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MINORITIES AND NETWORKING:  
THE WAY TO ENTREPRENEURIAL SUCCESS

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The Way to Entrepreneurial Success*

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## **Abstract**

The entrepreneurs of the Jewish and Greek minorities successfully dominated a significant portion of the economic activities in Egypt, 1860-1960.

The tide of events in the mid twentieth century Middle East, especially the departure and expulsion of foreign minorities from Egypt, affected the perception of the histories of these minorities, and limited it in political and ideological analysis. Scholarship dealing with minorities in Egyptian history has a general nature, where economic activities have a subordinate function, and remains descriptive.

This article aims to go a step further and analyze the economic role beyond the political and ideological context. The interrelation of entrepreneurship and networking developed business know how that led to success. The development of networks and shifting from their religious and/ or ethnic nature to networks of common visions for future investments guaranteed the success continuation.

## **Keywords**

Egypt, Minorities, Economy, Entrepreneurship and Networking.



## Introduction\*

Alexandria, 1899 August 3<sup>rd</sup>:

The city is mourning; the flags are lowered on half-mast. The funeral procession, about seven kilometres long, is led by the mounted police followed by their colleagues on foot and the various consular guards. It took about one hour before the last of the crowd began to move. This was not the funeral of a member of the Royal family, nor the governor of the city, but of George Averoff, who had been the president of the Alexandrine Hellenic [Greek] community since 1885. His fortune not only built schools in Alexandria but also, among other projects, provided funding for the new Olympic stadium in Athens. Altogether, he left a fortune that was twice as great as that of the richest Manchester textile baron of the same period.<sup>1</sup>

This is the description of the social status the head of the Hellenic community had reached more than hundred years ago. Today it may come as a surprise that a good portion of Egyptian economy was operated by people who were neither fully Egyptian citizens nor completely fluent in Arabic. Nonetheless, these people have been living for years, if not generations, in Egypt without having any plans of changing their status or way of life.

Averoff is an example of an entrepreneur of the Greek community that resided in Egypt at the turn of the century. Other than the Greeks, who in the 1920s and 1930s numbered around 100,000 and thus were one of largest foreign communities of Egypt. Jews, Italians, Armenian and Syrians were among the influential communities and minorities in the country.<sup>2</sup> The rank and influence of the different minorities varied throughout the different stages of Egyptian history, therefore it was not constant over the decades.<sup>3</sup> Furthermore, there might have been an overlap between the religious and ethnic identity of some members of the different communities, i.e. belonging to the Jewish faith and being Greek, Italian, Syrian or Egyptian.<sup>4</sup> The two largest minorities residing in Egypt 1860-1960 were the Greeks and the Jews and both played a significant role in the Egyptian economy, they were involved in many sectors such as infrastructure, industry, as well as the cotton sector which was the engine of Egyptian economy for decades.<sup>5</sup>

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\* An earlier version of this paper was presented in Workshop 7: 'Social Movements in the Middle East and North Africa: Shouldn't We Go a Step Further?' at the Tenth Mediterranean Research Meeting, Florence & Montecatini Terme, 25-28 March 2009, organised by the Mediterranean Programme of the Robert Schuman Centre for Advanced Studies at the European University Institute.

<sup>1</sup> Ibert, Robert, Ilios Yannakakis and Jacques Hassoun: A certain sense of citizenship, in: Alexandria 1860-1960; The brief life of a cosmopolitan community; Alexandria, 1997; 18-34:28.

<sup>2</sup> Clogg, Richard: The Greek Diaspora: The Historical Context, in: Clogg, R.: The Greek Diaspora in the Twentieth Century; London 1999:14 This number contradicts with other numbers, according to Karanasou 76, 246 Greeks were residing in Egypt in 1927, see the same source, Karanasou, Floresca: The Greeks in Egypt from Mohammed Ali to Nasser 1805-196: 33. Deeb, Marius: The Socioeconomic Role of the Local Foreign Minorities in Modern Egypt, 1805-1961, in: International Journal of Middle East Studies, Vol.9, No. 1 (Jan., 1978), p. 11-22:11ff

<sup>3</sup> Philipp, Thomas: The Syrians in Egypt 1725-1975. Stuttgart, 1985. See also, al-Imam, Muhammad: *al-Arman fi Misr 1896-1961* [Armenians in Egypt 1896-1961], Cairo 2003.

<sup>4</sup> For this reason there might be a discrepancy in the statistics in particular the ones referring to the numbers of the Jewish community in Egypt.

<sup>5</sup> Mizrahi, Maurice: The Role of Jews in Economic Development, in; Shamir, Simon: The Jews of Egypt. A Mediterranean Society in Modern Times, London 1987, 85-93: 91

There is a consensus in literature that the entrepreneurs of the Jewish and Greek minorities successfully dominated a significant portion of the economic activities in the country.<sup>6</sup> However, there are only a few works that deal particularly with their economic role; in most of the scholarly analysis of minorities in Egyptian history, their economic activities have a subordinate function.<sup>7</sup> Consequently, the discussion of the economic role of the community remains largely on the descriptive level and lacks an adequate analysis. Furthermore, the tide of events in the mid-twentieth century Middle East, especially the departure and expulsion of foreign minorities from Egypt after 1952, affected the perception of the histories of the different minorities in the country, particularly the Jews. Many Egyptian, Israeli and Jewish authors have been entrapped by this political context, and consequently their analysis proceeds through the eye of the needle of the political and ideological schema of the Arab-Israeli conflict.<sup>8</sup> I will go a step further and analyse the economic role of Jews and Greeks during the late nineteenth century and till the midst of the twentieth beyond the political and ideological context. I strive to construct my analysis using two interrelated components. The first is that minorities in Egypt had an entrepreneurial role, and this paved the way for their economic success. However, being an entrepreneur or having entrepreneurial skills is enough to establish a business, but not enough to succeed and gain a dominant role like the one Jews and Greeks had in Egypt.<sup>9</sup> So, the question is how did these minorities guarantee themselves this dominant role if entrepreneurship alone cannot guarantee it; to explain this phenomenon I will utilize the “network theory” as a form of social movement theory. I argue that the interrelation between entrepreneurship and networking led to the dominant economic role of minority communities in Egypt. This dominance in economy cannot be considered in a vacuum. To reach a clear and comprehensible analysis, it is necessary to place these two components within the historical context of Egypt, expressed in legal and social status – Capitulation system and relation to the colonial power- of these minorities. Thus, my analysis considers Egypt as a country and as a market space from an economic perspective. This market space has clear shape that accords Egypt's legal and geographical boundaries; hence, the arguments here concern the developments of enterprises in this market space.

To elucidate my argument, I will present networking as the case of this study, I will present both communities Jews and Greeks and illustrate their role in the Egyptian economy, then demonstrate the interrelation between entrepreneurship and networking.

