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*Financial Integration, Disintegration
and Emerging Re-Integration in the
Eastern Mediterranean, c.1850 to the
Present*

by
Adrian E. Tschoegl

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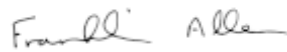


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**Financial Integration, Dis-integration and Emerging Re-Integration in the Eastern
Mediterranean, c.1850 to the Present**

Adrian E. Tschoegl¹
Senior Fellow, Dept. of Management
The Wharton School of the Univ. of Pennsylvania
Philadelphia, PA 19104
Email: tschoegl@alum.mit.edu

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Abstract

The financial integration that concerns us is that of the linking of national banking systems through the opening of branches by banks of one country in another. In the inter-war period, banks from England and France established branches in the countries of the eastern Mediterranean, as did banks originating in those countries. However, after World War II there came a period of nationalisation and nostrification that cut the countries' banks off from each other's markets. If domestic financial systems matter to economic development and growth, and if foreign banks contribute to the development of financial systems, then these policies were a self-inflicted wound. As barriers to foreign banks have fallen since the mid-1970s the region has started to integrate again, but in a process that is far from complete.

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1 Introduction

In a recent book, Bernard Lewis asks “What went wrong?”² How did the Middle East go from being the metropole for the European periphery to a periphery of the European metropole? This is a large question and the present paper suggests only a proximate cause. Earlier, W. Arthur Lewis had argued that banks matter for development and suggested that the Middle East lacked them.³ But the Middle East did not lack banks.

Instead, during the 30-year period following World War II, many of the countries of the Mediterranean littoral closed to foreign banks.⁴ The period of closure followed an inter-War period of increasing integration and is being followed by one of re-integration. If financial systems matter to development, and if foreign banks matter to financial systems, then the policies of closure that many countries of the Mediterranean littoral followed were a self-inflicted wound. The closure to foreign banks was both a symptom of larger, mistaken policies, and itself a mistaken policy.

Evidence is accumulating that the financial system matters for development. That is, Schumpeter might be right that the financial system can promote economic growth.⁵ Several studies have found a robust correlation between financial factors and economic growth.⁶ Plus, countries with more sophisticated financial systems trade more and are more integrated with other economies.⁷ Furthermore, the evidence suggests that banks play an especially beneficial role in economic development and macroeconomic performance.⁸ Foreign banks contribute to development as facilitators of capital flows and trade.⁹ Although there is little published research on recent developments in economic integration and trade patterns in the

Mediterranean, what there is suggests that during the 30 years after World War II, trade integration withered but is now recovering.¹⁰

One lesson of the 1930s and the Great Depression was that Liberal capitalism had manifestly failed. Two models emerged in replacement. As Lewis points out, during the 1930s Italy and Germany offered new political models that won widespread support that continued, albeit unacknowledged, after the war.¹¹ The victory of the Soviet Union in World War II and the apparent ability of the Soviet model of state control of the economy to provide a short-cut to development won it adherents too. That these models originated in states opposed to the colonial powers of Great Britain and France was an added attraction. Thus after World War II, the two answers to the issue of development appeared to be Nationalism and Socialism, which combined in ideologies variously called Arab Socialism, Scientific Socialism or the like. Countries' adoption of these ideologies resulted in policies of nationalisation or nostrification of, *inter alia*, the banking system.¹² By the mid-1970s, the evidence had accumulated that Nationalism and Socialism had failed to bring economic development.¹³ With that realisation have come privatisation and opening to foreign banks.

The banks the paper discusses are certainly not all the banks that engaged in foreign direct investment (FDI) in the region. They are primarily amongst the largest banks (then or now) or those that have survived to the present. To save space, the paper covers mostly banks from the region or those with extensive ties to it; the paper is relatively neglectful of the German, Japanese, Jordanian and US banks. Still, the banks the paper does account for almost all the activity of interest.

2 The Historical Evolution

Two factors have dominated the historical evolution of the financial integration of the Eastern Mediterranean. The first was, for want of a better rubric, the spirit of the times and the second was ethnic conflict as exemplified by the Greek-Turkish, Israeli-Palestinian, and intra-Lebanese conflicts.

We use Robinson's temporal divisions—the Exploitative Era (c.1850 – 1914), the Concessionary Era (1918-1945), the National Era (1945-1975) and the International Era (1975-date)—to capture the spirit of the times, that is, to highlight broad geopolitical trends.¹⁴ (Robinson, writing in 1963, was remarkably prescient in arguing that an International Era would emerge in around 1970; we use the 1975 date as a way to make operational the transition in the absence of any strongly defining event.) We use his classification because it is the only one extant that seeks to describe the co-evolution of international business and its environment; he provides us with a relevant and insightful categorisation of the changes in the international environment.

Robinson describes the Exploitative Era as one in which European individuals and firms were entering into large-scale, permanent investments in non-European countries in railroads, ports, mining, and processing plants. The number of European nationals participating in overseas ventures and the importance of their activities to the home economies cause home governments increasingly to become involved in the process. Western enterprise relied heavily on local ethnic minorities as intermediaries and staff. Robinson viewed the Concessionary Era as essentially a transitional period following the Exploitative Era. During the Concessionary Era Western enterprise attempted to freeze its status the non-Western world in the face of the home countries' weakening power umbrella. The National Era was a period of decolonization, nationalism, *Étatisme*—state-led

industrialisation—and a stigmatisation of private enterprise and especially the multinational enterprise (MNE). The International Era is one of increasing openness in which governments at best court and at worst accept the entry of MNE.

