

A Big Dig - and a New Course for Empire

PARTING THE DESERT

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The Suez Canal was one of the wonders of the 19th century -- surely the only work of engineering to inspire a great opera. (Verdi's "Aida," which had its premiere in Cairo in 1871.) It has also inspired some great works of history, notably David Landes's "Bankers and Pashas." It could also inspire a great business-school case study, the title of which would be: "How the French Built a Canal for the British."

It was - at first sight - a French achievement, designed by a Frenchman, financed by Frenchmen and opened amid great pomp by the French Empress Eugenie. But it ended up being one of the sinews of British imperial power.

Ever since Napoleon's Egyptian campaign of 1798-99, the French had seen the commercial possibilities of linking the Mediterranean and the Red Sea. Visionaries like Barthelemy-Prosper Enfantin prophesied that a canal would unite the "female" East to the "male" West. More cynically, the second Emperor Napoleon saw an irresistible imperial opportunity. But only one man had the resolve to realize such visions. His name was Ferdinand de Lesseps, and he is the hero of **Zachary Karabell's** readable "Parting the Desert."

If some of Mr. Karabell's characterizations are close to caricatures -- notably his portrayal of Lord Palmerston, the British prime minister -- he succeeds in making Lesseps live. A diplomat whose career in the French foreign service came unstuck in the late 1840s, Lesseps was one of those monomaniacs without whom the world would not progress. Shattered by the loss in swift succession of his career, his wife and one of his children, he flung himself into a one-man canal-building campaign.

From 1853 until 1869 he had only one thought: Suez. And he made a compelling case. To the Egyptians he said that building the canal would prove "that Egypt still has the capacity to be a potent force in world affairs." To the French he said that the canal would offer "a grander outlet . . . [than] wars and revolutions."

Unlike most prophets, Lesseps was honored -- and heeded -- in his own land. His fellow Frenchmen rushed to invest in his company. It was in other countries that he was dismissed as a crackpot. Alarmed that the canal might threaten their existing network of imperial communications, the British rubbished Lesseps's plans. Palmerston ranked it "among the many bubble schemes that from time to time have been palmed upon gullible capitalists." The key question - which Mr. Karabell ducks - is whether this was British stupidity (what Edward VII later called "a lamentable lack of foresight") or lowdown British cunning. The economic reality was that this Franco-Egyptian feat of engineering was advantageous to precisely the people who had been most skeptical. For it was the British whose links to India would benefit most from a canal. Before, it had taken at least 113 days for a steamship to sail the 6,000 miles from London to Calcutta via the Cape of Good Hope. The canal cut the distance by a third.

Still, building it was a risky economic proposition. Under the terms of the concession that Lesseps was granted, his company had the right to dig a channel across the arid Suez isthmus -- a distance of 100 miles - - and to run it for 99 years. The Egyptian government would receive 15% of the profits, the founders 10% and the shareholders the rest.

But as anyone will know who has followed the more recent history of the tunnel under the English Channel, there is a problem with construction projects on this scale. They always cost at least double the figure stated in the prospectus. And to begin with the actual traffic -- and hence revenues -- is usually about half what was projected.

In the case of the Suez Canal there were additional reasons for cost overruns. When it turned out that the huge labor force would have to be conscripted from the Egyptian peasantry, there was an international outcry. Forced labor smacked of slavery, and this at the very time that the Civil War was raging in the U.S. There was also the political problem that the Egyptian viceroy -- renamed the Khedive in 1866 - - was not wholly independent. The canal formally required the approval of the Ottoman sultan. Lesseps had insisted all along that he "wanted to do something great, without . . . any personal interest in money." As costs mounted, it turned out that he expected shareholders to feel the same lack of interest. By 1867 the company needed to issue bonds worth a hundred million francs to keep afloat. By 1875 the Khedive was all but bankrupt, having borrowed to the hilt in the expectation of promised profits. As for Lesseps, his attempted encore -- a second canal, this time across the Panama isthmus -- ended in financial collapse and the disgrace of a prison sentence for fraud.

The Suez Canal's financial crisis was what the British had been waiting for. In one of the great financial coups of the era, the Khedive's shares were snapped up for GBP 4 million by Palmerston's successor, Disraeli. The British triumph was complete in 1882, when a military coup against the Khedive furnished the pretext for a British invasion. From then until 1956 the canal was hugely profitable -- traffic rose to 122 million tons of cargo a year, 24 times what Lesseps had hoped for. It also became one of the British Empire's pivotal military bases, one that would prove vital in World War II.

The loss of Suez in 1956 is usually seen as the end of Britain's empire. Yet the British had the last laugh, for Nasser's nationalization happened on the eve of the canal's decline. Since the early 1980s, fewer and fewer ships have used it. Modern tankers can take the long route around the Cape more swiftly than was possible a century ago; and the cost in extra fuel is not much more than the dues paid by ships going through the canal. Supertankers have no choice: Lesseps's trench is too shallow for them.

Today, as Mr. Karabell ruefully concludes, Lesseps's masterwork is far from being a symbol of the hoped for confluence of Occident and Orient. Battle-scarred after three wars between Israel and Egypt, and falling into disuse, it is but one of many ugly fissures that divides the Middle East.

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