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<sup>6</sup> Mizrahi: 85ff. See also Ramadan, Salih: *al-ḥayāt al-ijtimā'īya fī Miṣr fī 'ahd Ismā'īl* [The Social Life in Egypt in the era of Ismail], Alexandria 1977:288. Also Krämer, Gudrun: Minderheit, Millet, Nation? Die Juden in Ägypten 1914-1952, Wiesbaden 1982: 22-23. Ramadan, Abd al-Azim: *ṣira' al-ṭabaqāt fī Miṣr 1837-1952* [The Class Struggle in Egypt 1837-1952], Beirut 1978: 43 and Deeb:11ff; Kitroeff, Alexander: The Greeks in Egypt 1919-1937, Ethnicity and Class, London 1989: 85-88. Landau, Jacob M.: Jews in Nineteenth-Century Egypt, New York 1969:14; and Karanasou: 28ff.

<sup>7</sup> Kamel, Anas Mustafa: *al-ra'smāliya al-yahūdiya fī Miṣr*. [The Jewish Capitalism in Egypt] , Cairo 1999. and Mizrahi: 85ff, see also Krämer, Gudrun: Die Rolle der Juden in der ägyptischen Wirtschaft, 1914-1961, in: Schoelch, Alexander: Die ägyptische Gesellschaft im 20. Jahrhundert, Hamburg 1992:148 -170.

<sup>8</sup> See Kamel, A and Nassar, Siham: *al-yahūd al-miṣriyyūn bayn al-miṣriyya wa-l-ṣuhyūniyya* [Egyptian Jews between Egyptianism and Zionism], Cairo 1980; Sayed Ahmad, Nabil: *al-yahūd fī Miṣr ma bayn qiyām dawlat Isrā'īl wa-l-'udūān al-thulāthi* [Jews in Egypt, between the proclamation of Israel and the Suez war], Cairo 1991; Abu Kaf, Ahmad: *al-yahūd wa al-ḥaraka al-ṣuhyūniyya fī Miṣr* [The Jews and the Zionist movemnet in Egypt] ,Cairo 1969 and Shamir, see also Laskier, Michael. The Jews of Egypt 1920-1970 in the Midst of Zionism, Anti-Semitism and the Middle East; New York 1992.

<sup>9</sup> Casson, Mark; Godley, Andrew: Entrepreneurship and Historical Explanation, in Cassis, Yousef; Pepelasis Minoglou, Ioanna: Entrepreneurship in Theory and History, New York 2005: 32.

## **Networking**

Network is a structure of relations among individuals/actors in an environment. "Network theory" is not limited to sociology; it has been and can be applied in several disciplines. Nonetheless, using it as an instrument to explain economic processes is not widespread. Furthermore, it is a convenient instrument for interdisciplinary work, since it allows one to cross borders between different disciplines and makes it possible to explain phenomenon that haven't been sufficiently explained by a single discipline approach. Entrepreneurship is the starting point for the analysis of minorities' activities in economy, however, with this component alone, the analysis would be incomplete.

Research shows that religious and/or ethnic minorities and groups of joint interest obtain a specific role in economies, but not necessarily a major one.<sup>10</sup> This role is explained by networking among the members of these communities. Networking is based either on shared religion or ethnic roots. Ties among community members are the common ground for the network. Religious ceremonies and social gatherings of the community members serve as nodes that pool together social resources.<sup>11</sup> A similar phenomenon is found among ethnic minorities, where the common language and cultural practices, habits and social codes are nodes that pool resources.

Moral attitudes and value systems shared by members of a network, as well as rules and regulations, can reduce risk and therefore also cut the cost of commercial transactions.<sup>12</sup> Few people rely solely on either institutional arrangements or a generalized morality to guard against the risk of opportunism, free riding, or cheating. Instead, they prefer to deal with reputable individuals and to base their trade decisions on information about reputation from reliable sources.<sup>13</sup>

In Egypt's case, Greeks had a common religious background in addition to the common ethnic, lingual and cultural ties: the community was part of the Greek Orthodox Church.<sup>14</sup> Jews had a shared religious background but they were not a homogeneous community on all levels, since they had different linguistic, ethnic and cultural backgrounds.<sup>15</sup>

Shared religious values are the frame in which the community members operate. Here, the community becomes a network. Information that is pooled and exchanged between the members of one community in the frame of common morals and value systems is the key point and central element of the network.

This network, however explains the economic activity of each minority group in Egypt, since it is limited to the frame of common religious values it does not explain the leading role of the minorities and the joint activity among members of different minorities and Egyptians. Therefore, I argue that the networking operates on two levels: the first level is the previously mentioned religious and ethnic foundation. Although this networking is not a formula that connects all members of an ethnic or religious group, regardless of their social standard or education, distinctions should clearly be made

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<sup>10</sup> Ratanapruk, Prista: Kinship and Religious Practices as Institutionalization of Trade Networks: Manangi Trade Communities in South and Southeast Asia; in: *Journal of the Economic and Social History of the Orient (JESHO)*, 50, 2-3 (2007): 325-346. See also, Oishi, Takashi: Indian Muslim Merchants in Mozambique and South Africa: Intra-regional Networks In Strategic Association with State Institutions, 1870s-1930s; : *JESHO*, 50,2-3(2007): 287-324, also Maifreda, Germano: Networks and Economic Behaviour of the Milanese Jews in the Nineteenth century, in: *European Yearbook of Business History*, Vol. 1, 1998: 93-118, see also: Burt, Roger: Freemasonry and business networking during the Victorian period, in: *Economic History Review*, LVI, 4 (3003): 657-688.

<sup>11</sup> Ratanapruk: 341.

<sup>12</sup> Pearson, Robin: Business networking in the industrial revolution, in: *Economic History Review*, LIV, 4(2001);657-679: 657.

<sup>13</sup> Ibid:657

<sup>14</sup> Kitoreff: 3ff

<sup>15</sup> Krämer (1982): 115, Pearson: 657

here. The second level is on the foundation of common interest, for example traders in the same sector or industrialists and customers; joint cultural, material, moral and educational background, and a mutual vision of the future, in particular regarding investments. Here religion and ethnicity do not necessarily provide a unique point of entry.

The first large groups of minorities including Armenians, Greeks, Italians, Jews, Maltese, Syrians, and others settled in Egypt around 1850.<sup>16</sup> However, religious minorities and smaller groups of foreigners had been a part of the Egyptian social structure before this date.<sup>17</sup> The cotton boom of 1861-1865 was one of the reasons why Egypt became an attractive destination for migrants from the neighbouring countries and the Mediterranean basin. These minorities, including Greeks and Jews settled in the two main trade and economic centres of Egypt: Cairo and Alexandria.

