisis of sunk investments at the end of the decade. The military government at the beginning of 1959 resolved a crisis of liquidity by creating a crisis of insolvency (see previous section), and discipline to external market forces inflicted material hardship on Sudanese society. Popular revolution in 1964 countered this with the possibility for progressive political projects, but new social expenditure and exercises in public financing were met with foreign exchange outflows, and the loss of external creditworthiness. Orthodox policy responses to this in 1966 reimposed material hardships through demand reduction, while heterodox policies pursued after 1967 shifted the site of crisis to one of accelerating inflation as local deficits were combined with ever-stricter exchange controls.

Among Sudan's Ministers of Finance in this period, Husain Al-Sharif Al-Hindi (in office 1965 to 1966, and 1967 to 1969) was unique in committing to a heterodox response to the country's economic travails. For all that British bankers privately decried Al-Hindi for not being a 'professional',[634] he appears to be one of the few policy makers in this period who recognised and acted upon the political choices presented to him. Rather than abdicating pre-existing political aspirations and submitting to the exigencies of external markets in moments of crisis,[635] Al-Hindi pursued exchange controls including stringent import licensing to protect social expenditure, and appears to have accepted that higher domestic inflation was the price of such a policy. If governments within this period sought to balance social objectives within a capitalist organisation of the economy, then Al-Hindi appeared effective at seeking an optimal balance between those objectives. From 1962, Barclays DCO had categorically informed the Bank of Sudan that it would withdraw from Sudan rather than dilute its local ownership. However, Al-Hindi challenged the bank's proclamations by advancing legislation requiring banks to cede 75% of their local shareholdings. Barclays DCO, faced with the reality that it would receive a large discount on the value of its local business if it were to liquidate at a moment chosen by the government and in the absence of a willing external buyer, reluctantly began to prepare contingency plans for localisation and negotiations with the Ministry of Finance to localise at levels below 75% – a significant concession.

Al-Hindi was ousted from office by Nimeiri's coup in 1969 and he became the leader of the DUP in opposition after the death of Ismail Al-Azhari. Other political opponents to Nimeiri later sought reconciliation with the military government, and the Umma Party, the khatmi-wing of the DUP, and the Islamic Charter Front all secured readmission to senior positions in the Sudanese state under Nimeiri's presidency. In contrast, Al-Hindi maintained his principled opposition to military rule and continued to lead the national opposition from exile outside of Sudan.[636] He died in Athens in 1982.

By 1969, exchange controls and import licensing had transformed a crisis in external reserves into one of public enforcement. Nationalisations in 1970 were accompanied by accusations of smuggling, forged licences, and other exchange violations, which are concerns that would have originated with public officials seeking to enforce Al-Hindi's exchange controls through the late 1960s. For this reason, I have argued that nationalisation was not an attempt to reorganise production, distribution, and social life in Sudan outside of capitalist institutions. Nevertheless, there were those in Nimeiri's political coalition who did want to

[634] See Chapter Six.

[635] Most finance ministers had orthodox outlooks from their appointment, but Hamad Tawfiq Hamad may have answered to the above description.

[636] Central Intelligence Agency, United States, Sudan: The Numayri regime--orientation and prospects (6 September 1978). Available online: https://www.cia.gov/library/readingroom/docs/CIA-RDP80T00634A000400010013-8.pdf.

pursue such measures, not least members of Sudan's communist movement, which was one of the most powerful in both Africa and the Arab World. There was consequently a powerful political force in Sudan advocating social progress through an exit from capitalist institutions.

Globally, this social and political alternative was pursued by the Soviet Union, socialist states and postcolonial societies in a model of 'socialist globalisation.'[637] Prices in socialist societies were set without reference to market forces, and were instead centrally planned and adjusted, with money created and withdrawn for the purposeful pursuit of wider social good. As a result, there was no market mechanism with which to price goods traded between socialist currency areas. So, indicative credits and reciprocal goods quotas were introduced through payment agreements – disparagingly referred to by Western financiers as 'barter agreements' – which allowed the transfer of goods and use-values between societies.[638]

Payment agreements were frequently used as a welcome trading mechanism between postcolonial societies when they were unable to clear or purchase specific goods through capitalist market mechanisms. Conversely, their use was regretted by the multinational banks as they introduced a measure of value that could not be imminently converted into a money-form transferable in the international capitalist value regime. When Sudan had difficulty clearing crops or securing imports, it concluded payments agreements with European socialist countries (in 1955), France and China (1958), and the United Arab Republic (1965). During such moments, Western bankers and diplomats feared that Sudan would increase its dependence on payment agreements to the point of being commercially dependent on socialist countries, perhaps engendering Sudan's own political conversion to socialist and communist rule.

Outside of moments of capitalist crisis, the system of production and distribution operated by the Soviet Union and other socialist societies was unable to provide immediately a higher level of material abundance for elites in commanding positions in Sudan, and other postcolonial societies. To the extent that such elites controlled the organs of government, these societies remained committed to deeper integration within international capitalism and its institutions, and alternative political futures were foreclosed upon.[639]

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[637] James Mark, Artemy Kalinovsky & Steffi Marung (eds), *Alternative globalizations: Eastern Europe and the postcolonial world* (Bloomington: Indiana University Press, 2020).
[638] Kathleen Woody, *Soviet banking and finance* (Cambridge: Woodhead-Faulkner, 1990).
[639] The Soviet model faced its own limits, of course, through the fetishization of planning as a means of overcoming social antagonism; the militarisation of society to protect against military violence from capitalist states; and the orientation of production towards the mass output of uniform consumer goods, in an attempt to compete with capitalist consumerism as a proxy for social progress.

Although nationalisation in Sudan was not implemented as part of a communist political programme, it created a moment of possibility when the wealth accumulated and distributed across Sudanese society in the form of ledger entries was suddenly thrown into question. There existed precedents for the radical choice of refusing compensation for investors, notably in Russia in 1917, China in 1949, and Cuba in 1959. This possibility hung over foreign investors as Sudan equivocated over valuation and compensation. However, non-payment was never Nimeiri's intention, and the political possibility was foreclosed upon by the violent suppression of the revolution spearheaded by Hashim Al-Atta in 1971.

Al-Hindi's exigencies towards bank localisation opened a sliding scale regarding the degree of dilution that the government could exact from banks. In contrast, the account in this thesis suggests that nationalisation was a policy with binary outcomes. Either a government nationalising foreign firms could pursue non-payment, and accept the radical possibilities of its exclusion from international capitalist systems of trade and finance; or, its renewed admission to external creditworthiness, foreign investment, capital aid, and commercial credit required compensation based on what multinational corporations held, largely spuriously, to be precedent in international law. This required pensioning off nationalised firms, largely on the terms they dictated, and accepting the resulting foreign exchange bill.

This comes with the qualification that the threat of non-payment through Sudan's objective shortage of foreign exchange moderating the level of compensation demanded by foreign investors, who even secured the complicity of the UK Foreign Office in financing part of an eventual settlement as means to restoring patterns of trade and investment in Sudan along with demonstrated adherence to the accounting and legal principles underpinning the international capitalist regime of value. This reveals that, fourteen years after formal decolonisation, Britain remained the provider of liquidity to Sudan. This was despite the fact that global trade and reserves had undergone significant diversification away from sterling in this period, and the sterling area itself had ceased to exist in 1972.[640] Furthermore, Sudan had never been part of the sterling area as an independent state and had increasingly pursued policies that were inimical to British financial investments in the country. One interpretation of this is that both Sudan and the United Kingdom were bound by the financial path dependencies of empire which required the latter country to provide the liquidity with which to sustain the circulation of trade and investment to the benefit of all parties, even if this meant bankrolling the

[640] Catherine Schenk, *The decline of sterling: managing the retreat of an international currency, 1945-1992* (Cambridge, Cambridge University Press, 2010), pp. 317-356.

nationalisation of British companies. In the final instance, this was a relation of power in favour of Great Britain, which could dictate the terms on which Sudan was readmitted to international flows of liquidity. This reveals yet again how masters of finance issue both the measure of value and the normative rules governing its use. Compensation payments remained a burden on Sudan's external balance for the following decade (not all compensation had been covered by foreign aid). Foreign companies had reluctantly anticipated a large discount on their initial claims from the start of the process, and the end result was that they enjoyed a steady pension of foreign exchange payments from Sudan without the burden of operating a local division.

This is not to say that the financial path dependencies of empire had not eroded between 1956 and 1970. Sudan had significantly diversified its reserves away from sterling after June 1967, and effectively ended its sterling exchange peg later that year. Nationalisation itself, and eventual settlements over compensation, ended another important path dependency, namely, the investments of British companies in Sudan which had been present continuously from the period of British imperial control. Nimeiri's 'open-door' policy after 1972 brought foreign investment not just from Great Britain, but also Western Europe, Japan, the United States and the Middle East. Mirroring global changes in the origin and direction of capital flows, this inaugurated a new period of political economy in Sudan.

Annex 1: Official exchange rates, 1957 to 1970

Table A1.1a. Value of £S.1 in foreign exchange								
	£S	Stg	JD	£E	Birr	FF	$	Notes
1957	1.00	1.03	1.03	1.00	7.12	1206.15	2.87	Sudanese Pound replaces Egyptian Pound in Sudan at parity. France implements 'disguised devaluation' against the dollar in August 1957, formalised in June 1958.
1958	1.00	1.03	1.03	1.00	7.12	1412.92	2.87	French Franc devalued in December after the coup d'état by Charles De Gaulle.
1959	1.00	1.03	1.03	1.00	7.12	1412.92	2.87	
1960	1.00	1.03	1.03	1.00	7.12	14.13	2.87	France introduces 'new Franc' at rate of 1:100.
1961	1.00	1.03	1.03	1.00	7.12	14.13	2.87	
1962	1.00	1.03	1.03	1.00	7.12	14.13	2.87	
1963	1.00	1.03	1.03	1.00	7.12	14.13	2.87	
1964	1.00	1.03	1.03	1.00	7.18	14.13	2.87	Small devaluation of Ethiopian Birr against the US dollar in January.
1965	1.00	1.03	1.03	1.00	7.18	14.13	2.87	
1966	1.00	1.03	1.03	1.00	7.18	14.13	2.87	
1967	1.00	1.20	1.20	1.17	7.18	14.13	2.87	United Kingdom devalues sterling against the US dollar on 19 November. Egypt and Jordan follow the United Kingdom.
1968	1.00	1.20	1.20	1.17	7.18	14.13	2.87	
1969	1.00	1.20	1.20	1.17	7.18	15.90	2.87	Devaluation of the French Franc following salary increases in May 1968.
1970	1.00	1.20	1.20	1.17	7.18	15.90	2.87	
Currencies of jurisdictions of head offices for all banks in Sudan (sterling, Jordanian Dinar, Ethiopian Birr, French Franc, US Dollar).								