When Tschoegl examined countries' policies towards foreign banks in 1920 and again in 1980, he found that over the sixty-year period no countries that were closed in 1920 had opened, but many countries that had been open had closed.¹⁵ Unfortunately he did not follow Robinson's categorisation; still, the data in his tables suggests that almost all the instances of closure affecting the Eastern Mediterranean took place during the National Era.

The Eastern Mediterranean is a region where several civilisations (far too broadly, the Western Christian, the Orthodox Christian, and the Islamic) meet. The issue is not Huntington's "Clash of Civilizations", but rather bases for ethno-religious differentiation.¹⁶ In Anderson's terms, the Mediterranean Basin is a geopolitical fracture zone.¹⁷ The collapse of the great multi-ethnic empires during the National Era resulted in massive spatial reconfigurations as each successor state sought to link itself with a nation.¹⁸ That in turn created a powerful impetus for an expansion in the number of ethno-religious conflicts. Furthermore, spatial proximity became more important than power as a factor in national decisions to intervene in internal ethno-religious struggles as neighbours' interest in the outcomes lead them to try to aggravate or ameliorate tensions.

2.1 The Exploitative Era

During the Exploitative Era, the British and French were paramount in the Eastern Mediterranean as they advanced *pari passu* with the decline of the Ottoman Empire. Although they predominated, the British and French faced competition from Austrian, Greek, Italian and Russian banks. The influx of European banks contributed powerfully to

trade and investment in the Ottoman Empire.¹⁹ Before the entry of modern banks, trade financing and banking functions were entirely in the hands of networks of Greek, Armenian, Sephardic Jewish and Levantine Christian merchants. The Greeks in particular were widespread throughout the Ottoman Empire and dominated banking in Constantinople itself.²⁰ Many of these individuals later became active in founding formal banks or in working in them.

In 1838 a “decree of the Eminent Senate of the Commonwealth of Ionian Islands” established the Ionian Bank (IB) in Corfu to finance trade between the British protectorate and Great Britain.²¹ The bank did not commence operations until 1842 and the National Bank of Greece (NBG) was founded in 1841 so both claim title to being the oldest bank in Greece. IB received a 20-year grant of the exclusive privilege of issuing and circulating banknotes for the Ionian Islands and in 1845 opened agencies in Athens and Patras. When the Ionian Islands joined Greece in 1864, IB converted its agencies to full branches and began to operate throughout Greece.

In 1863, British, French and Turkish investors established the Imperial Ottoman Bank (Banque Impériale Ottomane; BIO) on the foundation of an earlier British bank. BIO immediately opened branches in Paris and London. BIO established branches throughout the Balkans and the Eastern Mediterranean though for the first 70 years of its existence, its business for the Ottoman government “was overwhelmingly the most important part of its business and contributed the bulk of its profits.”²² British banker Sir Ernest Cassel established the National Bank of Turkey in 1908.²³ In the same year Deutsche Bank established a branch in Constantinople.²⁴ Banca di Roma (BdR) also established a branch in Constantinople in 1911 that grew rapidly. The Italian population in Constantinople had grown from 6,520 in 1871 to 19,000 by 1911 as businessmen, technicians and railroad

workers emigrated there. There were a further 10,000 Italians in Asiatic Turkey as well.²⁵ Still, a listing of bankers and bank managers in Constantinople in 1912 shows that 30 per cent were Greeks, 30 per cent Armenians, 20 per cent Jews and 20 per cent other and unidentified; none were Turks. The proportion of Greeks was even higher in the European provinces and in Anatolia.²⁶

In 1911 BIO opened a branch in Rhodes in the Dodecanese Islands. In the same year the Italian-Turkish war enabled the Italians to wrest the islands from the Ottoman Empire.

BIO opened a branch in Larnaca (Cyprus) in 1864. The first Cypriot bank, Nicosia Savings Bank did not commence operations until 1899 and the second, Popular Savings Bank of Limassol, until 1901.²⁷ In 1907 NBG opened its first overseas branch in Cyprus.

The first modern bank in Palestine was a branch of *Crédit Lyonnais* (CL; est. 1863), which opened in Jerusalem in 1892.²⁸ The World Zionist Organisation in 1899 established the Jewish Colonial Trust (*Juedische Colonialbank*), which in turn established a subsidiary, the Anglo-Palestine Company.²⁹ The company began operations in 1902, opened a branch in Jaffa (1903) and then opened a second in Jerusalem (1904). In 1906 it also opened a branch in Beirut. BIO established branches in Jerusalem and Jaffa in 1905 and in Haifa in 1906. Also in 1899 the *Deutschen Palastina-Bank* took over the banking assets and premises of the *Deutschen Palästina- und Orient-Gesellschaft*, which a group of Protestant missionaries had established to promote trade between Germany and Palestine. It opened branches in Jaffa and Jerusalem and an agency in Gaza. Later it opened branches in Haifa (1904), Damascus and Tripoli (Syria; both in 1910), Beirut, and Alexandretta (1913) and agencies in Nazareth and Nablus.³⁰