## The Jewish Minority

The history of the Jewish minority in Egypt can be traced back more than 3,000 years.<sup>18</sup> During the Islamic rule of Egypt, Jews and other non-Muslim minorities were subject to the rules outlined in the *dhimmi* conditions.<sup>19</sup> These were general conditions which were not necessarily enforced throughout the whole period of Islamic rule, so there was a gap between theory and practice.<sup>20</sup> The status of Jews and other religious minorities depended on different factors, such as the relationship between the Muslim ruler and the minorities, the attitude of the majority towards the minorities, the relationship between the minorities and the European powers, and the relationship amongst the different minorities themselves.<sup>21</sup> In 1850, the Jewish community in Egypt numbered five to seven thousand people.<sup>22</sup> This number increased to 63,550 by 1927 and to 65,639 people in 1947.<sup>23</sup> The Jewish community was a heterogeneous one consisting of mainly four groups: The autochthonous Jews, the Karaite, The Sephardic, Oriental and Italian, and the Ashkenazi. Each group comprised different cultural, linguistic and religious spheres.<sup>24</sup> Depending on their origin, these community members spoke Arabic, Ladino, Yiddish, French and Italian fluently. Language was the connection to the Egyptian society and its different classes. French was the *lingua franca* of the Egyptian upper class regardless of its cultural or religious background. This diversity was not only limited to culture and language, but also expanded to the legal status of the community members. Although the available statistics about how many Jews were Egyptian citizens are contradictory,<sup>25</sup> it is estimated that 10-22% of the Jews in Egypt held foreign citizenship.<sup>26</sup> Others were Egyptian or stateless.<sup>27</sup>

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<sup>16</sup> Deeb:15 and Karanasou (1999): 27.

<sup>17</sup> Karanasou (1999):25.

<sup>18</sup> Oppenheim, Jean-Mark: Egypt and the Sudan, in: Laskier, Michael: The Jews of Middle East and North Africa in Modern Times, New York 2003:412ff.

<sup>19</sup> The regulations for non-Muslim people under Muslim authority.

<sup>20</sup> Bosworth, C.E.: The Concept of Dhimmi in Early Islam; in: Christian and Jews in the Ottoman Empire, 1982: 37-65; Braude, Benjamin: Foundation myths of the Millet System, in; Christian and Jews in the Ottoman Empire, 1982; 69-89: 70 and 72ff

<sup>21</sup> Bouchain, Julie: Die Juden in Syrien; Aufstieg und Niedergang der Familie Farhi von 1740-1995, Hamburg 1996: 1.

<sup>22</sup> Landau, Jacob: Jews in Nineteenth Century Egypt, New York 1969:4

<sup>23</sup> According to Beinon this number is regarded as an undercount, the number of Jews was 75-80 thousand in 1948, see. Beinon, Joel: The Dispersion of Egyptian Jewry. Culture, Politics, and the Formation of a Modern Diaspora 1998: 2.

<sup>24</sup> Krämer (1982):34-65.

<sup>25</sup> Different numbers are available, this asymmetry of numbers is related to the different Egyptian nationality laws, see: Shamir, Shimon: The Evolution of the Egyptian Nationality Laws and Their Application to the Jews in the Monarchy Period, in: Shamir: 43 and 49, see also Krämer (1982): 79 and Nassar (1980) 13, also Kamil (1999): 84

<sup>26</sup> Krämer(1982): 79

<sup>27</sup> Shamir:43

Jews had a prominent position among the minorities in Egypt particularly regarding their economic involvement.<sup>28</sup> Similarities can be observed in the development of the Greek and the Jewish communities, which was to some extent the situation of all minorities and foreign communities in Egypt 1850-1960.<sup>29</sup> Despite the similarities in areas such as small trade, different sectors of cotton production, land companies, cotton trade and export,<sup>30</sup> the textile industry<sup>31</sup> and their skills and tasks as middlemen,<sup>32</sup> Jews had a clear leading role in the finance and banking sector. Names of famous Jewish families such as Qattawi,<sup>33</sup> Menasce, Mosseri, Rolo, Suarés and Aghion were associated with moneylender and moneychanger *sarraf* and *Sarraf bashi* positions in the service of the Khedive during the nineteenth century.<sup>34</sup> The *sarraf* position was the beginning of a wider and deeper involvement in the Egyptian economy. Jewish families were partly involved or entirely responsible for the establishment and development of many important companies. Furthermore they were involved in many industrial and service enterprises; examples include: the Sugar Refinery of Egypt, the Wadi Kom-Ombo Company (at that time Egypt's largest agro-business firm), Sheikh Fadl's estate (agriculture), the Helwan Railway Company, Cairo's first public transportation services (Suarés busses), the Salt and Soda Company, the Egyptian Agriculture Company, the Royal Agriculture Company, The Egyptian Mortgage Bank, the New Egyptian Company, the Commercial Bank of Egypt, the Agricultural Bank of Egypt and the Tanta Water Company.<sup>35</sup> Jewish involvement was not limited to agriculture and infrastructure sectors and the service sector of finances. It expanded to other sectors of services like department stores, the first of their kind in Egypt.<sup>36</sup> Development of new neighbourhoods like Maadi and Mukattam in Cairo and Samouha in Alexandria was part of the Jewish participation in real estate projects.<sup>37</sup> Jews holding key positions in companies or government activities were not an exception in the Egyptian economic dynamics; Aslan Qattawi (the son) headed the administrative council of the Suez Canal Company and represented the Egyptian government for the National Bank.<sup>38</sup> He also served as a member of parliament from 1915 to 1921. In addition, he served on the Commission of Commerce and Industry in 1916, as Minister of Finance in 1924, and Minister of Communication and Transport in 1925. He was appointed senator in 1927 and retained this position until his death in 1942.<sup>39</sup>

The Jewish community in Egypt started to decline in the mid 20<sup>th</sup> century as the Arab-Israeli conflict created an imbalance in the relationship between the Jews and the other citizens of Arab countries. By the beginning of 1960s, the presence of the Jewish minority in Egypt had dwindled dramatically and only a small minority has remained.<sup>40</sup> Few Jewish families still live in Cairo today.

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<sup>28</sup> Krämer 1992: 149

<sup>29</sup> Deeb: 11ff

<sup>30</sup> Mizrahi: 91ff

<sup>31</sup> Ibid: 92

<sup>32</sup> Ibid: 91

<sup>33</sup> Also written Cattaoui

<sup>34</sup> Krämer (1992): 151

<sup>35</sup> Mizrahi: 85

<sup>36</sup> Ibid: 88

<sup>37</sup> Ibid: 90-91

<sup>38</sup> Ibid: 88

<sup>39</sup> Beinini: 78ff, and Krämer (1992): 148ff, also Tignor : 433.

<sup>40</sup> Krämer (1992): 148.

