

Suez Canal Company's Hand in World Politics

Among the agencies through which humanity is being sold down the river for another war is the Suez Canal corporation. Because this canal opened in 1869 gave the Philippines European markets and thereby founded the great British and German era in their commerce, and because the Islands batten on world wars that sap the substance of the west, the following comment on the canal company from *Vu*, a Paris magazine, is timely.—*Ed.*

Since the newspapers announced that the British members of the board of the Suez Canal Company were going to Paris to confer, the eyes of the world have been riveted not so much upon Geneva as upon a certain small hotel in the rue d'Astorg in Paris.

The reason is that the men who meet there are the real arbiters of the situation which may yet plunge Europe into a new war. Not the League of Nations, not the governments and not even the chancelleries hold the key to war and peace. Thirty private individuals without official mandates, without special titles of functions, gathered at the round table of a shareholders' assembly, decide the destinies of the nations.

The people of the great democratic countries may wonder why this is so and their desire to find out something more about the men invested with such extraordinary power is natural and legitimate, and if they will follow us into the maze of high finance we shall try and show them something of its workings.

The "Compagnie Universelle du Canal de Suez" is managed by a board of 32 members, of whom 21 are French, 10 English and one Dutch. The presence of so many English members on the board may surprise those who know that the Canal was conceived and constructed by the Frenchman Ferdinand de Lesseps, with French capital, and in spite of the violent opposition and hostility of the British government and business circles, afraid that the Far Eastern trade might flow into the Mediterranean ports and the French government gain control of the route to India. But when the canal was completed without the English in 1869, they realized that they had made a mistake and set their minds upon getting into the business.

The miraculous new source of income turned the head of the Khedive of Egypt, a ruler from

Arabian nights, whom the founders had presented with a respectable number of shares. He built so many places for himself that he was soon head over heels in debt, and as the creditors were pressing he decided to sell his shares. This happened in 1875. He applied to the French financiers, but while they were bargaining and discussing in Paris, Disraeli who had got wind of the affair, obtained the consent of the Cabinet in twenty-four hours, and without asking Parliament for credits bought the whole lot, the House of Rothschild advancing the money for the transaction. Thus over night the British government became the holder of 353,204 shares of the 800,000 outstanding, that is of 44 per cent, and by virtue of it ten seats on the board, and one vice-presidency.

Two of the ten English members deserve special mention. The first is Earl Cromer, former High Commissioner in Egypt, the man who conceived the Cairo Cape railroad and consolidated the Empire's supremacy in Egypt. The second is Sir John Cadogan, founder of the Anglo-Persian Oil Co., who emancipated England from the guardianship of the American Standard Oil and the Royal Dutch. Nobody knows better than Sir John what Ethiopia means for the Nile route or the Suez Canal for England's supply of petrol.

But French government has no say in the choice of the members of the board. The *Compagnie Universelle* is a stock company and according to the terms of the law and its statutes its board is elected by the general assembly of shareholders and responsible to the latter only.

The British shares are not in circulation but the remainder is 446,796 are. There is hardly a well-to-do Frenchman who does not own at least a couple of them. Since the receipts of the Company are collected in gold, and the dividends paid in gold, these securities are exempt from all risks deriving from monetary depreciations. For this reason a share that should cost about 6000 or 7000 francs is quoted at 17,000 francs today. The majority of French holders do not own more than 10 shares, but since the statutes provide that you must own 25 shares (425,000 francs) to vote in the Assembly, it results that only the big holders have a say.

The biggest shareholder of the Suez Canal Co. is Mr. André Burin des Roziers, whose name you

would seek in vain in the social chronicles of *tout Paris*. He is a simple soul, even though an official of the *Providence-Accidents* insurance company which is managed by him and his two sons. At the same time he is managing director of the fire insurance company *Providence-Incendies*. The *Providence* is truly a family affair, but what a family! Around its president Mr. Montplavet and its vice-president de Lesteyrie—a former minister of finance—are grouped some of France's greatest and most glorious names, among whom is the omnipresent Count Robert de Vogue, member of the board of Schneider-Creusot, and the no less omnipresent gun magnate de Wendel.