In Egypt, the first international bank was the Bank of Egypt (est. 1855), which had its headquarters in London but whose founder was a Greek from Smyrna.³¹ BIO opened a

branch in Alexandria in 1864 and in time the bank became the most important source of credit in the country because of its financing of agriculture. Another important bank was the Anglo Egyptian Bank, an English overseas bank founded in 1864 under the patronage of the Agra and Masterman's Bank.³² It immediately acquired Pastré Frères and Giovanni Sandino and Co. in Alexandria to give itself a ready-made business.³³ In 1874 CL opened a branch in Alexandria. Later it opened branches in Cairo and Port Said. The bank was important in financing cotton crops in collaboration with its branches in London and Paris. By 1881 it was the most important French enterprise in Egypt.³⁴ The Comptoir National d'Escompte de Paris (CNEP) had first entered Egypt in 1869, in parallel with the opening of the Suez Canal, but left in 1873. Banque d'Athènes entered in 1895 and in 1909 acquired the Banque d'Escompte de Égypte.³⁵ Sir Earnest Cassel and British shareholders (50 per cent ownership), Raphael Suarez³⁶, his brothers Joseph and Felix and related parties (25 per cent) and Constantine Salvagos³⁷ of Alexandria (25 per cent) established the National Bank of Egypt (NBE) in 1898.³⁸ For many years NBE served as a bank of issue and the central bank and now claims to be Egypt's oldest bank.³⁹ In 1904 NBG established Banque d'Orient, together with Nationalbank für Deutschland, which almost immediately withdrew from the venture.⁴⁰ The Nationalbank für Deutschland helps establish the Deutsche Orientbank with branches in Alexandria, Kairo and Constantinople.⁴¹ At the turn of the century CNEP developed a new strategy that targeted Egypt.⁴² CNEP opened a branch in Alexandria in 1905 and later agencies in Cairo and Port Said. BdR opened a branch in Alexandria in 1905 and another in Cairo in 1908. These branches marked the start of the bank's focus on expansion in the Eastern Mediterranean.⁴³ At the time the Italian population in Egypt numbered some 38,000 people.⁴⁴ IB established a branch in Alexandria in 1907. Banque Belge pour l'Etranger entered in 1911.⁴⁵

In what is now Libya, BdR established branches in Tripoli and Benghazi in 1907. It then expanded its operations in the states of Tripolitania and Cyrenaica even though the number of Italian settlers in Libya numbered no more than a few hundred. It had established these branches without the approval of the Ottoman Government but at the behest of the Italian Government.⁴⁶ The Ottoman government gave its belated approval in an attempt to avoid giving the Italian Government cause for complaint.⁴⁷ To counter Italian ambitions, the BIO also established branches in Tripoli (1906) and Benghazi (1911). Still, in 1911 Italy occupied Tripolitania and annexed Fezzan.

The Anglo-Egyptian Bank established branches in Malta (1882) and Gibraltar (1888). BdR opened a branch in Malta in 1906, hoping to tap the deposits and business of the Catholic population and that of the about 2000 Italians there.⁴⁸ In 1912, *Crédit Foncier d'Algérie et de Tunisie* (CFAT) too opened a branch in Malta.⁴⁹

By 1914, BIO was the most important integrative force in the eastern Mediterranean in the sense of having the most comprehensive branch network.⁵⁰ Its eastern network consisted of no less than 80 branches of which 16 were in European Turkey, 37 in the Middle-East (Persia, Iraq, Lebanon, Palestine and Jordan), 11 in Syria, five in Egypt, plus others in Cyprus, Albania, Greece, Bulgaria and Rumania.⁵¹ Egypt was the most important financial centre in that Alexandria and Cairo were hosts to the largest number of foreign financial institutions.⁵²

World War I obviously put bank expansion into abeyance, though BIO did open a branch in Marseilles in 1916. The *Deutschen Palastina Bank* lost its branches between 1916 and 1918.

The collapse of the Ottoman Empire set in train a number of political adjustments as the British and French rushed to extend their hegemony over the region. The

reestablishment of trade and the opening of new territories led to new opportunities for foreign banks.

2.2 The Concessionary Era

At the start of the Concessionary Era, foreign and foreign-owned banks were already well-established in the region. The Italian misadventure in Ethiopia and the Japanese in Manchuria and China aside, the Era saw no new attempts at colonisation. All new European control over parts of the world took the form of Mandates by the League of Nations to the powers involved. Still, England, France, and to a lesser degree Italy, were able to exercise influence over even independent governments in the Eastern Mediterranean.

As far as the development of national banking systems is concerned, in the Eastern Mediterranean only Italy had a central bank. In all the other countries, Mandates and colonies, private, foreign-owned banks exercised the function implicitly or explicitly. The foreign ownership meant that the countries did not have independent monetary policies but instead belonged to either the Franc (Turkey, Syria and Lebanon) or Sterling blocs (Palestine, Egypt, Cyprus and Malta).⁵³

Most of the banking FDI originated in the activity of large banks from England, France, Germany and Italy, often with some state sponsorship.⁵⁴ For instance, the Foreign Office worked closely, if not always harmoniously, with the British overseas banks.⁵⁵ Still, some of the countries in the area saw the foundation of the first wholly indigenous banks. Banks such as Bank Misr and Arab Bank not only grew in their domestic markets but also started to expand into neighbouring countries.

In 1918 the Anglo Egyptian Bank established branches in Jerusalem and Jaffa in advance of the end of the war.⁵⁶ The BdR too opened a branch in Jerusalem before the end

of the war. It had gotten Ottoman permission in 1911 but the Italian-Turkish War and World War I had intervened. The BdR's objectives were political as well as economic: the area's political future was still unsettled and with the British in place the region would be integrated with Europe.⁵⁷ The Anglo-Palestine Company resumed operations.⁵⁸ The Bank of British West Africa (BBWA) opened a branch in Alexandria.