## The Greek Minority

Small Greek settlements have existed in Egypt since the 17<sup>th</sup> century, resulting from contact between Greece and Egypt while both were provinces of the Ottoman Empire. In 1837, seven thousand Greeks resided in Egypt, but this number increased sharply due to the cotton boom of the 1860s. By the end of the 19<sup>th</sup> century, the number of Greeks in Egypt reached 38,208 peaking in 1927 at 76,264.<sup>41</sup> In 1947, the Greek minority consisted of 57,427 people, the second largest minority in Egypt after the Jewish community.<sup>42</sup> Although all Greeks belonged to the Greek Orthodox Church, with their central religious leadership of the patriarch in Alexandria, the sheer size of the Greek community resulted in great social diversity.<sup>43</sup> Alexander Kitroeff uses a precise description; he describes this diversity of classes in the Greek society of Egypt compared to the Egyptian society as “a diamond shaped figure” with the bulk of it in the middle strata.<sup>44</sup>

There were other Christians in Egypt who also belonged to the Greek Orthodox Church but did not speak Greek. However, here I'm only referring to the Greek-speaking minority. Prior to the First World War, a large number of these minorities (including Greeks and Jews) were Ottoman subjects, others were foreigners by origin or obtained foreign citizenships. After Egypt's independence in 1922, it took several years until the law of citizenship was declared. Compared to other minorities, the Greeks had a clear legal status; they held either Greek or Egyptian citizenship.

Alexandria was the main centre of Greeks; about 50% of the Greeks in Egypt resided in this city.<sup>45</sup> Nonetheless, it was characteristic of the Greeks that they extended their small trade beyond Alexandria and Cairo and into the Nile delta, as well as Middle and Upper Egypt.<sup>46</sup> Here they differed from the Jews who, besides the two main cities, mainly resided in towns and villages in the Nile delta.<sup>47</sup> Compared to other small minorities like Syrians, Armenians and Maltese, the Greeks had better access to capital resources and commercial contacts with Europe. In contrast to European merchants in Egypt who possessed greater financial resources, the Greeks had the advantage of better experience and knowledge of trade customs in the Mediterranean region and in Egypt.

The majority of Greeks were involved in small trading, money lending and being middlemen, an important link in the chain of cotton production.<sup>48</sup> However, a number of them worked in another segment of cotton production: the ginning industry, which according to Greek sources, they pioneered in Talkha, near Masoura in 1859 or 1860.<sup>49</sup> About a third of all ginning factories were owned by Greeks by the end of the 19<sup>th</sup> century.<sup>50</sup> The second segment was the cotton trade, on local and international level; the most famous merchants, who were among the wealthiest people of the country, included Greeks such as: Benachi, Salvago, Rodocanachi, Zervudachi, Casulli and Choremi.<sup>51</sup>

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<sup>41</sup> Kitroeff: 11-13, Kitroeff differentiates in his statistic between persons of Greek race and Greek citizens, the number in 1927 can also be 99, 793.

<sup>42</sup> Karanasou, F. Egyptianisation: the 1947 Company Law and the foreign communities in Egypt. unpublished Dissertation, Oxford 1992:11.

<sup>43</sup> Karanasou(1999): 36.

<sup>44</sup> Kitroeff: 31

<sup>45</sup> Kitroeff:14

<sup>46</sup> Deeb: 15 and Baring, Evelyn (Earl of Cromer): Modern Egypt, London 2000: 251

<sup>47</sup> Hassoun, Jacques: *Tārikh yahūd al-Nīl*, [The history of Jews of the Nile],Cairo 2007: 15ff see also Kitroeff: 29, 189,191 and Salih :290ff.

<sup>48</sup> Kitroeff: 7ff and Karanasou (1999): 27.

<sup>49</sup> Karanasou (1999): 28 and Crouchley, A.E.: The investment of Foreign Capital in Egyptian Companies and Public Dept, Cairo 1936:148,154-156 .

<sup>50</sup> Kitroeff: 88

<sup>51</sup> Karanasou(1999): 27 See also; Owen, Roger: Cotton and the Egyptian Economy, 1820-1914; Oxford 1969: 221

Another sector that Greeks invested in was land ownership, the cultivation and development of land in the form of Land Companies, which can also be considered a segment of cotton production. Altogether, a total of 13 land companies were set up between 1881 and 1920 with the help of capital raised by Greeks.<sup>52</sup> Furthermore, foreigners came to own 14% of private owned land in 1907.<sup>53</sup> Besides investing in different segments of cotton production, Greek capital contributed to the establishment of major banking institutions such as the National Bank of Egypt, *al-Bank al-Ahli* (1898) and the Land Bank of Egypt (1905). It accounted for a small part of the total foreign investments in these banks.<sup>54</sup> The Greek Chamber of Commerce, established by Greek merchants and businessmen in 1902, was the first Chamber of Commerce in Egypt, a clear expression of the role of Greek merchants and industrialists in the country.

Nestor Gianaclis, a famous Greek name associated with the Egyptian cigarette industry, was the first Greek to establish the first cigarette factory in Egypt in the year 1871. He and a few others Greeks guaranteed their entrepreneurial position since they enjoyed the advantage of being first in the field. The cigarette industry was dominated by Greek names such as Kiriazis Frères, Dimitrino, Vafiadis, Melachrino and Soussa Frères for several decades.<sup>55</sup> Other industries were introduced to Egypt by Greeks, like soap manufacturing and various food processing industries, beer and soft drinks, other alcoholic beverages, the first paper mill, the first pottery factory and the largest cement-tile factory.<sup>56</sup>

The transformations that took place in Egyptian society after WWI and in the 1920s unleashed forces, which had the cumulative effect of diminishing the economic role of various minorities, including the Greeks.<sup>57</sup> Other external factors related to the world economy and cotton trade accelerated that process.<sup>58</sup> According to Floresca Karanasou, this decline culminated with the Company Law of 1947.<sup>59</sup> Although the effects of external political developments on the Jewish minority in the middle of the 20<sup>th</sup> century differ from the effects on the Greeks, the final result of the external and internal political changes for both groups was the same: their gradual but final departure/expulsion from the country. The migration of Jews from Egypt started gradually in 1948 and intensified after 1956. Other minorities and foreigners, including the Greeks, started to leave Egypt in the 1950s. The process of economic nationalisation, which reached its peak with the nationalisation laws in 1961, deprived the minorities of their business foundations. This led to changes in the structure the minorities had been living in; the political changes and inhospitable policies towards minorities and foreigners led to their departure, a process which peaked between 1961 and 1967.<sup>60</sup>

The significance of Greeks and Jews is that their contribution and involvement in the economy surpassed their percentage of the Egyptian population. The Jews held 18% of the managerial positions in corporations, while they did not exceed 0,5% of the Egyptian population.<sup>61</sup> This number might even be higher since other managers were declared as Europeans, while a number of them might have been Jewish with foreign citizenship. No similar statistics are available for the Greeks, but looking at the Greek participation on the board of directors of the different companies shows similarities to the Jews.

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<sup>52</sup> Kitroeff: 82

<sup>53</sup> Karanasou (1999): 34

<sup>54</sup> Ibid: 35

<sup>55</sup> Shechter, Relli: *Smoking, Culture and Economy in the Middle East; The Egyptian Tobacco Market 1850-2000*, Cairo 2006: 38ff

<sup>56</sup> Karanasou (1999): 36

<sup>57</sup> Deeb: 11 ff.