In fifty years the insurance company, which started with the modest capital of 20 million francs, accumulated reserves exceeding 300 million francs, which are of course invested in first rate securities. The amount was more than sufficient to make Mr. Burin des Roziers the biggest holder of Suez Canal shares.

But this discreet gentleman is also a managing director of the *Mines d'Anzin*, another old company boasting of a few glorious names. It counts among its members the Duke d'Audiffred-Pasquier and Mr. Edme Sommier who supplies the French housewives with sugar.

Following an old tradition these gentlemen are in principle against paying high dividends to their shareholders. Therefore the *Mines d'Anzin* with a capital of 222 millions has reserves of 680 millions, most of which are invested in Suez Canal shares and of course, Mr. Burin des Roziers is in charge of this lot.

Conscious of what he owes his associates, the excellent des Roziers voted for Edgar Bonnet, his vice-president at the *d'Anzin* and got him a vice-presidency at the Suez. Then to oblige Count Robert de Vogue, he made his father, the Marquis, president of the Suez company, all of which goes to show financial elections are just as much manipulated as political elections.

There are three simple but efficacious methods of obtaining mandates in financial democracies. You must either be a director in one of the big companies with enormous reserves like the *d'Anzin*; or you must be a director in a big insurance company, or on the board of some big bank, like the *Crédit Lyonnais*, the *Banque de Paris et des Pays-Bas*, etc. In the first case you operate with the profits of the shareholders; in the second with the insurance premiums of the clients, and in the third with the deposits and securities of ingenious middle-class depositors. Or you may combine two of the methods as in the case of Bonnet and Sergeant, or even all three, as in the case of de Vogue, Roume and de Wendel.

It follows from the above that about ten big mining, banking and insurance concerns concentrate in their hands all the power and all the votes of the 446,796 shares of the Suez Canal company which are in circulation in France. Their first task naturally consisted in assigning the seats on the board in such a way as to assure a wise equilibrium. Since de Wendel had a seat, Schneider-Creusot had to have one too. Since a few of the big private Paris banks had seats, two at least had to be given to provincial banks. Because the colonies rank among the Canal's most important users, André Lebon, a former colonial secretary, got a vice-presidency and Mr.

(Please turn to page 8)

SAY "ISUAN"
The BEST MIXERS
in the ORIENT

Suez Canal...

(Continued from page 6)

Roume, honorary governor-general, is very influential on the board. The two latter gentlemen are of course intimately connected with a number of business concerns.

Altogether they hold 10 seats of the 21, but since *de facto* they represent all French holders they dispose of the remaining seats as well. In obedience to tradition they did not forget to honor the founder of the company: therefore Viscount Charles de Lesseps has a seat in spite of his little misadventure of the Panama Canal. Because none of these men know anything at all about managing a Canal they appointed Mr. Max Bahon, a maritime engineer and former technical director of the Compagnie Universelle, who is the only member of the board who owes his position to technical competence.

An undertaking which serves all nations of the world must keep abreast of international politics. Hence the presence on the board of Barrère, former French ambassador in Rome, and, until his recent death, of Jules Cambon, who was the greatest French diplomat and maintained the liaison with the closed diplomatic world.

In order to maintain a close contact with the Bank of France, centre of information and regulator of credit, the Suez Canal board has two of the former's Regents as members: de Wendel and de Vogue, and two former governors, Rist and Sergent.

Since Parliament could not be totally ignored they always have at least one ex-cabinet minister, at present Doumergue.

The "fourth power," i. e., the Press, is represented by de Nalèche of the *Journal des Débats*, former president of the Syndicate of Newspaper Directors. And finally, to be ready for every contingency and since the depression is dragging on and the general dissatisfaction grows, they made General Weygand, whose dictatorial tendencies are well known, a director.