In 1919 the Greeks started the Greek-Turkish War by occupying Smyrna and beginning a territorial expansion. As part of a strategy of focusing on the eastern Mediterranean, CFAT acquired a large packet of shares in the Banque de Salonique (BdS) from the Société générale and recapitalised the bank, in the process acquiring control of it.⁵⁹ Banca Commerciale Italiana (BCI) opened a subsidiary in Istanbul. CFAT opened a branch in Smyrna. BIO established the Banque de Syrie by relinquishing its branches in Lebanon and Syria in return for a share ownership of slightly more than 20 per cent in the new bank.⁶⁰ During the interwar period the Banque de Syrie functioned as the central bank for Syria and Lebanon. Société générale (SocGen) established the Banque Française de Syrie, which for a period housed the BdS's branch in Beirut.⁶¹ The Crédit Foncier de France helped establish the Crédit Foncier de Syrie (CFS). BdR commenced a concerted push into the Middle East. Apparently its managers sought markets where the bank would face neither high costs nor strong competition.⁶² BdR opened branches in Istanbul and Smyrna, Beirut, Aleppo, Tripoli (Lebanon/Syria), Alessandretta, Mersina and Adana, and Jaffa and Haifa.⁶³

In 1920 the Supreme Council of the League of Nations agreed to the partition of the old Ottoman Empire. It gave the French mandates to govern (a reduced) Syria and (an enlarged) Lebanon and the British mandates to govern Palestine, Transjordan and Iraq. The French organised Syria (including Lebanon) into several states.⁶⁴ As for Palestine, the Mandate carried with it the understanding that the British would carry out the Balfour

Declaration.⁶⁵ The Treaty of Sèvres awarded Greece much of Thrace outside Constantinople and, in the western part of Anatolia, a mandate over Smyrna (Izmir) and the territory around it. Italy claimed sovereignty over Cyrenaica.

Banque de Paris et des Pays-Bas (Paribas) became the dominant owner of BIO.⁶⁶ CFAT transferred to the Compagnie française de l'Est européenne its branch in Smyrna and its agency in Constantinople.⁶⁷ It also took a key equity position in CFS, with its offices in Damascus and Tripoli (Syria).⁶⁸ BdR opened further a branch on Rhodes. In Egypt, Mohamed Tala'at Harb, a renowned nationalist and industrialist, established Banque Misr (Bank of Egypt).⁶⁹ Earlier (in 1907 and 1911) he had published books calling for the foundation of a national bank with Egyptian financing. The bank's dealings were in Arabic, Egyptians operated the bank, and the bank restricted share ownership only to Egyptians. Cox & Co., Army Agents to the Expeditionary Corps, arrived to pursue the upcountry cotton business.⁷⁰ Banca Italiana de Sconto established a branch too.

In 1921 BIO closed its branches in Damascus and Rhodes. BdR opened a branch in Pera (Turkey). Several French banks together created the Banque française des pays d'Orient, which established numerous branches in Turkey.⁷¹ To bring some order to its expansion, BdR grouped its branches in Egypt, Palestine and Syria into an affiliate, Banco di Roma per l'Egitto ed il Levante. CFAT established a branch in Beirut, joint with CFS.

In 1922 the Turks under Kemal Ataturk defeated the Greeks and abolished the Sultanate.⁷² Italy formally annexed Tripolitania. IB acquired a branch in Constantinople from the Guaranty Trust Co. of New York. The French organised the Federation of Syria, but kept Great Lebanon separate. The Commercial Bank of Greece (CBG) established an affiliate in London, the Commercial Bank of the Near East, which in turn opened branches in Alexandria and Constantinople, and later an agency in Cairo.⁷³ The Banca Italiana di

Sconto closed. In Palestine, the Histadrut (General Federation of Labour) established Bank Hapoalim. The Palestine Association established a bank that in 1951 became the Union Bank of Israel.⁷⁴ In addition, BIO opened branches in Bethlehem, Nablus and Ramallah.

In 1923 the Treaty of Lausanne between the British Empire, France, Italy, Japan, Greece, Romania and the Serb-Croat-Slovene State, on the one part and Turkey on the other, ended the First World War in the east, as well as post-War hostilities between Greece and the newly-formed Republic of Turkey. The treaty provided for a compulsory exchange of populations between two countries.⁷⁵ In Syria, the French united the states of Damascus and Aleppo, but kept the other states separate.

Lloyds Bank acquired Cox & Co, including its branches in Egypt. Lloyds was a shareholder in the BBWA so to avoid competing with itself, Lloyds induced BBWA to transfer its Egyptian business to Lloyds.