<sup>58</sup> Kitroeff: 73ff

<sup>59</sup> Karanasou (1992): 7.

<sup>60</sup> Karanasou (1999): 43.

<sup>61</sup> Krämer (1992):161 see also; Tignor, Robert: *The Economic Activities of Foreigners in Egypt, 1920-1950: From Millet to Haute Bourgeoisie*, in: *Comparative Studies in Society and History*, Vol. 22, No. 3, July 1980. 416-449: 423

A further similarity of both communities is that the majority of Jews and Greeks were members of the lower class or a well-educated middle class.<sup>62</sup> They were represented in a variety of professions and trades including (among others) small trade, handcrafts, clerks, service employees, physicians, lawyers, and teachers.

There are several attempts to explain the role of minorities in Egyptian economy. The most recurrent explanations about the economic role of Greeks, Jews and other minorities deal with three topics: firstly, ethnic division of labour where each ethnic or religious community was specialized in a particular type of business or handcraft.<sup>63</sup> Secondly, the framework created by the Capitulation system through which foreigners enjoyed privileged treatment, and thirdly the minorities' connection to colonial powers –as agents- and their economies, especially England.<sup>64</sup>

The capitulation system created special conditions and special status for holders of foreign passports in the Ottoman Empire including Egypt. These conditions consisted of immunity from local judicial and tax laws and subjection to trial only by the consular authorities of their own countries. The mixed tribunals were established to regulate the judicial affairs between Egyptians and foreigners and among the foreigners themselves.<sup>65</sup> In Egypt it had evolved into a sophisticated set of rules regulating the status of foreign residents. As a system of extra-territorial rights and privileges, the Capitulations did not, however, allow the participation of foreign minorities in the local political process.<sup>66</sup> The capitulation system was abolished at Montreux in 1937 and the mixed tribunals in 1949.

Another explanation is that these minorities, especially the Jews, were an extension of the long arm of international imperialism. Mutual support and coordination guaranteed the success of these communities. Minorities acted as agents of imperialism and guaranteed its interests in the country.<sup>67</sup>

The aforementioned explanation attempts do not give deeper consideration to the mechanism of why and how Greeks and Jews were more successful in economy than the Egyptian majority. Scholars have shown that when dealing with complex processes which go beyond trade, money lending, and traditional relations between the city and rural areas -especially when it comes to investments in industry and infrastructure- the common ethnicity loses priority and common economic and business interests gain importance. This restricts the application of ethnic division of labour as the instrument to explain minorities' success.<sup>68</sup>

The capitulation system created the optimal framework and conditions which enabled holders of foreign passports residing in Egypt to engage in economic activities, the privilege of enjoying the protection of a foreign power and with it the protection of ownership (also trade goods) and having the chance to pay lower taxes and duty than Egyptians had to pay, offered a business process with less risk compared to others. This is comparable to investment encouragement measures, which are currently applied in various countries, as well as the investment encouragement policies in Egypt today. Eventually the capitulation system became a segment of the colonial relationship. Nonetheless, such a framework, as much as it facilitates, does not guarantee success. It would be mistaken to consider the

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<sup>62</sup> Krämer (1992):154

<sup>63</sup> Ibid: 151

<sup>64</sup> Collins, Jeffrey: *The Egyptian Elite under Cromer, 1882-1907*, Berlin 1984: 36ff, Karanasou (1999): 26; see also, Deeb: 16ff, and Krämer (1992): 156

<sup>65</sup> Brown, Nathan J.: *The Precarious Life and Slow Death of the Mixed Courts of Egypt*; in: *International Journal of Middle East Studies*, Vol.25, No.1 (Feb., 1993);33-52:33

<sup>66</sup> Kitroeff: 2

<sup>67</sup> Kamil: 47ff and Robinson, Ronald: *The Excentric Idea of Imperialism, with or without Empire*, in: *Imperialism and After, Continuities and Discontinuities*, by Mommsen, Wolfgang J. and Osterhammel, Juergen, London 1986; 267-289: 271ff

<sup>68</sup> Kitroeff: 91, Davis, Eric: *Challenging Colonialism, Bank Misr and Egyptian Industrialization, 1920-1941*, New Jersey 1983: 51

capitulation system to be the main reason for success, since not all members of these minority communities who were active in the economy had foreign passports, at least in the case of the Jewish community. The capitulation system is one component of numerous conditions that supported the success of the Greek and Jewish minorities. The second component is related to the first: the fact that the economic interest of colonial powers was a priority. In Egypt's case, this meant enhancing cotton cultivation and trade to meet the demand of the England's industries.<sup>69</sup> The relation between periphery and centre was unavoidable; nonetheless, it is simplistic to explain the role of minorities solely through dependency theory and limiting the minorities' role as agents of imperialism. Since these minorities were diverse and were not, as historical details show, necessarily related and affirmative to the colonial power and its interests per se.

The Egyptian Federation of Industries (which also included minority entrepreneurs as members) supported the customs and tariff policies of the Egyptian government in order to protect Egyptian industries in the early 1930s. Along with this support, there was a clear opposition from British foreign policy, which tried to limit these protective measurements. The Greek Chamber of Commerce supported the Egyptian Federation of Industries in its resistance to the British policy.<sup>70</sup> These details are ignored by those who only consider minorities as being agents of imperialism. Furthermore, this debate took place in the era of post-colonialism and the debate over nation states and nationalism. These debates contain reasonable, justified and legitimate critiques, but also a high amount of scepticism towards the colonial era in general and consider the agents of economic activity to be allies of colonial powers; ignoring other perspectives and the diversity of these agents. The aspect of nationalism in this debate does not accept a moderate or positive correlation between minorities "as foreign substances" and the prosperity of the country.

Another perspective is found in the work of Robert Tignor, who went a step further in his article "*The Economic Activities of Foreigners in Egypt, 1920-1950: From Millet to Haute Bourgeoisie*", recognizing among some of these minorities and a small group of Egyptians a new social class in Egypt, the Haute Bourgeoisie.<sup>71</sup> Tignor's analysis is one of the most interesting ones, since it presents a simultaneous process; the new class was not only the cause of the minorities' economic success, but also its outcome or result. What distinguishes Tignor's analysis from other interpretations is that he realized the common aspects of these communities, and the joint factors among the minorities and part of the Egyptian society; he did not observe the development of minorities and Egyptian society separately.<sup>72</sup>

The relationships between the community members, kinship relations and the approach of Tignor are my point of departure in analysing the minorities' economic role. Capitulations and relations to the imperial powers will not be ignored in the following analysis, but their role will shift from a primary to a secondary one.