Table A1.1b: Value of one unit of foreign exchange in £S.							
	£S.1	Stg.1	JD.1	£E.1	Birr1	FF1	$1
1957	1.00	0.975	0.975	1.00	0.140	0.001	0.35
1958	1.00	0.975	0.975	1.00	0.140	0.001	0.35
1959	1.00	0.975	0.975	1.00	0.140	0.001	0.35
1960	1.00	0.975	0.975	1.00	0.140	0.071	0.35
1961	1.00	0.975	0.975	1.00	0.140	0.071	0.35
1962	1.00	0.975	0.975	1.00	0.140	0.071	0.35
1963	1.00	0.975	0.975	1.00	0.140	0.071	0.35
1964	1.00	0.975	0.975	1.00	0.139	0.071	0.35
1965	1.00	0.975	0.975	1.00	0.139	0.071	0.35
1966	1.00	0.975	0.975	1.00	0.139	0.071	0.35
1967	1.00	0.836	0.836	0.857	0.139	0.071	0.35
1968	1.00	0.836	0.836	0.857	0.139	0.071	0.35
1969	1.00	0.836	0.836	0.857	0.139	0.063	0.35
1970	1.00	0.836	0.836	0.857	0.139	0.063	0.35

Annex 2: Presentation of financial data in this thesis

As stated in the introduction, a decision was made for this thesis to present financial data series using nominal values on logarithmic scales. Such a decision 'absolves researchers of the need to select a deflator and deal with the theoretical issues such a choice would entail.'[641] Further, it presents data in the form in which they would have been perceived by contemporaries, who themselves would have sought to infer deeper trends and meaning from nominal values according to wide ranges of criteria. I believe that deflating would introduce arbitrary gradients and inflexion points into the presentation of quantitative data, which risks concealing as much as it reveals. Medium-term sectoral data, as presented in this thesis, is much more exposed to such distortions than are long-run aggregates of economic performance.

Although financial data is not systematically deflated by economic practitioners,[642] the deflation of nominal data series is commonplace in the academic study of economic history. As a result, this annex provides a more extended discussion and justification of the decision taken not to deflate nominal values. First, this annex explores practical and ontological reasons for or against the use of deflators. Then, there is a review of the quantitative data presented throughout the thesis that examines whether the application of a deflator would result in changes to the conclusions reached.

[641] Winton Capital, 'Economies of Scales: How to Chart Long-Term Time Series'. Available online: https://www.winton.com/research/how-to-chart-time-series-linear-and-logarithmic-scale. (Accessed 22 May 2021).
[642] Ibid.

Deflating financial data: practical discussion

First, I turn to practical considerations regarding whether, and how, to deflate. Deflating data series requires a choice of index, as there are multiple inflation rates at work in any given economy. Clearly, the choice of an index carries important practical and theoretical considerations, while simultaneously introducing a degree of approximation and arbitrariness into the transformed data.

Sometimes, there is a clear correspondence between a research question and the choice of index: a study of the purchasing power of wages would make recourse to a retail price index; a study of the costs and returns of doing business would refer to a wholesale price index; and study of the relative performance of a business might refer to an index of aggregate output. Each of these inflation rates can be rendered ever-more granular. For example, each index could vary by economic sector, geographic location, subdivisions of time, particular baskets of goods (such as would be purchased by a particular class of earners, for instance), and, ultimately, the precise purchases of a particular individual or cohort. Notwithstanding, it can often be a straightforward decision to select an appropriate deflator to produce an indicative representation of change over time. The strong claim that the results would be not merely indicative, but would give precise quantitative expression to a trend is perhaps harder to justify, and, in many instances, will add little in terms of analytical insight.

If a researcher undertakes a statistical regression of financial data, then such a methodology requires a robust deflator that removes the compounding effects of monetary inflation. However, this 'gold standard' for calculating statistical correlation has fuelled the wider proliferation of recourse to deflators in economic history. Often, this is done with little reflection as to the practical and theoretical assumptions built into such decisions, which is compounded by the uncritical use of 'off the shelf' deflators.

With regard to indices of gross domestic product (GDP), Morten Jerven has demonstrated that most 'off-the-shelf' indices for African societies are poor to the point of being statistically inadequate, and actively misleading when used.[643] Jerven and others are currently attempting to produce more robust historical GDP indices for African societies, though I explain in a later section why I believe this approach is likely to rapidly encounter its limits. Indices of GDP, for any society, introduce arbitrary assumptions of their own regarding the choice of proxy years, weighting by sector, the choice of representative goods, and decisions about which goods and

[643] Morten Jerven, *Poor numbers: how we are misled by African development statistics* (Ithaca: Cornell University Press, 2013). *Africa: why economists get it wrong* (London: Zed Books, 2015).

services ought conceptually to form part of GDP (note the controversy about whether and how to include financial services within the GDP of industrialised economies).[644] Attempting to 'improve' or 'correct' GDP due to its built-in biases does not approach a theoretical 'true' and all-encompassing index. Rather, such efforts require a choice between competing accounting conventions which are equally valid and equally arbitrary, a bind discussed in the introduction to the thesis.

By way of illustration of the arguments presented above, I will consider Simon Mollan's study of business enterprise in Sudan during the Condominium (1899-1955), which draws on economic data from similar sources to ones I analyse in Chapters One and Two. In a bid to uncover the 'real' trends behind nominal data, Mollan uses a British GDP-deflator to multiple graphs. The use of a British price deflator for a study of Sudan could be justified (though Mollan does not explicitly do so) on the bases that imperial investors and administrators responded to price levels in the United Kingdom, and that movements in the Sudanese economy were covariant with Britain's due to the importance of British trade for Sudan. However, to the extent that price and output levels between the United Kingdom and Sudan differed – which they plainly did, to some degree – such an approach risks misleading. Indeed, in his analysis of Sudanese exports in the 1940s, Mollan's method leads him to the remarkable conclusion that 'There was, therefore, no war-time boom' in Sudan. This conclusion is based solely on the shape of a transformed graph after Mollan deflates away the doubling of Sudan's nominal exports between 1939 and 1945.[645]

Needless to say, social actors respond to movements in nominal, rather than real prices. The wartime export boom in Sudan drove rapid reinvestment expansion in urban real estate after 1945, and it is curious to explain away the possible existence for such events based purely on the transformation of a quantitative data series. It is an assumption of neoclassical economics that long-run equilibrium is governed by 'real' economic factors, which are separate from movements in nominal monetary values. However, historians would do well not to embed such an assumption so uncritically within their methodologies. Indeed, it seems that Sudan experienced lower inflation compared with Britain during the Second World War, and one UK Treasury official judged in 1945 that Sudan was 'the one territory in the Middle East with a

[644] Lucas Ballestín, 'Accounting for GDP: the history and politics of financialization', *Medium. The New School* (Available online: https://thenewschool.medium.com/accounting-for-gdp-the-history-and-politics-of-financialization-e77f0d380547). (Accessed 24 May 2021).
[645] Simon Mollan, 'Economic imperialism and the political economy of Sudan: the case of the Sudan Plantations Syndicate, 1899-1956' (Unpublish doctoral dissertation: Durham University, 2008), p. 260.

really reasonable price level.'[646] Sudan's wartime export boom, then, was probably an instance of British domestic inflation due to the war (captured in that country's GDP index) driving 'real' economic events in Sudan, as Sudan received higher prices for primary commodity exports.[647] Conversely, if inflation was high in Sudan at a later period – for example, the late 1960s – then it could be an error of analysis to deflate this out of data series in a study on banking. Most commercial banks remitted their profits to external jurisdiction. So, nominal bank profits in Sudan that were swelled by domestic inflation would nevertheless be remitted to external jurisdictions at a fixed official exchange peg. These jurisdictions may have enjoyed lower domestic inflation rates, making the overall arbitrage between inflation rates profitable for the bank in question.

In this, the official exchange rate emerges a key measure, a point elided by any single, national inflation series for Sudan. However, the relevant official rate would have varied for each bank in question. For banks remitting to sterling jurisdictions, Sudan's official rate changed in 1967; for Credit Lyonnais, the exchange rate of the French Franc changed in 1957, 1958, and 1968; and, for the Ethiopian Birr a small devaluation of that currency occurred in 1964 (annex 1). Chapter Seven demonstrates that an important payment was made by Sudan to Credit Lyonnais in US dollars in 1972; the official exchange rate of the Sudanese Pound into US dollars did not change throughout this period.

Source: 'Nominal' and 'GDP deflated' data series reproduced from Simon Mollan, 'Economic imperialism and the political economy of Sudan: the case of the Sudan Plantations Syndicate, 1899-1956' (Unpublish doctoral dissertation: Durham University, 2008), p. 260.

646 G Pinsent, UK Treasury, 'Sudan' (11 January 1945). T 236/359.
647 Mollan is correct in arguing that any wartime export boom in Sudan was exceeded in importance by that of the late 1940s and early 1950s.

Deflating financial data: theoretical discussion

In this thesis, I have theorised financial data not as measurements of an underlying reality. Rather, I have argued that contemporary acts of measurement through financial accounting create social realities of their own, with measures of value, price, and money becoming active instruments of capitalist wealth and class power. With this approach, inflation should not be viewed as a source of statistical noise that should be deflated away in the interests of accurate historical description.

I have already referred to the fact that it is an assumption of neoclassical economics, but not other economic schools of thought, that monetary inflation and real economic activity are distinct phenomena, and it is curious that economic historians should reproduce so systematically this assumption. Rather, inflation is a phenomenon which, on the one hand, devalues the monetary wealth held by capitalists, but which, on the other hand, can also increase returns to capitalists in the form of higher prices paid for goods. The introduction introduced the concept of 'differential accumulation',[648] which holds that capitalists do not seek the highest possible rate of return per se, but merely a higher return than their competitors. This accounts periods both of monetary inflation and generalised stagflation, both of which have existed as long-term conditions within capitalism. As such, capitalists do not necessarily seek maximal nominal or real returns. This argument should preclude any assumption that inflation represents either success or failure for capitalists, with the latter implying that it ought to be deflated from graphs to reveal 'real' trends. Inflation is an important part of historical explanation, driving devaluation, accumulation, public policy responses, and interventions by business in political processes. On this basis, it would be perverse to hide it from view.