In 1924 BIO changed its name to the Ottoman Bank (Osmanlı Bankası; OB). Türkiye İş Bankası (İsbank–Business Bank of Turkey) commenced operations under the leadership of Celal Bayar as the country's first nationally privately owned (though publicly directed) bank.⁷⁶ The Palestine Mercantile Bank began operations. BdR transferred its branches in Egypt into an Egyptian company under the name of the Banco Italo-Egiziano and permitted Banca Nazionale di Credito and Credito Italiano to share ownership.⁷⁷ BCI opened the Banca Commerciale Italiana e per l'Egitto with a head office in Alexandria. Both banks financed cotton cultivation and exportation via branches in Cairo, numerous agencies and sub-agencies, and cotton offices.⁷⁸ Also, both provided banking services for an Italian population in Egypt that was almost as large as the Greek.⁷⁹

In 1925 the Anglo Egyptian Bank merged with The Colonial Bank (est. 1836) and the National Bank of South Africa (est. 1891) to form Barclays Bank (Dominion, Colonial and

Overseas; DCO).⁸⁰ BdS opened a branch in Athens. The Cypriot Government and OB established the Agricultural Bank of Cyprus.⁸¹ In Palestine, the National Religious Party established United Mizrahi Bank. Lloyds Bank exited Egypt, transferring to NBE its branches in Cairo and Alexandria.

In 1926 Lebanon received its own constitution. Barclays Bank Limited (BBL) opened a branch in Rome.⁸² The branch appears to have had little or nothing to do with Barclays (DCO). CL closed its branch in Ismir. IB established a branch in Nicosia and later agencies in Famagusta, Limassol and Larnaca.⁸³

In 1927 BBL opened a branch in Genoa. Greece established the Bank of Greece as the central bank and sole bank of issue.⁸⁴ CL closed its branch in Jerusalem.

In 1928 BCI opened a branch in Izmir and BdR opened a branch in Homs. OB established the British-French Discount Bank in Greece.⁸⁵

In 1929 BCI established the Banca Commerciale Italiana e Greca but the bank was unable to get a foothold in financing local commerce and industry in the face of the competition from the well-established British and French banks.⁸⁶ IB closed its branch in Constantinople. BdR opened a branch in Latakia. Banque Belge pour l'Etranger reconstituted itself under Egyptian law and changed its name to Banque Belge et Internationale en Egypt.

In 1930 the Banque française des pays d'Orient ceased operations. The French approved a constitution creating the Syrian Republic. CFAT and CFS opened a branch in Aleppo. Banque Misr-Syrie-Liban commenced operations and absorbed Banque Ezzeddine & Adib Tripoli in Lebanon. The Compagnie Algérienne, a French bank, also opened a branch in Beirut.⁸⁷ The Anglo-Palestine Company changed its name to the Anglo-Palestine Bank. Abdul-Hameed Shoman established Arab Bank in Jerusalem. The bank was the first

Arab bank as all the other banks in the Mandate were Jewish or foreign. Originally Shoman had planned to open the Egypt-Palestine Bank with Banque Misr providing 50 per cent of the capital but the Arab riots in 1929 against continued Jewish immigration discouraged Tala'at Harb and the other investors, who decided to shelve the project until a more propitious time. NBG and Bank of Athens combined their activities in Egypt into a joint subsidiary, the Banque Nationale de Grèce et d'Athènes.⁸⁸

In 1931 BdS opened a branch in Pireaus. BdR opened a branch in Tel Aviv.

In 1932 the Central Bank of the Republic of Turkey (Türkiye Cumhuriyet Merkez Bankası) commenced operations. CL closed its branch in Istanbul.

In 1933 OB's new charter confirmed it as a solely commercial bank. The Anglo-Palestine Bank closed its branch in Beirut, possibly because of the effect on its Syrian business of the difficulties it was undergoing in Palestine.⁸⁹ In Palestine, Ahmad Hilmi Pasha Abdul Baqi founded the Arab Agricultural Bank to assist the Palestinian *fellahin*.⁹⁰

In 1934 Italy united the three states of Tripolitania, Cyrenaica and Fezzan into the state of Libya. BdS incorporated under Turkish law following a change in the law, even though much of its staff consisted of Sephardic Jews and its ownership was French.⁹¹ If one treats Banque Misr Syrie Liban as foreign, then all the non-foreign banks in Syria and Lebanon were small sole proprietorships or partnerships owned by Levantine Christians or Jews.⁹² Arab Bank opened its first foreign branch, in Amman. The Anglo-Palestine Bank took over the banking business of the Jewish Colonial Trust, which became a holding company for Anglo-Palestine Bank shares only.

In 1935 Leon Recanati established the Palestine Discount Bank (later Israel Discount Bank). Cairo had 14 locally registered (incorporated) banks, mostly foreign-owned, and 13 banks registered abroad, including Dresdner Bank, NBG, Isbank and Yokohama Specie

Bank.⁹³ Throughout the Concessionary Era, the Eastern Mediterranean essentially lacked a regional financial centre. Cairo's rich mix of banks provided a foundation, but the limited needs of the few banks indigenous to the area and the lack of corporate demand kept the development limited. Nor was there any bank like the pre-WWI BIO to act as an investment bank for the region.

In 1936 the French recognised the Autonomous Syrian Republic, which now incorporated the states of Latakia and Jebel Druze, but French troops remained. A Treaty with Egypt gave Britain the right to station forces in the Suez Canal zone to ensure the defence of the Canal. Egypt also agreed to give the UK such use of Egyptian ports, airfields and means of communication as the British forces might require.

In 1937 BBL closed its branch in Genoa. BdS closed its agency in Izmir. DCO re-entered Cyprus.⁹⁴

In 1938 the French created the Autonomous Republic of Hatay from the Alexandretta state of the Syrian Mandate. OB still had a branch in Athens that closed during the war and that did not re-open after the war ended.⁹⁵

In 1939 the French handed Hatay to the Turkish Republic. World War II began.