## **Entrepreneurship**

Schumpeter, who provided one of the earliest economic applications of entrepreneurial theory, identified five main types of "new combination" effected by entrepreneur: "The new combination includes the following five cases: 1. New products [...]. 2. New process of production [...]. 3. The

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<sup>69</sup> Chaichian, Mohammad: The Effect of World Capitalist Economy on Urbanization in Egypt, 1800-1970, in: *International Journals of Middle East Studies*, Vol.20, No.1 (Feb. 1988), 23-43:28 and Davis: 42, 45ff

<sup>70</sup> Deeb: 19

<sup>71</sup> Tignor: 417

<sup>72</sup> Deeb had a similar analysis.

development of new export markets [...]. 4. The discovery of new sources of raw materials [...]. 5. The creation of a new organisation, either a monopole or bursting existing ones [...].”<sup>73</sup>

Schumpeter constructed an endogenous growth theory in which the entrepreneur is the source of all dynamic change in the economy. The Schumpeterian entrepreneur is a “creative rebel”, creating disequilibrium and playing a key role in economic development by breaking away from the routine path and implementing innovations.<sup>74</sup> Other approaches of entrepreneurship presented by the different schools of economic thought, which agree with Schumpeter on the core of the concept (if not the details), are also interesting references. For the purpose of this analysis, Schumpeter’s approach to innovation is the most suitable one. Here the entrepreneur is visualized as someone who creates new industries and thereby precipitates major structural change in the economy. Entrepreneurs innovate by carrying out new combinations.<sup>75</sup>

Innovation has, like other concepts and ideas in economics, several definitions.<sup>76</sup> *The awareness of changing needs*<sup>77</sup> is an important pillar; the second pillar is transforming these needs into products, not only for the end consumer but also in the form of new industries, infrastructure projects and services. The pioneering aspect of innovation is just as important as the innovation process itself and is the one that makes it valuable. Thus, the process starting with awareness of changing needs, followed by transformation and pioneering, is entrepreneurial innovation. Caron adds that *accumulation of knowledge*,<sup>78</sup> as a result of continuously growing experience is essential for innovation.

Innovation is the main and most important characteristic of entrepreneurial theory. Nonetheless it is achieved when all other secondary characteristics are fulfilled. Therefore I will postpone its discussion and analysis to the end of the theoretical presentation.

Now the interrelation between entrepreneurship and networking will be demonstrated. This interrelation does not necessary apply to all characteristics. Additionally, at some points I will add another aspect: the role of the nature of a minority’s community.

Besides innovation, the following characteristics lead to successful entrepreneurs:<sup>79</sup>

### ***Judgemental decision- making***

Judgement is the ability of the entrepreneur to come to a sound, defensible decision in the absence of complete information. *Information* is the key word here, the less information an entrepreneur has the higher his uncertainty, which in turn means higher risk, resulting in higher costs. In practice, information is costly. It is time consuming to make and record observations. Access to information reduces uncertainty and risk and leads to the reduction of costs. The interpretation of information is important as well. The right interpretation leads to the right decision; this is influenced by the experience and the know how of the entrepreneur.

Access to information can be improved through networking. At this point we notice the interrelation with entrepreneurship mentioned above. *Information* is the main thread that will accompany this analysis. Networking, through pooling of resources, increases access to the right

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<sup>73</sup> Schumpeter, Joseph: *Theorie der wirtschaftlichen Entwicklung; Eine Untersuchung über Unternehmerrgewinn, Kapital, Kredit, Zins und den Konjunkturzyklus*, Berlin 1997:100-101.

<sup>74</sup> Cassis Yousef; Pepelasis Minoglou, Ioanna: *Entrepreneurship in Theory and History*, New York 2005:5

<sup>75</sup> Casson, Mark: *Entrepreneurship and Historical Explanation in Cassis* (2005): 27

<sup>76</sup> Caron, Francois: *Innovation*; in: Cassis (2005): 111 ff

<sup>77</sup> Ibid: 113

<sup>78</sup> Ibid: 115

<sup>79</sup> Casson: 29ff

information. Besides the common moral attitudes and value systems, information also leads to a higher level of *trust* among community members. Trust reduces *risk* and uncertainty, which is important for the decision making of entrepreneurs. Low risk translates into low costs, which guaranties higher profit or income and a better performance of the entrepreneur. The network fulfils the function illustrated as follows:

<p><i>Framework:</i> Common moral attitudes, value systems and rules that are shared by members of a community.</p>	→ Better information	→ <b>Trust</b> ↑ → <b>Risk</b> ↓ → <b>Cost</b> ↓

Besides information, *know how* as developed over generations (learning from the mistakes of the father, uncle or grandfather) and education, support the entrepreneur in the decision making process. Although Mark Casson argues that education does not have a role in entrepreneurial success.<sup>80</sup> I argue that education was an important asset in the case of Greeks and Jews in Egypt. Statistical data shows the high educational level of both communities.<sup>81</sup> It appears to be higher among the Jewish community.<sup>82</sup> In 1907 19,934 out of 38,635 Jews were literate, as compared with 412,669 literate Muslims out of a total population of 10,269,445.<sup>83</sup> There are also statistics available for the Greek community that prove a high education level among Greeks, but they do not allow for a reliable comparison; for this reason they will not be included here. In this case, education provided the members of Jewish and Greek minorities with a comparative advantage over other potential competitors. Through education they had improved interpretative models, so they had a better potential for decision-making. Knowledge of foreign languages allowed them to have more access to other resources like foreign markets and information, as compared to the less educated majority. This permitted them to have an advantage through more qualitative information and a better interpretation of the available information.

### **Complexity of Decision**

Concerning entrepreneurship, the involvement of other *major players* in the situation besides the entrepreneur is a major source of complexity. Examples of major players include: other firms (whether as competitors, partners or potential alliances), government or the political power; customers and policy-makers.<sup>84</sup> Entrepreneurs have to be aware of who the major players are and decide who to act with and/or whom to react against. Sufficient information clarifies the view and reduces complexity.

Here we move to the second level of networking, where networks are not limited to the members of one community but grow beyond that and reach those deemed to be the major players. Here again qualitative information is important. The Greek and Jewish white collar workers in different companies and government employees –because of their better education- can be considered as access to the Egyptian government and customs as part of the major players. As mentioned before, holding key positions in companies or governmental activities was not uncommon for members of the Jewish and Greek minority. Aslan Qattawi headed the administrative council of the Suez Canal Company and of the National Bank as the representative of the Egyptian government (policy-makers). This position

<sup>80</sup> Casson: 33

<sup>81</sup> Regarding the Greek community, see Karanasou (1999): 37and 43-46.

<sup>82</sup> Krämer(1992): 155

<sup>83</sup> Landau:71

<sup>84</sup> Ibid.

allows access to information of major players, in this case the Egyptian government. Other networks were among interest groups i.e. Greek families dominated the cotton trade and they had many Lancashire *connections* in Great Britain.<sup>85</sup> The textile industrialists are customers of the cotton exporters, so they are another major player. Through the second level of networking, access to the information of major players is simpler than for entrepreneurs without these networks. The entrepreneurs' awareness of the major players and their plans reduces the complexity of decision and increases their chances of success.