This section has so far concerned indicators of monetary inflation. I turn now to consider measures of GDP. Given Morten Jerven's damning conclusions regarding the statistical robustness of many 'off-the-shelf' GDP indices, I am unconvinced by his subsequent conclusion that what is needed is improved retrospective historical measurement, seeking ever-better – or, rather, the 'best available' – measures of historic output. GDP is a measure of concern to current analysts, but it was not for historical societies, which suggests an eventual limit to finding meaningful primary data from which to estimate aggregates, especially aggregates that can be compared across countries and across historical epochs. On this basis, I

[648] Taken from Jonathan Nitzan & Shimshon Bichler, *Capital as power: a study of order and creorder* (London: Routledge, 2009).

do not believe that Jerven has escaped the intellectual framework of the economists who 'get it wrong', as designated in the title of one of his monographs.[649]

Comprehensive GDP aggregates are most robust if taken from industrialised markets characterised by mass production and consumption, and the continuous reporting and recording of prices. This does not characterise African societies, so small proxies are made to represent large aggregates – the basis of Jerven's critique. This thesis does not eschew the possibility for comparisons between industrialised postimperial economies, and non-industrialised postcolonial economies, within the appropriate conceptual framework. However, when one attempts to quantify this comparison by turning towards the market pricing of outputs, one's eventual findings become presupposed. This is summarised pithily by Alden Young: 'The propagation of a system of national income accounts ma[kes] it possible to replace the hierarchy of civilizations, which ha[s] a now discredited racial component, with an index of states ranked according to their wealth.'[650]

The use of GDP by development agencies, and its secondary recycling within academia, results in policy prescriptions that seek to make African societies better performers in the league tables of GDP, which is to say, to increase the scale and value of output destined for market consumption, along with increased surveillance capacities for reporting and recording. The way a problem is posed implies its own solution, and these are not policy prescriptions that I wish to embed in the methodological frameworks that I use. Hoping for social progress and social enrichment in African societies, and recognising that which already exists, need not equate progress and enrichment with the productivist drive towards increasing the output priced for global capitalist markets.

[649] Jerven, *Africa: why economists get it wrong.*
[650] Alden Young, *Transforming Sudan: decolonization, economic development, and state formation* (Cambridge: Cambridge University Press, 2017), p. 12.

Strategies adopted in this thesis

The discussions above demonstrate that it should be neither a neutral nor an uncontroversial decision to deflate quantitative data. The thesis does not seek to elide the importance of contemporary inflation, which is crucial for historical explanation, and several measures are presented for indicative purposes in table 4.7. Notwithstanding, it is unclear which measure of inflation would be the most appropriate for use in deflating data series given the research questions in this thesis. Should a bank's medium-term profits be judged by their local purchasing power? Their comparison with Sudanese domestic output? Their comparison with international measures of economic growth, pertinent for these competitive, multinational investors? Or, given that profits were being remitted, should one seek out the 'real' value of profits within foreign jurisdictions?

As such, I pursue a different approach in this thesis and alter my research strategies and the formulation of conclusions accordingly. At no point do I build arguments based on findings in a table or a graph alone, without marrying movements in quantitative data series with information in textual archival sources. When there is a secular increase of values over time, I at no point to a significant 'increase', when this could be explained by inflation, however measured. Contrastingly, when series decline over time, I point to the fact that failing to account for inflation makes the force of any findings even more pronounced (for example, when comparing average account size in Barclays DCO between 1953 and 1969, revealing a large nominal decrease despite inflation). I make extensive use of ratios between different data series from primary sources, for example between banks' revenues and expenditures, or between their deposits and advances. This is a simple calculation that sidesteps the manifold issues in applying deflators.

Visualising nominal data in graphs encounters the challenge that increasing series will overemphasise recent changes relative to older trends. This problem is overcome by using a logarithmic scale, such that changes of equivalent proportion are represented equally, regardless of where they appear on a graph. Use of a logarithmic scale does not preclude recourse to deflators, and both can be combined in a single graph. Notwithstanding, this is almost never done in the field of African economic history, with the result that most graphs by scholars imply long periods of stagnation which suddenly give way to rapid increases at the end of a time series. It is my contention that scholarship which presents deflated economic data on arithmetic scales risks importing assumptions and approximations into transformed data series without resolving the fundamental problem of visualising real trends.

Review of quantitative tables and graphs in this thesis

In conclusion, this section examines the quantitative data presented in this thesis, and justifies the fit between using nominal data, and the research questions and arguments deployed in each instance. Deflated graphs are shown at the end of this section to explore whether different conclusions could be reached after this exercise. A composite index is used for the period between 1939 and 1969. For the years between 1939 and 1960, I use an index of British GDP. Although I criticise Simon Mollan for this approach, I do this for demonstrative purposes only. If the choice is to be justified, then it is on the fact that Sudan operated an open commercial and capital account with Great Britain between 1899 and 1957, and Britain was also Sudan's largest trading partner and capital provider throughout this period. From 1957 until 1960, Sudan only altered its money supply in line with the deposit of sterling securities with the Sudan Currency Board. From 1960 until 1969, I use an index of wholesale price inflation for Sudan, which is lifted from a secondary source and presented in table 4.7 of the thesis.[651] I am not in a position to comment on the robustness of the initial measurement.

In **Chapter One,** graphs 1.1 and 1.2 describe Sudanese exports to the United Kingdom and Egypt. To what degree these represent real increases, as opposed to nominal ones, is beside the point for which these graphs are shown, namely, to demonstrate a clear divergence between a return on investment in exports to the United Kingdom on the one hand, and Egypt on the other. Indeed, the lines on the graph are instructive when compared precisely because they are shaped by different inflationary forces: rising exports to the United Kingdom were driven by global price inflation, in particular for primary commodities; however, prices for goods transacted within the Nile Valley remained much more stable. Below, nominal data from these graphs is compared with the same data deflated to 1939 prices.

In **Chapter Two,** graph 2.1 emphasises the rising level of public revenues relative to expenditure in Sudan. Graph 2.2. presenting the revenue generated by Barclays DCO is not analysed in terms of whether the level of profits either 'increased' or 'decreased' between 1953 and 1969. Rather, I use these graphs to compare the relative amount of revenue arising from interest, commission and exchange. Deflated versions of these graphs are presented below.

In **Chapter Four,** tables 4.2 and 4.3 present Sudan's external current account balance, with the latter table presented graphically in graph 4.1. The inclusion of multiple series with different origins precludes the use of a logarithmic scale. These data are used to analyse the

[651] Ali Ahmed Suliman, 'Deficit finance and economic development in the Sudan', *The Journal of Modern African Studies* 11, 4 (1973), pp. 547–558.

current account balance. If cumulative deficits occurred, then this risked depleting government exchange reserves, which had a major disciplinary effect on public policy, regardless of whether real or nominal values are used.

Graph 4.2 shows the evolution in commercial banking deposits. The purpose of this graph, again, is not to assess real 'increases' or 'decreases' with time, but, rather, to point to the collapse in local government and public board deposits in the commercial banking sector, and the rising importance of private deposits. This graph is deflated at the end of this section.

Graphs 4.4 to 4.10 show evolutions in the number, value, and distribution of account types in Barclays DCO. At the end of this section, these graphs are shown with deflated values. For the value of savings accounts, showing deflated values on an arithmetic scale (the norm in the field) is clearly inferior to showing nominal or deflated values on a logarithmic scale, as trends are shown in a markedly different manner. For all intents and purposes, it is impossible to analyse trends before 1958 on this graph with an arithmetic scale. The fact that the rate of increase was slower in the 1960s than at points in the 1950s is also impossible to discern.

In **Chapter 5**, graph 5.1 is used to explore the changing lending policies of the Agricultural Bank. These policies are not inferred from the graph alone, the shape of which one could hypothesise was influenced by inflationary effects. Rather, inflection points are associated with evidence from textual sources. These include the reduction in cotton financing in 1963 as part of Mamoun Beheiri's 'year of austerity'; the increase in non-cotton financing from 1964 in a turn towards diversification and agricultural cooperatives; and financing reductions at the end of the decade under inflationary pressures.

Tables 5.10 and 5.12 describe the deposit-taking, lending, revenues, and expenditures through time of the Sudan Commercial Bank and Al-Nilein Bank, respectively. It can legitimately be asked whether these represent 'real' increases or decreases, and graphs showing nominal deflated values from these tables appear below. Little of note is revealed by these comparisons. Throughout the thesis, I calculate ratios of deposits to advances, and revenue to expenditure, which provide a meaningful analysis of change through time.

Table 5.11 compares the balance sheets of Credit Lyonnais in 1955 and 1964. Rather than debating whether certain entries had increased or decreased in 'real' terms, the thesis once again makes recourse to ratios to consider the evolving balance of the bank's resources. Specifically, the ratios of outstanding loans to various forms of liquid liabilities are examined. However, one can also note a phenomenal collapse in the level of nominal deposits held by Credit Lyonnais in spite of nine years of inflation, however this inflation is calculated.

In **Chapter Seven**, nominal values in tables 7.2 to 7.6 are used to generate ratios that compare the geographic distribution of banking business; the share of business captured by different banks; the allocation of bank credit by sector; and the origins of banks' revenues. I do not make a statement about whether banking business had increased or decreased between 1956 and 1969, as I seek out other means of analysing and conceptualising the role of Sudan's banking sector. For indicative purposes, table A2.1 compares nominal lending by two banks in 1956, with their 'predicted' lending in 1969 based the composite inflation index being applied to their 1956 lending, and their actual lending levels in 1969. There are no other banks for which this comparative data is available. Aggregate bank lending is also compared. It is found that absolute bank lending increased across the period. Whereas Barclays DCO contributed to this increase, lending by Credit Lyonnais/Al-Nilein was either stagnant overall or in modest decline.