These politicians, ex-ambassadors and generals are of course directors only by name and it is not for their competence in matters of maritime transportation that they each receive 325,000 francs as their annual share of the profits. Most of them have had to borrow the 100 shares (1,700,000 francs) without which they could not become members of the board, so that they are obviously only playthings in the hands of the few Big Fellows.

These are the men who hold the reins of the biggest international concern in which French capital is interested. They do not represent the shareholders nor the interests of maritime trade. In 1934 the Company's income amounted, according to its balance sheet, to 895 million francs. Of these 856 millions were toll receipts. 384 millions were expended in interest, amortization and upkeep. It was therefore quite possible to reduce the heavy toll in these bad times, when trade is stagnant and all the transportation companies of the world, the French ones including, are clamoring for a reduction. But this the Marquis de Vogue refused to do. He distributed 522 million francs in dividends, i. e., 378 francs per share. To the small holders who acquired their shares recently at very high prices this means a dividend of 2 or 3 per cent, but it is 30 per cent in the case of such big holders as the *d'Anzin* or *Saint-Gobain*, who bought their shares right in the beginning at a very reasonable price.

For this marvellous management each of the directors gets 325,000 francs a year, which is quite nice for retired generals, ambassadors and presidents of the Republic.

But there is something else behind these manoeuvres. According to the last inventory, the total value of the Suez Canal, buildings, services, supplies, etc., amounted to 928 millions, while the reserves are as high as 1,119 million francs. This means that if the Canal were to be destroyed by some upheaval, it could be entirely rebuilt without the company having to borrow a cent. It would therefore seem as though there were no need to have these reserves swell further, so that if de Vogue refused to reduce the toll he must have had something else in view.

In fact, these 1,119 million francs, are at the disposal of the board. 729 millions of them have been invested in long and short term securities. These the directors can sell when and as they please and buy other securities, meaning that they can acquire control over any big concern and seize its board. Such is the ultimate of these astute tactics: with the reserves of the mining, banking and insurance companies a majority is obtained in the Suez Canal company, and vice versa. This is the stratagem by which the "200 families" have gained the control of the Council of Regents and of the Bank of France. By this same method they rule the majority of the great national concerns and the most pro-

perous of all great international financial combinations. What can an ephemeral government and an unstable parliamentary majority do against such a lasting and coherent block?

The British government understands the situation. Disligning the palavers of the Geneva jurists and the intrigues of the Quai d'Orsay, London is negotiating direct with the men in power. Earl Cromer and Sir Ian Malcolm who attended the last meeting of the board are committing no indiscretion since both are members.

What the spokesmen of the British government have to say to the assembly is easy to surmise. What the Marquis de Vogue will reply nobly can say, but whatever his reply, we may be sure that Mr. Laval will ratify it. For did not the Regents of the Bank of France, represented on the Suez Canal board, impose Mr. Laval upon a reluctant and hostile Parliament, and did they not, thanks to Mr. Laval, impose a policy of deflation upon the French people who did not wish it? If they can direct the domestic policies through the Bank of France, they can direct international politics through the Suez Canal Company.

In these dark days of fall 1935 the French Foreign Office has been moved to No. 1, rue d'Astorg. The whole world is anxiously awaiting the Marquis de Vogue's next move.

Business Currents Today...

(Continued from page 4)

35 years, taught to abjure and even despise it, and can not in a single generation shift its attitude to practical ground.

Men wonder why oriental foreigners, formerly Chinese only, and still mainly, do the merchandising of the Philippines. They might study profitably not merely Malayan culture, admirable in so many aspects, but Christian history as well. The friar missionaries, zealous for the peace of their flocks, discouraged their getting into commerce, that was not consonant with the pastoral faith they brought to the Philippines. Yet the missions accumulated funds, and in good businesslike manner rented them to the Chinese: merchants outside the pale because of their trade and because they were pagans.

This would not of course have held on so tardily had it not practically complemented the native culture itself, but it did; and the cultural

(Please turn to page 27)



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