In 1940, BdR closed its branches in Palestine. The Egyptian government renewed NBE's charter but insisted on measures to Egyptianise the bank. The new charter abolished the London Committee and a former finance minister, Ali Chamsi Pasha, became the bank's first Egyptian president. Thereafter the staff and the Board were largely Egyptian.⁹⁶ BdR and CFAT closed their branches in Malta when Italy declared war.⁹⁷

In 1942 at the request of the French government, Paribas acquired a major shareholding in the Banque de Syrie et du Liban.

In 1943 the Nazis deported some 44 thousand Jews from Salonika (95% of the Jewish population), and killed them. The victims necessarily included almost all the local staff of the BdS; the Nazis also took over the BdS' building and burnt the archives.⁹⁸ Lebanon received its independence. Arab Bank opened a branch in Damascus and later branches in Aleppo and Homs. The Arab Agricultural Bank changed its name to Arab National Bank (alternatively Bank of the Arab Nation). During World War II, the British occupied Tripolitania and Cyrenaica, while the French occupied Fezzan. DCO established branches in Tripoli and Benghazi in the wake of the British army and until 1951 was the only bank in Libya.⁹⁹

In 1944 Arab Bank opened a branch each in Beirut and Cairo and later in Alexandria, Port Said, Al-Azhar and Mansourah. Banque Nationale pour le Commerce et l'Industrie (BNCI) opened a branch in Beirut.¹⁰⁰

In 1945, BNCI opened a branch in Damascus.

2.3 The National Era

The National Era began much as the Concessionary Era had begun. The existing banks again began to open branches abroad and entrepreneurs in the region founded banks. However, many of the countries in the region were colonies, Mandates or simply under the hegemony of European powers. Ideologies of nationalism and socialism separately and together gave rise to movements for national independence or an end to monarchy. As a result, the Era saw the nationalisation of foreign banks in much of North Africa, Sub-Saharan Africa, the Middle East, Asia and Latin America at the hands of leaders who were at best idealistic followers of a flawed model and at worst opportunistic rogues who cloaked imperial ambitions in a less self-serving rhetoric. By the end of the Era, many of the links

between countries that the banks had established during the Concessionary Era and shortly after World War II were gone.

In 1946 Garanti İş Bankası (Garanti) commenced operations in Turkey.¹⁰¹ Syria finally achieved its independence after France attempted in 1945 to renege on its 1941 promise of complete independence. BNCI opened agencies in Latakia and Aleppo. The Imperial Bank of Iran (later British Bank of the Middle East; BBME) opened branches in Syria and Beirut.¹⁰²

In 1947 BdS sold its operations in Greece, including the Salonika and Athens branches, to the Bank of Chios and became a strictly Turkish institution.¹⁰³ The Imperial Bank of Iran opened a branch in Damascus and later another in Aleppo.¹⁰⁴ The Arab League created the Arab Land Bank to operate in Palestine but with headquarters in Cairo.¹⁰⁵

In 1948 the civil disturbance and war that marked the end of the Mandate, the division of Palestine, the creation of the State of Israel and the displacement of the Palestinians forced Arab Bank to move its headquarters to Amman and close its branches in Jaffa and Haifa. Arab Bank also moved all its Jerusalem operations to offices within the old city.¹⁰⁶ The Arab Land Bank halted its activities before moving the headquarters for its Palestinian operations to Amman in 1951.¹⁰⁷ The new Israeli government chartered the Anglo-Palestine Bank to establish an Issue Department to issue banknotes. In Egypt, BNCI opened a subsidiary—Crédit foncier d'Orient.

In 1950 BBL sold to BCI its branch in Rome, which the Italian government had sequestered during the War. The Anglo-Palestine Bank changed its registration from the UK to Israel and its name to Bank Leumi Le-Israel (National Bank of Israel).

In 1951 Libya gained its independence. CL acquired Banque G. Trad in Beirut.¹⁰⁸ A decree gave NBE the status of the Central Bank of Egypt.¹⁰⁹ IB returned to Cairo. CFAT opened a branch at Sebha (Fezzan, Libya).¹¹⁰

In 1952 Gamal Abdel Nasser and Muhammad Naguib led young military officers in a coup that forced King Faruk from the throne.¹¹¹ BdR returned to Syria and CL opened a branch there. BBME opened a branch in Tripoli (Libya).

In 1953 Banque Belge pour L'Etranger established a joint-venture bank in Lebanon, Banque Belgo-Libanaise. OB transferred its branch in Jerusalem to Mercantile Bank.¹¹²

In 1954 the Bank of Israel commenced operations, having taken over the Issue Department of Leumi Le-Israel.

In 1956 the Syrian government established a new, state-owned bank, the Central Bank of Syria, and authorised it to issue the national currency. Until then, the French-owned Banque de Syrie et du Liban, which was also the largest commercial bank in the country, had issued the currency. The Lebanese government passed a bank secrecy law that helped lay the foundation for Beirut's emergence as a financial centre. Banque du Caire (est. 1952) established a branch in Damascus, and later branches in Aleppo and Latakia. In Egypt, the government first sequestrated and then nationalised the holdings of the English and French banks in the wake of the Suez Canal invasion. Bank Al-Goumhouria, newly founded for the purpose, took over the Egyptian operations of IB and OB.¹¹³ Bank of Alexandria, similarly newly founded, took over DCO's operations in Egypt. The CBG's UK affiliate, the Commercial Bank of the Near East, transferred its assets to the CBG to avoid nationalisation. Banque du Caire took over the Egyptian operations of CL and CNEP. The Crédit foncier d'Orient became the Banque de l'Union Commerciale. The Société Égyptienne de Capitalizàtion took over the Société Monts-de-Piété Égyptiens. In 1956, the

sequestrated banks accounted for 34 per cent of the deposits in Egyptian banks.¹¹⁴ CFAT closed its branch in Sebha.