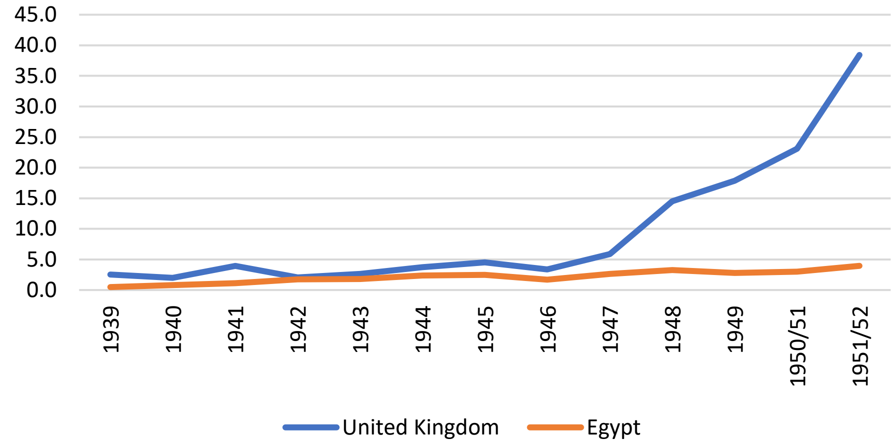
Table A2.1. Actual and 'predicted' lending in 1969, based on inflated 1956 prices (£E/£S.000s).

	Barclays DCO	Credit Lyonnais/ Al-Nilein	Total commercial banking sector
1956 advances	7,309	8,656	22,778
'Predicted' 1969 advances*	11,156	13,212	34,767
'Actual' 1969 advances	14,443 (Excl. Treasury Bills)	12,605	66,065

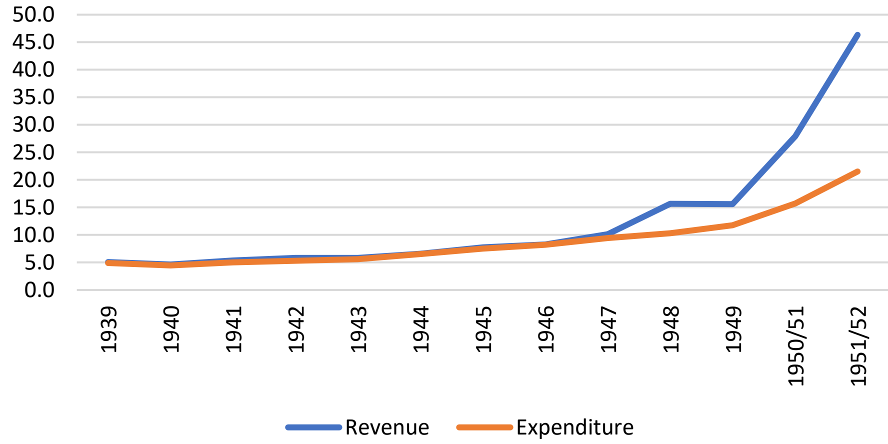
* If 1956 advances continued and varied only with deflation index.
Source: Table 7.5.

Table A2.2. Deflator used throughout Annex 2.	
Year	**Index**
1939	100
1940	111
1941	122
1942	124
1943	126
1944	120
1945	114
1946	110
1947	109
1948	113
1949	117
1950	121
1951	125
1952	128
1953	135
1954	141
1955	146
1956	149
1957	152
1958	153
1959	159
1960	170
1961	176
1962	174
1963	164
1964	181
1965	177
1966	182
1967	209
1968	191
1969	206
Source: Table 4.7, index of wholesale prices. Our World in Data, 'Total economic output in England since 1270'. Available online: https://ourworldindata.org/grapher/total-gdp-in-the-uk-since-1270. (Accessed 25 May 2021).	

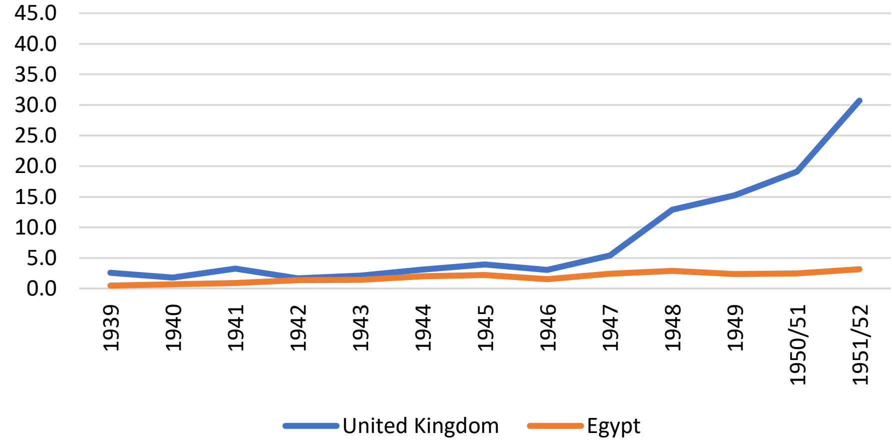
Graph A2.2a (1.2). Exports of Sudan to the United Kingdom and Egypt (£E. millions). 1939 to 1952.



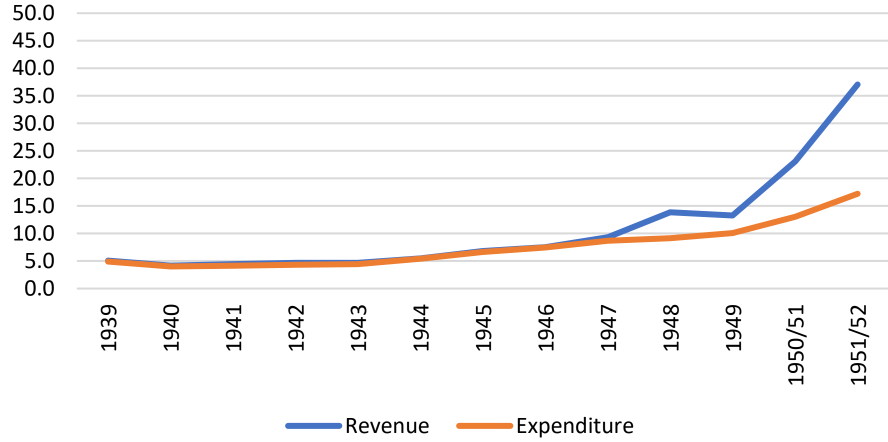
Graph A2.3a (2.1). Public revenue and expenditure in Condominium Sudan (£E. millions).



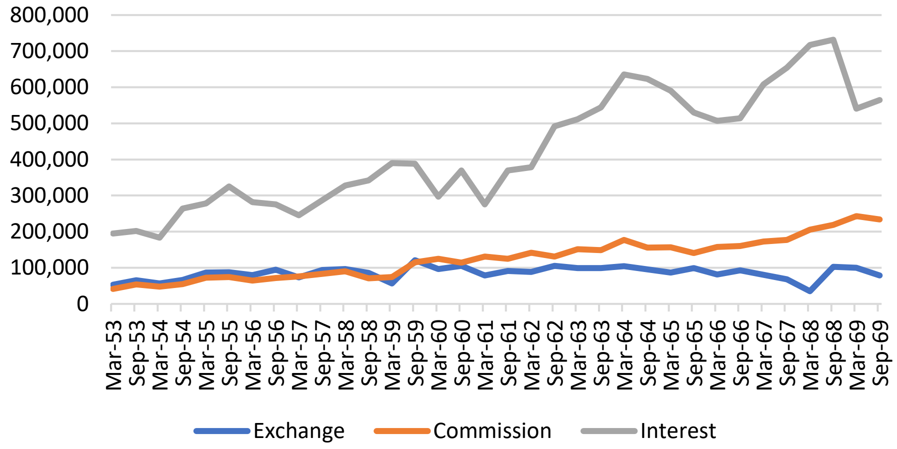
Graph A2.2b. Exports of Sudan to the United Kingdom and Egypt (£E. millions). Deflated (1939 prices)



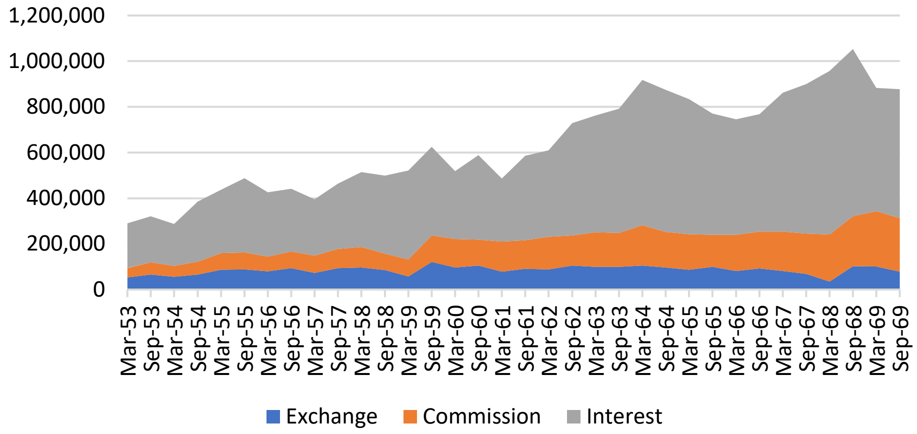
Graph A2.3b. Public revenue and expenditure in Condominium Sudan (£E. millions). Deflated (1939 prices)



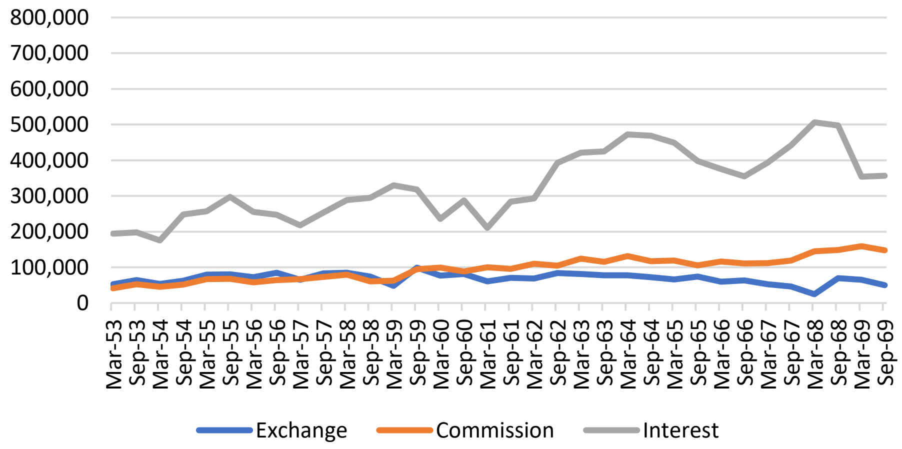
Graph A2.4a (2.2). Source of profits in Sudan (Barclays DCO. £E/£S). 1953 to 1969.