### ***Access to Finances***

Access to finances is a major element for establishing and running a business. In simple economies with a primitive financial system, personal capital is a prerequisite for entrepreneurs. This can be achieved through inheritance, by working and saving, by starting on a very small scale and steadily reinvesting profits or by other means including gambling or other informal access to finances. This applies mainly to low-trust societies.<sup>86</sup>

Networking and high trust between the members acts as another source of finances in the form of various kinds of loans.<sup>87</sup>

“Credibility, integrity, trustworthiness and reliability can also be earned through social exchanges of labor and time, in addition to earning them through monetary transactions”<sup>88</sup>

“The purpose for which religious and social events are organized, and the ways in which the funds are managed and rotated as credit, generate different sizes of loans and various borrowing conditions”<sup>89</sup>

Networks among members of ethnic groups provide resources, such as capital needed for an entrepreneurial project;<sup>90</sup> this is on the first level of networking. In Egypt, Jews had a leading role in the banking system, whereas Greeks to a lesser extent. Further options are provided on the second level of networking where a joint interest of investment mobilizes capital. Such networks and cooperation are encouraged by the fact that they reduce the cost of collecting market information and by spreading the risk of investment between the entrepreneur and the investor.<sup>91</sup> Greek cotton merchants and exporters financed cotton cultivation with capital provided by banks in Lancashire.<sup>92</sup>

### ***The Reputation of the Entrepreneur***

Trust is influenced by the reputation of an entrepreneur. A person who is widely trusted can acquire resources more easily and from more sources than others. People with a limited reputation can acquire resources from only a narrow circle of people.<sup>93</sup> Trust is the key word here.

“There are two main aspects of reputation in business: honesty and competence. Honesty refers to the fact that an entrepreneur needs to be faithful steward of other people's money. This means not only avoiding the temptations of fraud, but also a commitment to working hard even when others

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<sup>85</sup> Owen: 222

<sup>86</sup> Casson: 37

<sup>87</sup> Ratanapruck: 340

<sup>88</sup> Ibid: 339

<sup>89</sup> Ibid: 340

<sup>90</sup> Aldrich, Howard and Waldinger, Roger: Ethnicity and Entrepreneurship, in: Annual Reviews, Sociology 16 (1990) 111-135: 126 ff

<sup>91</sup> Pearson: 660-661

<sup>92</sup> Owen: 222

<sup>93</sup> Casson: 38

will be the main beneficiaries of the effort. Competence concerns effective handling of routine matters, but above all their ability to exercise good judgement.”<sup>94</sup>

Based on the aforementioned characteristics and mechanisms of networking, it becomes clear that trust, reputation and creditability are as essential for networking as for entrepreneurship.

### ***Partner Selection***

Long-term business partnerships require a great deal of trust. Choosing the right partner means having good knowledge of other people. This knowledge of people is important for the partnership and also in case it is dissolved. An appropriate choice of partners allows the partnership to be dissolved in amicable fashion, so that all parties involved retain their reputation. What marks a successful entrepreneur is a succession of partnerships rather than a single enduring one.<sup>95</sup>

Networking, trust, and reputation inside the community facilitate finding the appropriate business partner.<sup>96</sup> Here common moral attitudes and values promote finding this partner in the same community. This does not exclude partnerships with those of shared interest or partnerships founded on personal relations and trust.

Mark Casson also refers to entrepreneurial strategies, which are essentially related to information and predicting opportunities.<sup>97</sup>

“The high-level entrepreneur of Schumpeterian type, for example, needs to synthesize information about new inventions with information about trends in product demand and in the prices of raw materials, in order to determine whether an innovation is worthwhile.”<sup>98</sup>

In this case, information from public sources is less helpful. Confidential information has a higher value for the decision making process and has to be acquired through personal contacts. Entrepreneurs therefore need to create a network of contacts who can feed them the information they require. Information has the same properties as a public good, since it can easily diffuse to other people. Therefore entrepreneurs need to keep their information synthesis secret until they have exploited the profit opportunity.<sup>99</sup> So, networking is an entrepreneurial strategy. The interrelation between networking and entrepreneurship is manifested clearly at this point. There are three main ways of exploiting an opportunity, but not all of them are available in every case:<sup>100</sup>

*Acquisition of special legal privileges*, the privilege may consist of a state charter, license or franchise, or a patent linked to the technology employment.

*Speculation and arbitrage*, in practice the acquisition of special legal privileges is difficult to enforce. The best alternative is to turn a profit from a speculative deal involving resources. Entrepreneurs can buy up the resources, i.e. commodities, currency, land, mining rights, which appear undervalued in the light of their information, and then sell these resources at higher prices once the information has entered the public domain.

*Loyalty*, the focus here is on the loyalty to the product. It involves a succession of trades over a long period of time. The most effective way is to bind suppliers and customers using long-term

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<sup>94</sup> Ibid.

<sup>95</sup> Ibid: 40

<sup>96</sup> Ibid

<sup>97</sup> Ibid: 40ff

<sup>98</sup> Ibid:40

<sup>99</sup> Ibid.

<sup>100</sup> Ibid.

contacts. This requires a long-term relationship and trust.<sup>101</sup> Speculation was part of the Jewish and Greek economic activity, especially in the form of land companies. Loyalty to industrialists and their products can be encouraged through networking.

The aforementioned ways of exploiting opportunities can be noticed among the members of Greek and Jewish minorities. Due to the capitulation system, Greeks, most of whom were holders of the Greek citizenship, acquired the legal privileges per se. The available statistics regarding the Jews are contradictory.<sup>102</sup> However, 10-22% of the Jews in Egypt held foreign citizenship and thus had access to the legal privileges.<sup>103</sup>

Institutional frameworks, where entrepreneurship can yield prosperity, are components unrelated to the nature of entrepreneurship, but just as essential as the aforementioned characteristics. The systems that are most attractive to mobile entrepreneurship are likely the ones possessing the classic institution of liberal market economy. They will have some or all the following features:<sup>104</sup>

- *Private property*, which is freely alienable, subject to certain minimal restrictions.
- *Freedom of movement* and freedom to associate with business partners.
- *Confidentiality of business information*, especially regarding the interactions with customers and suppliers.
- *Protection of creative work through patents, copyright, design protection and so on.*
- *Accesses to impartial courts* that enforce property rights and have the capacity to settle complex commercial claims.
- *A stable currency*, based on a prudent control of the monetary supply.
- *Democratic government*, with sufficient balance of power between opposing interests to reduce the risks of draconian interventions in industry and commerce.
- *Openness to the immigration* of entrepreneurs and skilled workers, and possibly to other groups as well.

These features are part of the conditions of a liberal market economy. Egypt had a liberal market economy until the beginnings of 1950s, which means that Egypt provided the appropriate framework for entrepreneurial activities.