In 1957 BBME opened a second branch in Libya in Benghazi.

In 1958 Egypt and Syria formed the United Arab Republic. Syria required foreign banks to accept 51 per cent Arab ownership. Arab Bank opened a branch in Tripoli (Libya).

In 1960 Cyprus achieved its independence after a five-year war. Greece's Alpha Credit Bank established a subsidiary in Cyprus. Société centrale de banque (SCB – ex-CFAT) grouped its agencies in Syria into a majority-owned but locally incorporated subsidiary, Banque de l'Orient arabe. The Bank of Palestine commenced operations in Gaza.¹¹⁵ Egypt nationalised all banks in Egypt, including the four largest domestic banks—NBE, Banque Misr, Bank of Alexandria and Banque du Caire—and the remaining foreign banks. Both BCI and Banco Italo-Egiziano transferred their Egyptian business to NBE. Banque Belge et Internationale en Egypte became the Banque de Port Said, which also took over the Alexandria branch of the Bank of Tokyo.¹¹⁶ Citibank, which had entered in 1955, sold its Egyptian assets and liabilities to NBE. NBE also absorbed the Banque Nationale de Grèce et d'Athènes. Even Arab Bank was not exempt.¹¹⁷ At the same time the Egyptian government established a new central bank and stripped NBE of that role. The Egyptian government also nationalised much of the economy, putting an end to the Cairo and Alexandria Bourse. At the time, the Bourse was the fourth or fifth most active in the world.

In 1961 the union between Egypt and Syria dissolved. Six months earlier, the Syrian government began a limited nationalisation of the banking sector by requiring 35 per cent government ownership in all banks. Three months later and shortly before the rupture with Egypt, the government imposed total nationalisation. It incorporated the Syrian operations of Banque de Syrie et du Liban into the Banque de Syrie et d'Outre Mer. The branches of

BNCI, Compagnie Algérienne, BBME, BdR, Banque du Caire and Bank of Damascus became Banque de l'Unité Arabe. SCB lost its 30 per cent share in Banque de l'Orient Arabe, which absorbed Albert Homsy Bank (est. 1952) and the Syrian operations of Arab Bank. BCI lost its 21 per cent share in Société des Banques réunies.¹¹⁸ Elsewhere, OB withdrew from the Agricultural Bank of Cyprus.

In 1962 the Syrian government created Omayad Bank to take over Banque Misr.

In 1963 the Ba'ath Party took power in Syria and further amalgamated the existing banks into five. In Lebanon, a new bank, the Société Nouvelle de la Banque de Syrie et du Liban took over the commercial banking department of the Banque de Syrie et du Liban. The Cypriot government established the Central Bank of Cyprus. In Libya, the government passed a nostrification law requiring foreign banks to move to 51 per cent local ownership. The Chartered Bank and its subsidiary, the Eastern Bank, established Commercial Bank (Tripoli) with 51 per cent local ownership as the vehicle for their entry.¹¹⁹ Banque Misr created Nahda Arabian Bank to hold its branches. By contrast, DCO temporised.

In 1964 Malta gained its independence. The Banque du Liban (est.1963), which had taken over the Banque de Syrie et du Liban's Issue Department, began to operate as the central bank of Lebanon.¹²⁰ Citibank opened a branch in Athens, becoming the first foreign bank in Greece since the end of World War II. Banque du Caire absorbed the Banque de l'Union Commerciale, thus uniting most of the ex-French banks. The SCB established the Société Africaine de Banque to hold its branches in Libya.

In 1965 BBME localized its operations in Libya by incorporating them in a 49 per cent BBME-owned local bank, the Bank of North Africa.

In 1966 the Syrian government reorganised its banking system. The government consolidated all the existing commercial banks into the Commercial Bank of Syria, which

became responsible for commercial banking and trade finance. Five other existing banks had responsibility for housing, personal savings, agriculture, industry, and lending to individuals and small firms.

In 1967 the *Compagnie financière de Suez* (today *Crédit Agricole Indosuez*) acquired a majority position in the *Banque de l'Union Parisienne* and hence the *Compagnie Française de Crédit et de Banque* (CFCB). CFCB converted its branch in Beirut into a local subsidiary—the *Banque Libano-Française* (BLF)—with 70 per cent French ownership. In Palestine, the Six Day War and its aftermath forced the Arab Bank to close its branches in the West Bank. The Arab Land Bank closed its branches in the West Bank and Gaza. The Israeli occupation closed the Bank of Palestine.

In 1968 Malta established the Central Bank of Malta.

In 1969 OB sold all its branches outside Turkey to National and Grindlays Bank (later, Grindlays Bank). National and Grindlays also acquired OB's 30 per cent ownership of *Société Nouvelle de la Banque de Syrie et du Liban*. SCB sold much of its holdings in Bds to *Yapı ve Kredi Bankası* (YKB; est. 1944).¹²¹ In Libya, officers led by Col. Muammar Qadaffy overthrew the government of King Idris. In Malta, Standard Bank, the National Bank of Malta, Midland Bank, and Samuel Montagu & Co. established the Malta International Banking Company (MIBC).¹²²

In 1970 the new government in Libya nationalised all foreign and domestic banks.¹²³ BBME acquired 20 per cent of the share capital of Cyprus Popular Bank.