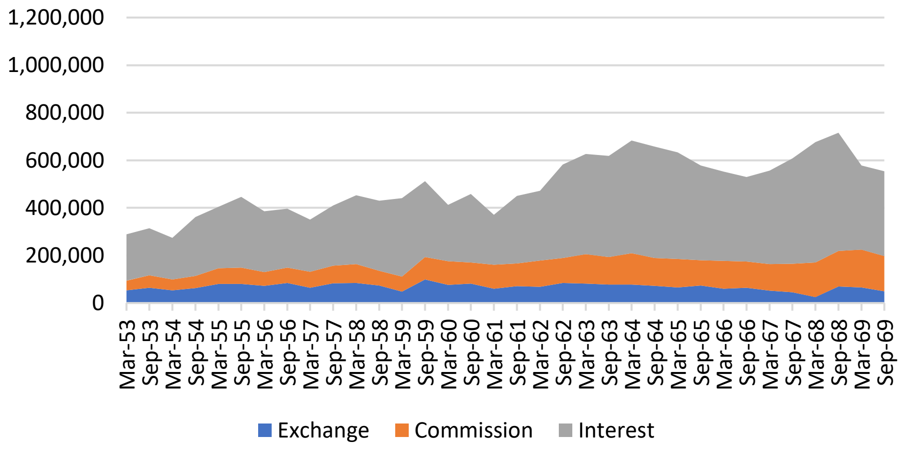
Graph A2.4c (2.2). Source of profits in Sudan (Barclays DCO. £E/£S). Stacked. 1953 to 1969.



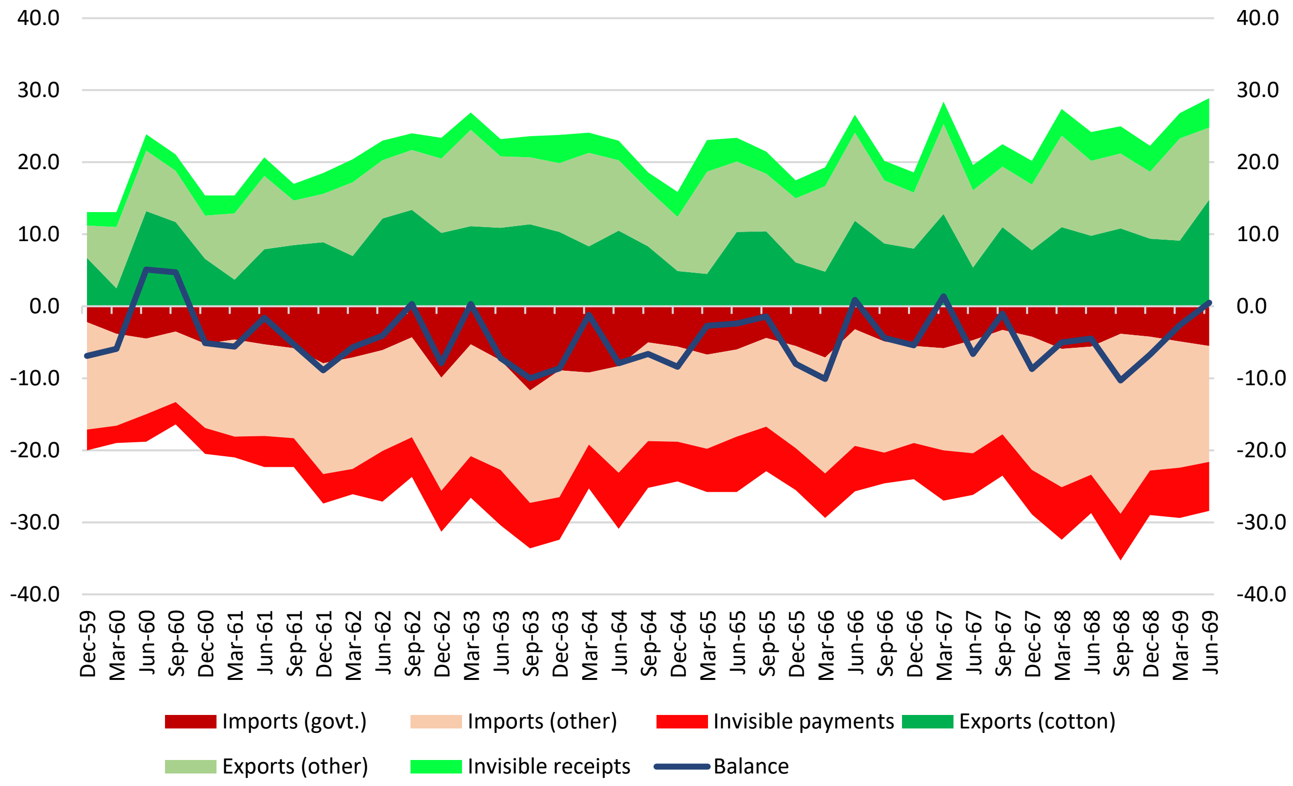
Graph A2.4b. Source of profits in Sudan (Barclays DCO. £E/£S). Deflated (1953 prices)



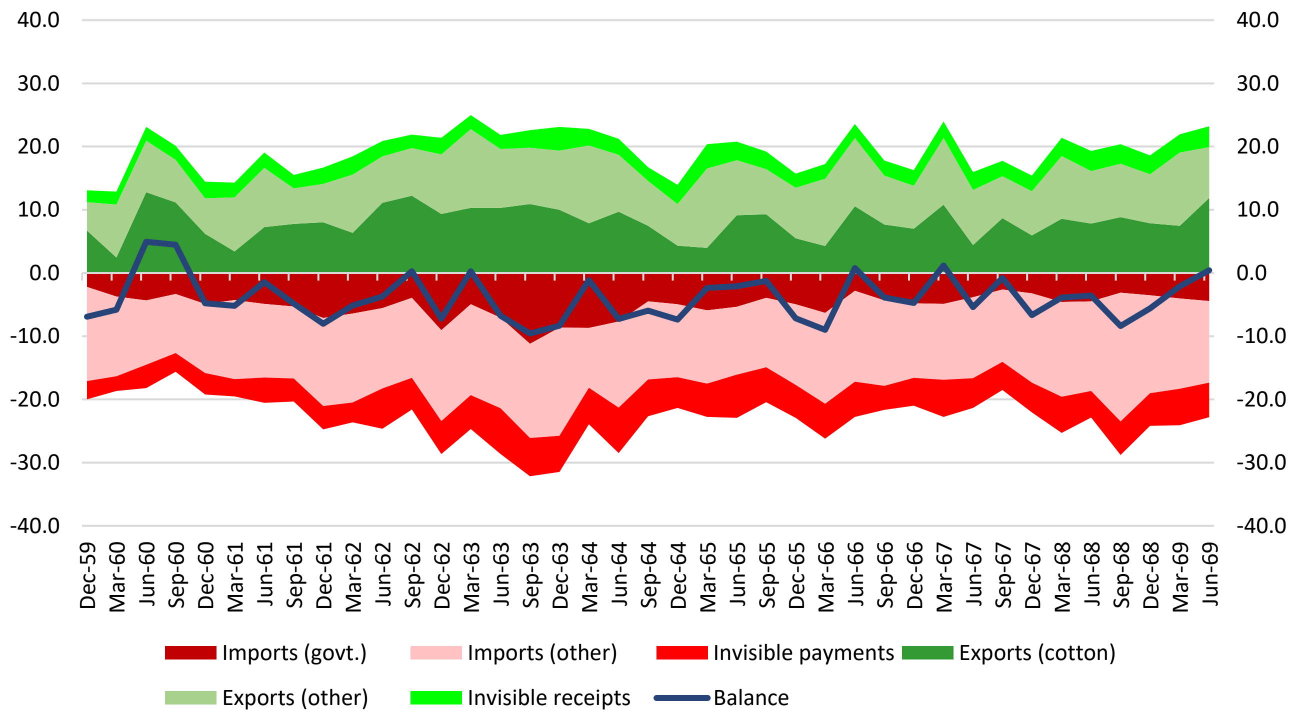
Graph A2.4d Source of profits in Sudan (Barclays DCO. £E/£S). Stacked. Deflated (1953 prices)



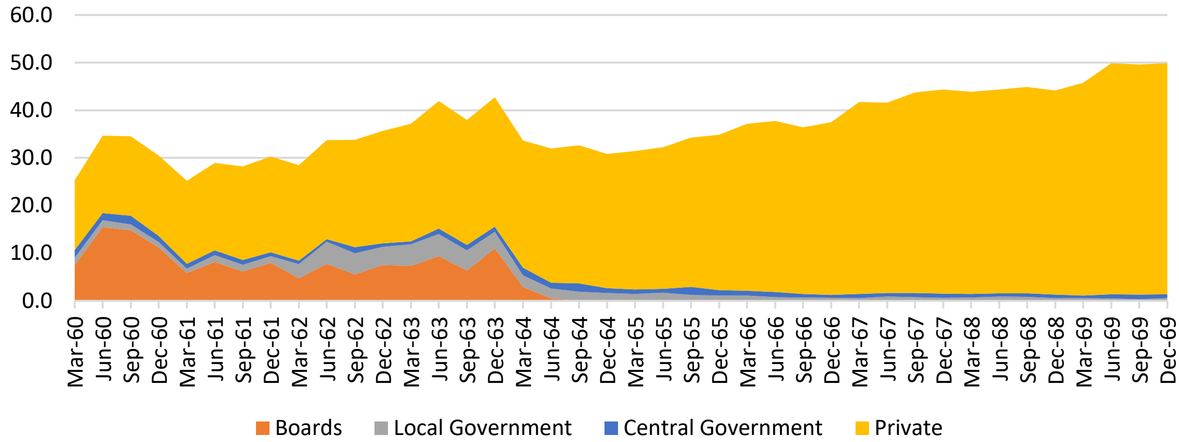
Graph A2.5a (4.1). Current account balance for Sudan. 1959 to 1969