There are other forms of networking that might not have a direct relation to entrepreneurship, but had a role in strengthening the relations inside the community and network. Marriage is one of these forms.<sup>105</sup> It has been noted that marriage has been one of the major mechanisms used either to strengthen the relations inside the network or to have access to other networks. The boundaries between business partnership and marriage are vague.<sup>106</sup> Networking through marriage is also seen among the members of the Greek and Jewish community in Egypt, in particular among the upper class.<sup>107</sup> In this case, marriage was not limited to members of one community but also between members of the same social class and among members of mutual interest groups.<sup>108</sup>

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<sup>101</sup> Ibid: 41-43

<sup>102</sup> Different numbers are available, this asymmetry of numbers is related to the different Egyptian nationality laws, see: Shamir:43. also Krämer: (1982)79 and Nassar:13, also Kamil:84

<sup>103</sup> Krämer(1982): 79

<sup>104</sup> Casson: 47-49

<sup>105</sup> Ibid: 46

<sup>106</sup> Pearson: 664 and Ratanapruck: 332ff

<sup>107</sup> Karanasou(1999): 37 and Krämer (1992): 154

<sup>108</sup> Krämer (1992): 160

Illustrating the interrelation between entrepreneurship and networking makes the process of entrepreneurship clearer. As previously mentioned, the core of the Schumpeterian theory of entrepreneurship is innovation. Innovation can be achieved and success gained when the secondary characteristics of entrepreneurship are obtained.

The example of Greek and Jewish minorities in Egypt shows that these minorities achieved innovation and entrepreneurial success based on networking. This can be shown in numerous examples of the economic activities of both minorities. Archival material shows the innovation and pioneering of the Jewish minority, by being the first to establish new industries and service companies. There is not enough space provided here to list the numerous examples; instead I will provide one example to illustrate the argument.

### **The First Cotton –Ginning factory**

According to Greek sources, Greeks in Talkha, near Mansora, established the first mechanised cotton-ginning factory that operated in 1850s.<sup>109</sup> This begs the question: how did the Greeks come to pioneer this industry and not other Egyptian, Syrian or Jewish businessmen? The main merchants in cotton trade and export were Greeks families. They employed Greek middlemen to run the business in the various towns and villages of the Nile Delta, providing loans and buying the cotton from the peasants. Here there was an ethnic network between the main traders (exporters) and smaller ones (middlemen). The accumulation of knowledge and the ‘know how’ of cotton trading provided them with an advantage towards their competitors, so they were one step ahead (first level of networking). At the same time, this network provided first hand information about the market situation and market needs. These conditions paved the way for their *awareness of changing needs* of the market.

The information supplied about the existence of the cotton-ginning machines needed for the ginning factory can be explained through the connections the exporters had to England (second level of networking). Access to investment capital could have been arranged either by the exporters themselves, who owned the capital, or through the connections the exporters had in Lancashire.<sup>110</sup> Trust and mutual interests facilitated the process of gaining information, becoming aware of the changing needs and transforming this information into a new innovative industry. Networking in this case reduced uncertainty and reduced the costs (compared to the costs without the network) of the entrepreneur. This allowed these Greek businessmen to break away from the routine path (not having the factory) and implement a pioneering project (many other similar factories were subsequently established), and they have earned the right to be called entrepreneurs.<sup>111</sup>

This is a model of entrepreneurship and networking that could be transferred to other new industries and services carried out by minorities in the Egyptian economy; augmented by the historical context and legal status of the minorities in the country.

Innovation is not limited to industries and services. I will go a step further and argue that with a more complex economic system, including industries, infrastructure projects and an accessible financial market, networks need to be innovated too. The simple form of networking (first level) cannot deal with the market challenges and requirements. More complex forms of networking are needed. Here the second level of networking gains more importance and the first level fades into the background, without being totally eliminated. The moral attitudes and value systems based on religion and ethnic roots become marginal. Mutual interests, social and educational background, moral system, and a common vision of the future gain the primary position.

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<sup>109</sup> A city in the Nile Delta.

<sup>110</sup> Owen: 222

<sup>111</sup> Karanasou (1999): 28

This occurred during the industrial revolution in England, and can also be seen in early twentieth century Egypt.<sup>112</sup> The more complex the economic system becomes, bearing new challenges within, the more networks shift from the first to the second level. The constellation of the board of directors of several Egyptian companies, like Kafr El Zayat Cotton Company with Greeks, Jews, Lebanese, French and Britons, show this development clearly.<sup>113</sup> Here the network is not limited to one religious or ethnic group. Another example that helps clarify complex networks is the founding of Bank Misr. Yusuf Qattawi along with Joseph Cicurel, both members of the Jewish community in Cairo were among the founders of Bank Misr in 1920, along with Talat Harb who was Muslim.<sup>114</sup> In this case, I argue that the cooperation of these three businessmen resulted from their mutual interests. Despite the fact that two of these three partners were Jewish, and even prominent members of the Jewish community, their Jewish identity did not play a significant role in this particular business relationship. Examining the biography of Talat Harb shows us that although he did not share the same religion as Qattawi and Cicurel, they other common characteristics.<sup>115</sup> Talat Harb had common material, moral, social and, to some extent, cultural experiences and resources with his two Jewish partners. In addition to that, these three men had met in businesses before (not as partners), for example the Daira Saniyya and the Egyptian Chamber of Commerce. These common interests and resources were the foundation of the network that resulted in the establishment of the Bank Misr.

The shifting of networking from a limited religious and/or ethnic network to a more complex one based on mutual material, moral, and social resources, explains the continuity of minority entrepreneurship throughout changing conditions. This development brings us back to the approach of Robert Tignor's article "*The Economic Activities of Foreigners in Egypt, 1920-1950: From Millet to Haute Bourgeoisie*". He recognized among some of these minorities and a small group of Egyptians a new social class in Egypt the Haute Bourgeoisie. Tignor's analysis involves the second level of networking mentioned previously, but in a wider sense, and recognizes in it a new class in the Egyptian society, with diverse components united in carrying on the entrepreneurial economic development of the country.

## Conclusion

The interrelation and combination of entrepreneurship with an innovative approach, and networking in its first level among community members (including those outside Egypt), eased the access to information and reduced transaction costs and risk, both essential for successful economic activities. These networks eventually broke through to the second level, where common business interests and a shared vision of future investments gain priority, and networking on the first level, based only on religious or ethnic background faded. This breakthrough was the mechanism that guaranteed the development, continuation and expansion of business enterprises; this consolidated the power of the economic actors in the country and ensured their dominance. This process was not restrained because the underlying circumstances, which included the capitulation system -for those with foreign citizenship-, certain interests of colonial powers and the liberal conditions of the Egyptian market, enhanced this development.

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<sup>112</sup> Pearson: 659

<sup>113</sup> Kitoreff: 89-91 see also Krämer(1992): 164, other archive documents.

<sup>114</sup> Mizrahi: 87-88

<sup>115</sup> Davis: 91ff.

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