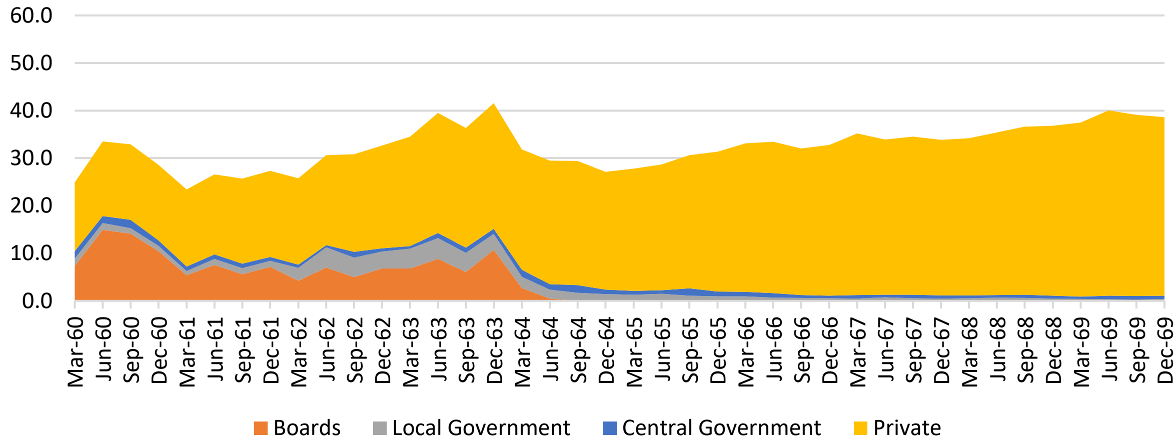
Graph A2.5d. Current account balance for Sudan. Deflated (1960 prices)



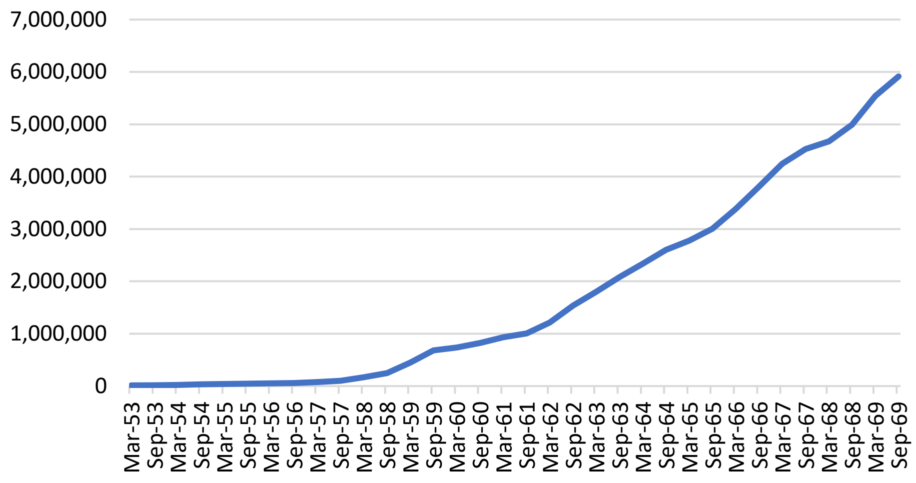
Graph A2.6a (4.2). Commercial bank deposits (£S. millions).
31 March 1960 to 31 December 1969



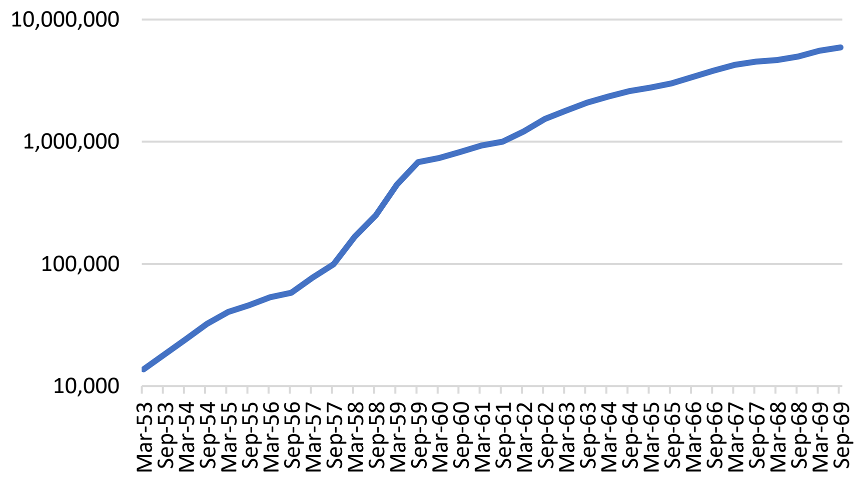
Graph A2.6b. Commercial bank deposits (£S. millions).
Deflated (1960 prices)



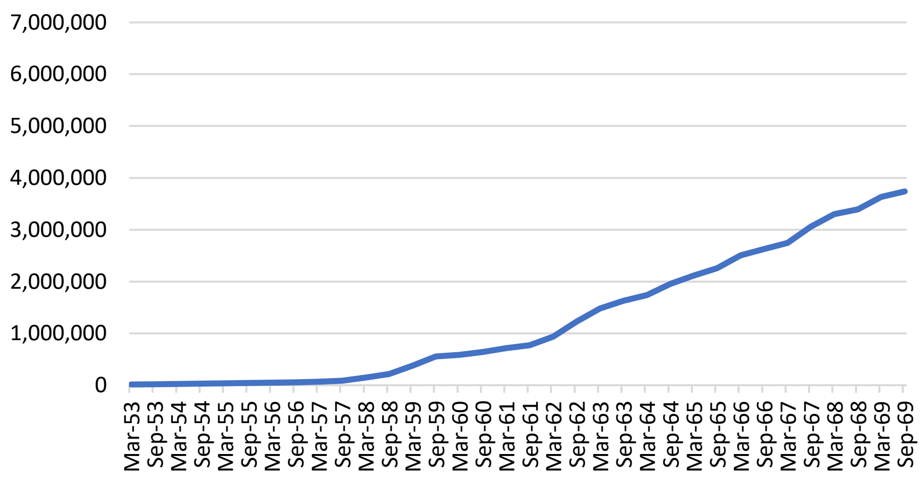
Graph A2.7a (4.4). Value of savings accounts (Barclays DCO. £E/£S). Arithmetic scale.



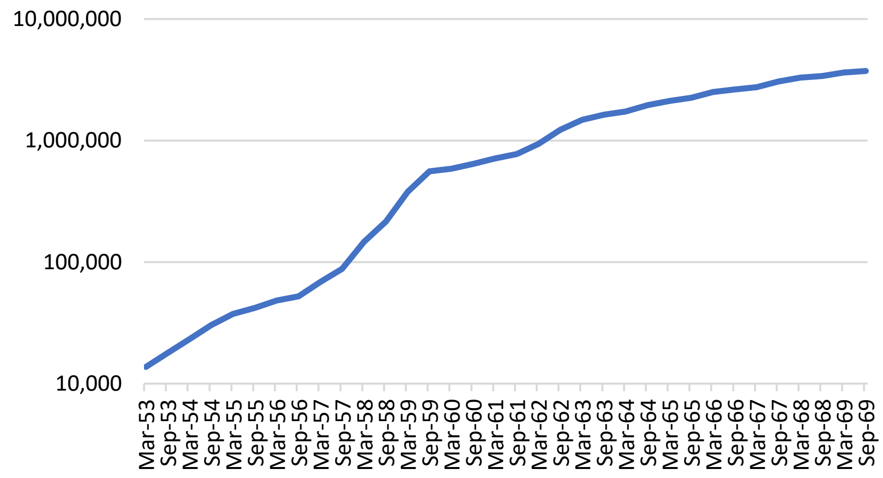
Graph A2.7c (4.4). Value of savings accounts (Barclays DCO. £E/£S). Logarithmic scale.



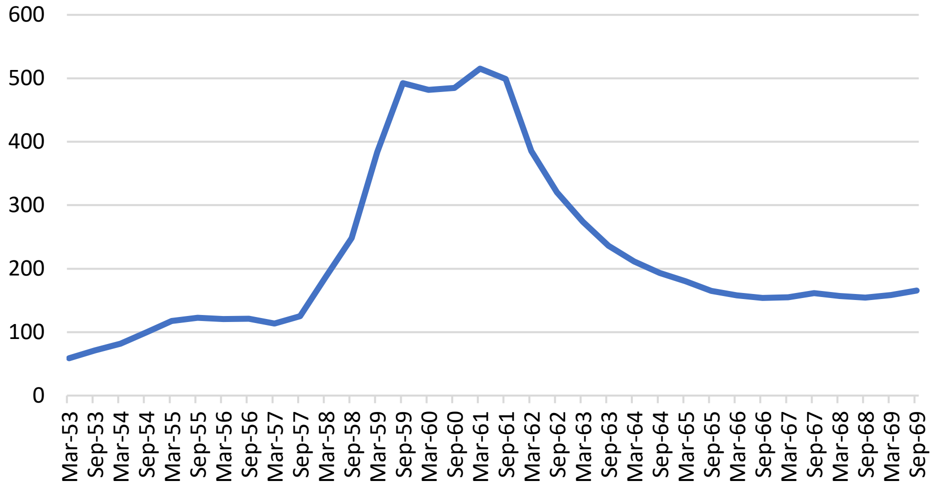
Graph A2.7b. Value of savings accounts (Barclays DCO). Deflated (1953 prices)



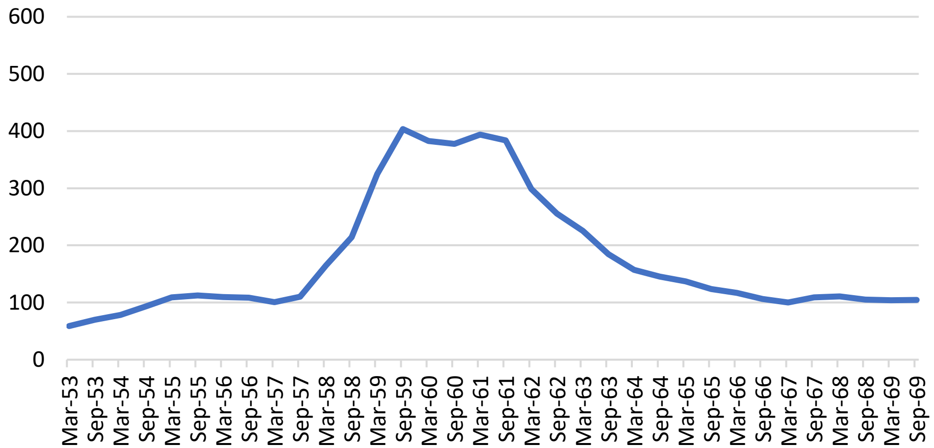
Graph A2.7d. Value of savings accounts (Barclays DCO). Deflated (1953 prices). Logarithmic scale



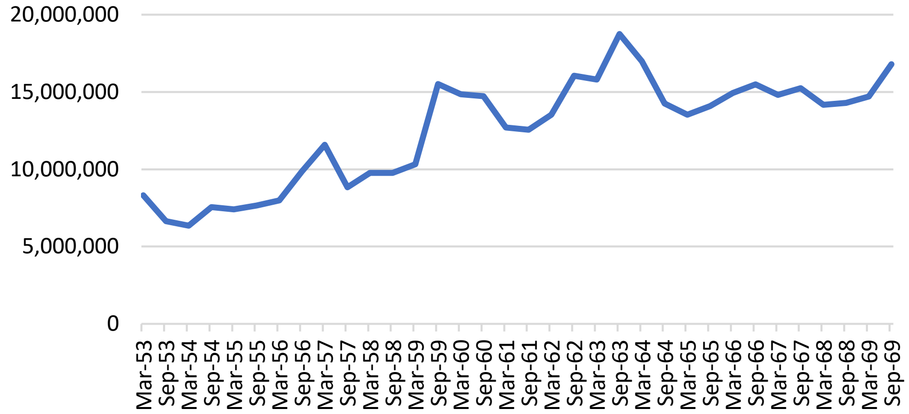
Graph A2.8a (4.6). Average size of saving account (£E/£S)



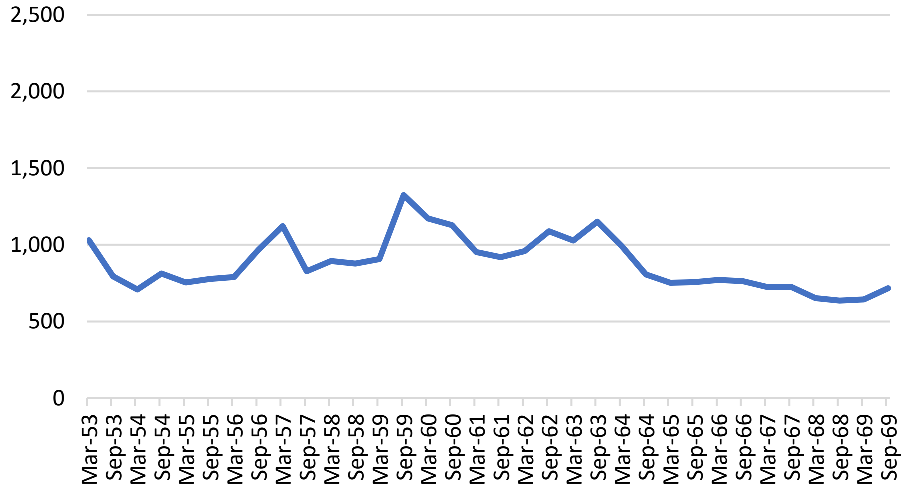
Graph A2.8b. Average size of saving account (£E/£S).
Deflated (1953 prices)



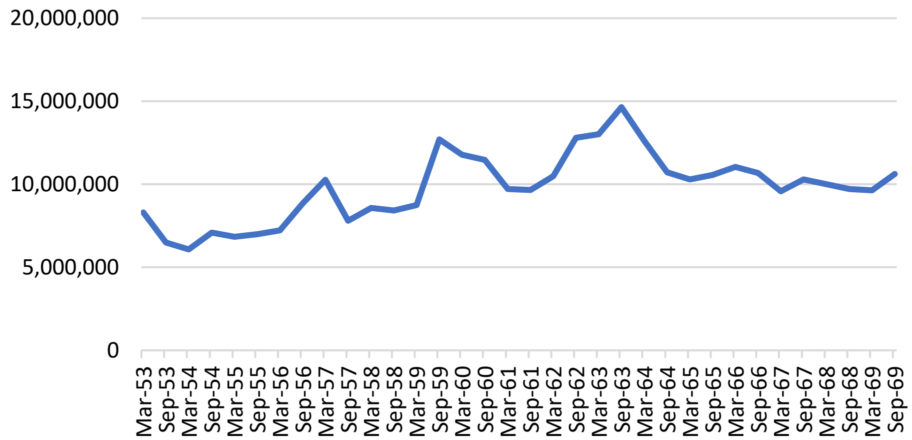
Graph A2.9a (4.8). Value of current accounts. Barclays DCO (£E/£S)



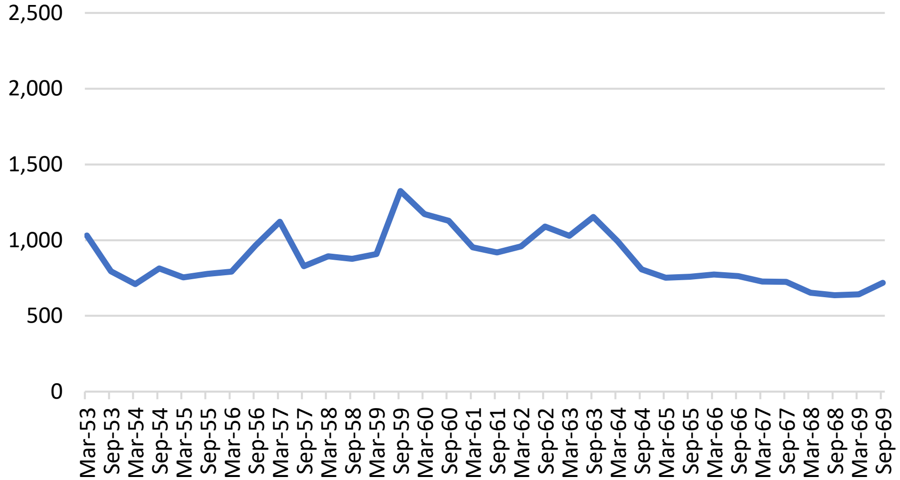
Graph A2.10a (4.9). Average size of current acc. Barclays DCO (£E/£S)



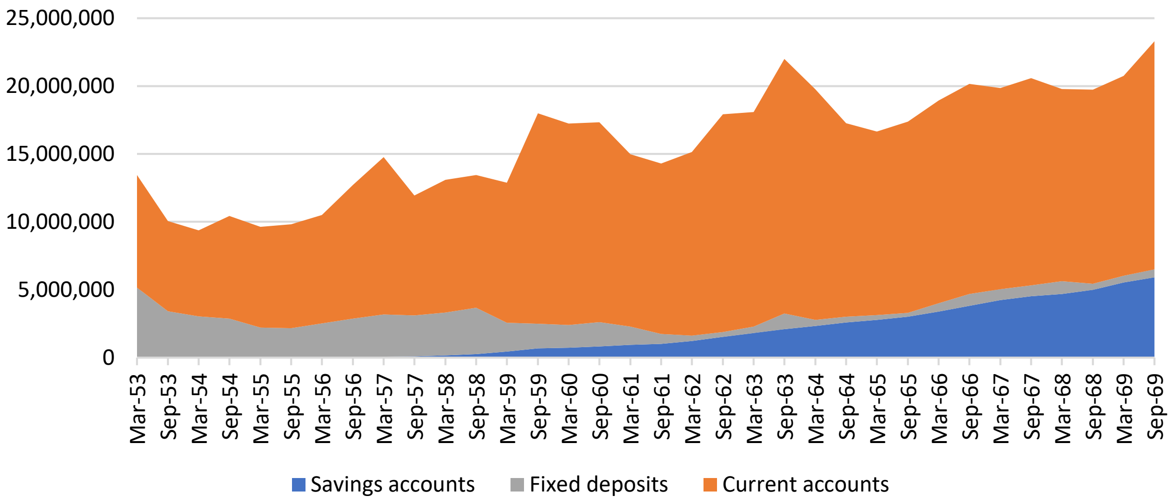
Graph A2.9b. Value of current accounts. Deflated (1953 prices)



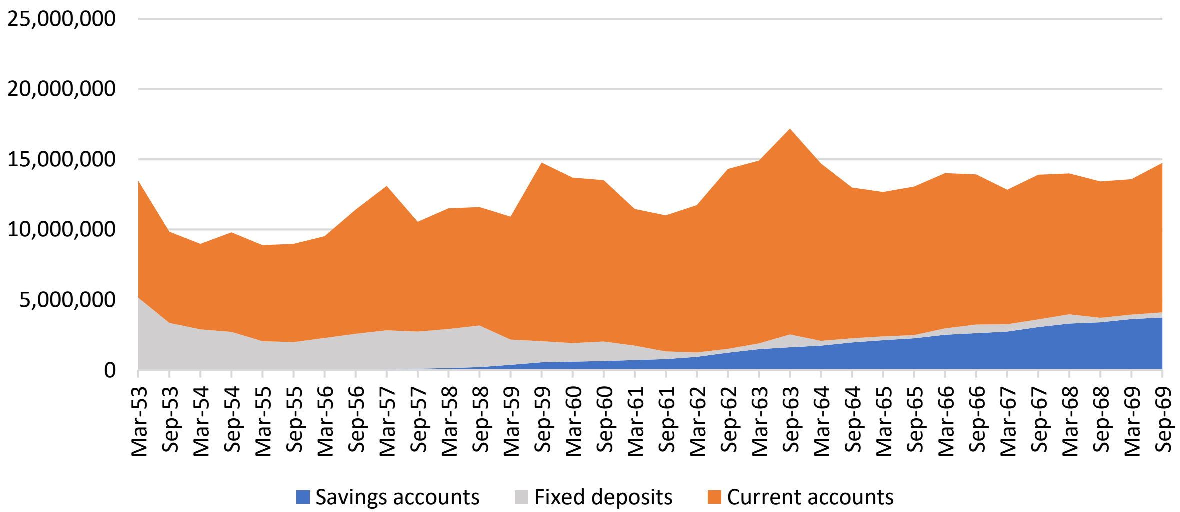
Graph A2.10b. Average size of current account. Deflated (1953 prices)



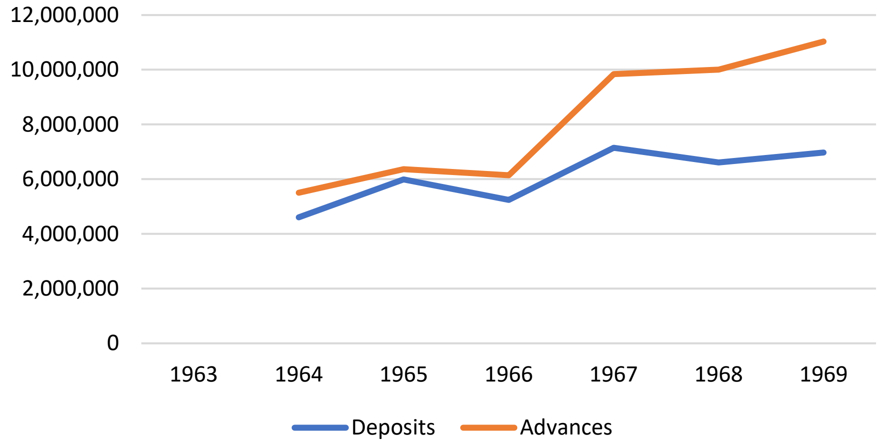
Graph A2.11a (4.10). Distribution of deposit type (Barclays DCO. £E/£S).



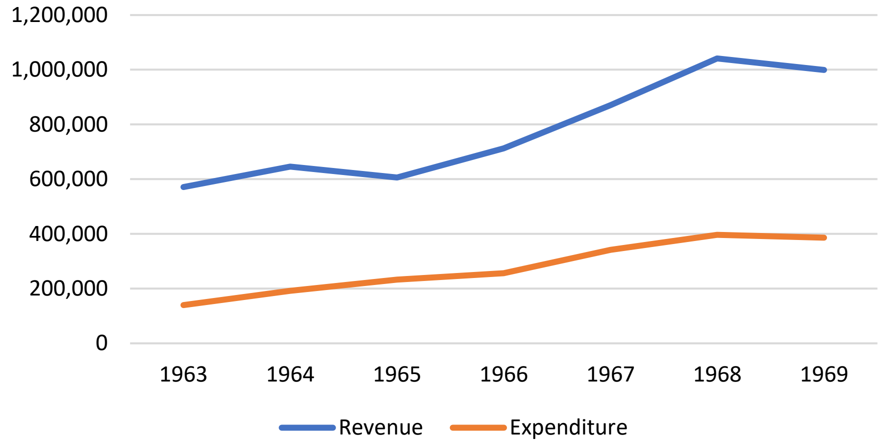
Graph A2.11b. Distribution of deposit type. Deflated (1953 prices)



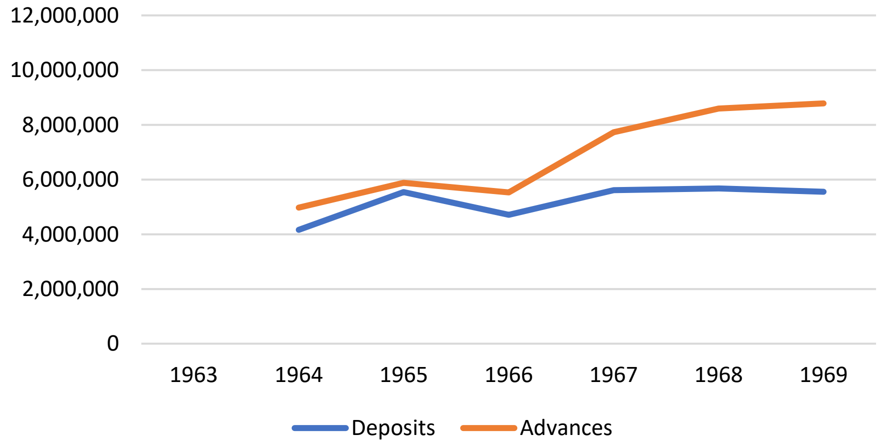
Graph A2.12a. Deposits and advances of the Sudan Commercial Bank (£S). Table 5.10.



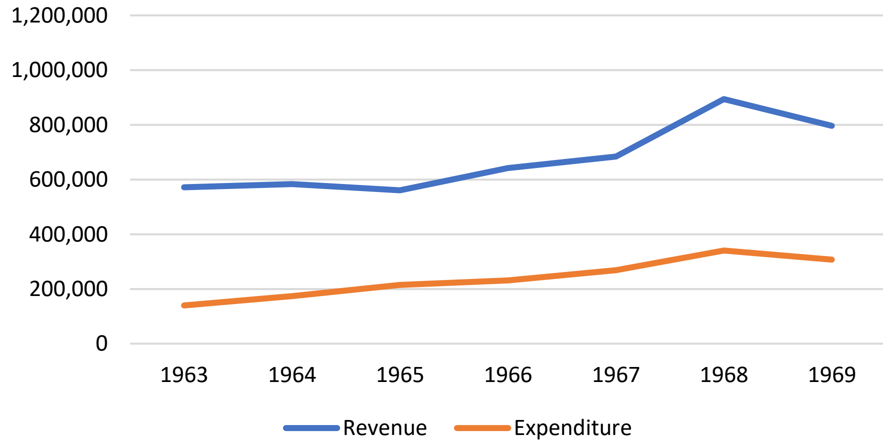
Graph A2.13a. Revenue and expenditure of the Sudan Commercial Bank (£S). Table 5.10.



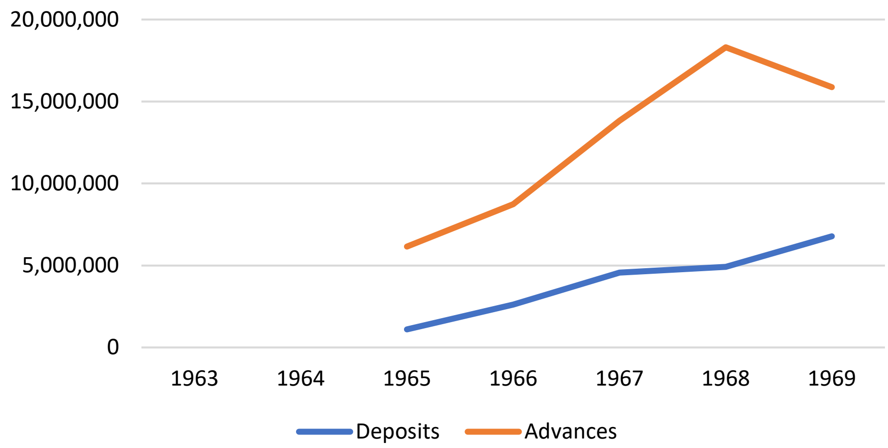
Graph A2.12b. Deposits and advances of the Sudan Commercial Bank (£S). Deflated (1963 prices)



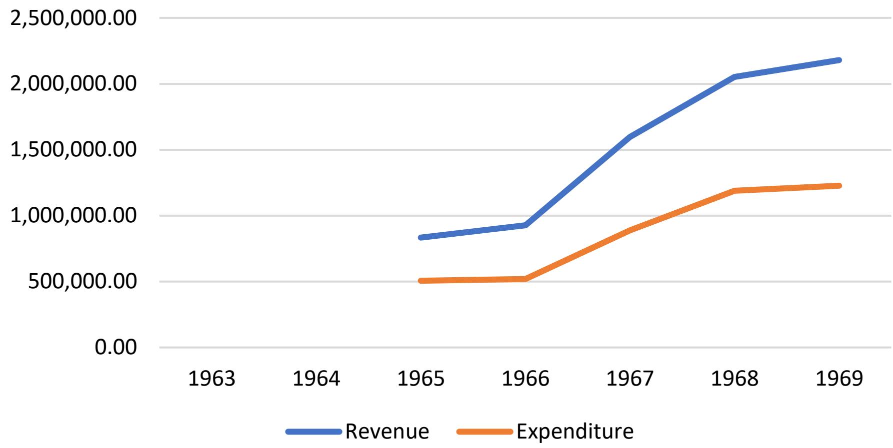
Graph A2.13b. Revenue and expenditure of the Sudan Commercial Bank (£S). Deflated (1963 prices)



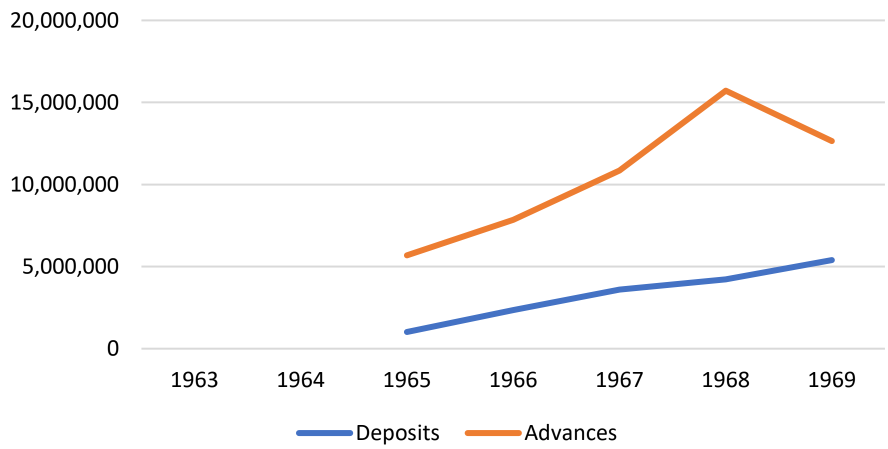
Graph A2.14a. Deposits and advances of Al-Nilein Bank (£S). Table 5.12.



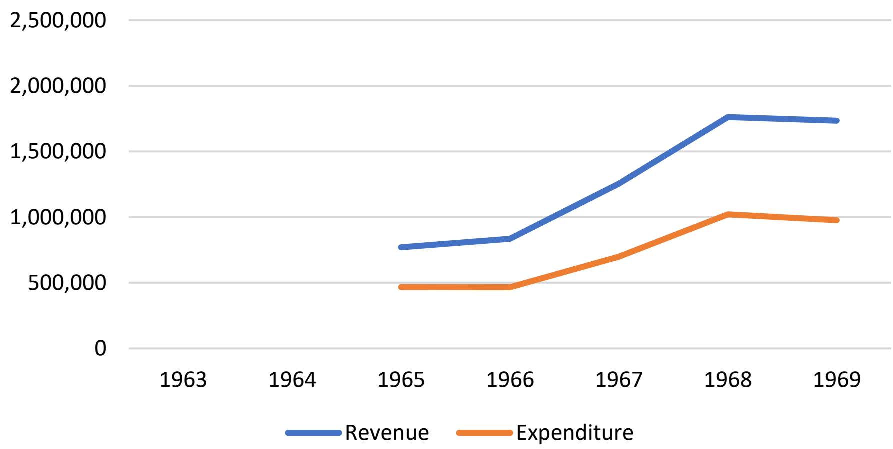
Graph A2.15a. Revenue and expenditure of Al-Nilein Bank (£S). Table 5.12.



Graph A2.14b. Deposits and advances of Al-Nilein Bank (£S). Deflated (1963 prices)



Graph A2.15b. Revenue and expenditure of Al-Nilein Bank (£S). Deflated (1963 prices)



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