In 1971 *Banque Française pour le Moyen-Orient* (BEMO), a Lebanese company predominantly owned by *Banque de l'Indochine*, acquired SCB's branches in Lebanon. Barclays Bank International (BBI) established Barclays Discount Bank to take over its branches in Palestine and Israel together with a 99.5 per cent shareholding in the Mercantile

Bank of Israel.¹²⁴ Initially BBI held 50.1 per cent of the equity and the Discount Group held the balance; in 1978 the Discount Group received voting rights of 51 per cent. The bank specialized in the Arab sector and for a time was the only Israeli bank in Palestinian territory.

In 1973 the Greek government permitted foreign banks to establish representative offices and a number entered.

In 1974 the collapsing Greek junta instigated a coup that overthrew the government of Archbishop Makarios in Cyprus and the new government proclaimed *enosis*—union with Greece.¹²⁵ In response the Turkish government invaded Cyprus and established an occupation that split the island in two. Democratic governments were re-established in Greece and Cyprus within the year but the division of Cyprus persists to the present. In Egypt, as part of a change in policy towards a general opening of the economy (*Infîtah*), the government entered into financial sector reform.¹²⁶ It passed Investment Law 43 of 1974, which allowed foreigners to establish joint venture banks to conduct business in local currency so long as they were at least 51 per cent Egyptian-owned. In addition, the government licensed 13 foreign banks to deal in foreign exchange, though not Egyptian pounds. The first joint venture bank was Arab International Bank, which involved Libyan, Egyptian and Omani shareholders. The Maltese Government established the Bank of Valletta to take over the business of NBM. The government also nationalised a majority of the shares in BBI Malta and renamed it Mid-Med Bank.¹²⁷

During the National Era Beirut came to be the financial centre for the region. A centre might have developed in Cairo, but the political unrest followed first by the Suez Canal crisis and then by the nationalisation of all foreign and domestic banks terminated the development. Instead, Beirut benefited from the lack of any viable competitor.

2.4 The International Era

The discrediting and subsequent demise of Communist, Fascist, One-Party Socialist and certain Corporate-Statist models has led since 1975 to many countries opening to foreign banks. Notable examples include Australia, Canada, Chile, Mexico, the Nordic countries, Spain and most of the formerly Communist countries of Eastern Europe. Still, in the Eastern Mediterranean the opening to foreign banks has followed different trajectories depending on the nature of the incumbent regimes. Henry and Boone have developed a taxonomy of four different types of regimes, each with its own trajectory for banking sector reform, which they apply to the Middle East, North Africa and Sub-Saharan Africa.¹²⁸ Three of their categories are relevant to the Eastern Mediterranean.

In **bunker states** such as Syria and Libya private capital is far too weak to challenge the state's domination of the financial sector. The state resists, despite possible lip service to reform, giving up its total control of the banking system.

In **bully states** such as Egypt, authoritarian clientelist regimes fear competition from the private business sector or factions within it. The state maintains a firm grip on the banking sector to discipline private sector enemies and reward cronies and friends.

The **liberalising reformers** or **conditional democracies** such as Israel, Lebanon and Turkey, have relatively liberal political regimes based on relatively strong private sectors. Liberalisation results in a relatively competitive and autonomous bank sector.

Henry and Boone did not apply their classificatory scheme to Greece, Cyprus or Malta. By their criteria Greece would appear to be a liberalising reformer like Turkey, and Cyprus a conditional democracy like Israel or Lebanon. Malta is an anomaly. On the basis of quantitative criteria such as the concentration and government ownership of the banking sector (at least after 1974) it would fall into the bunker state category. However, the

government has followed the trajectory of a liberalising reformer. The answer to the anomaly may rest in Malta's late arrival at nationalisation.

In 1975 the Lebanese civil war began; it would last, off and on, until 1987. The war resulted in the division of Beirut and undermined the city's ability to function as a financial centre for the region. In Egypt the government's "Open Door" policy started to take hold as foreign banks re-entered Egypt but the slow pace of liberalisation ensured that Cairo would not provide an alternative centre. Still, Générale de Banque and CL established joint ventures with NBE; BdR established one with Bank Misr, and American Express and Bank of Alexandria established Egyptian American Bank. BBI and Banque du Caire established Cairo Barclays Bank. BCI opened a branch in Cairo that it closed in 1976.

In 1976 Arab Bank established a branch in Cairo. In Malta, the owners of MIBC dissolved their bank.

In 1977 BNP (76 per cent) and Banque du Caire (24 per cent) established BNP du Caire.¹²⁹

In 1978 the Greek government granted an exemption to its prohibition on foreign banks owning more than 40 per cent of the equity of a Greek bank in order to permit several Arab banks to establish Arab-Hellenic Bank with 49 per cent Arab ownership.¹³⁰ The Libyan Arab-Foreign Bank and Kuwaiti Investment Organisation held 40 per cent between them while other Arab investors held 9 per cent. NBG held 51 per cent and provided most of the bank staff. Banque Indosuez merged SCB with another Lebanese bank, Banque Sabbag (est. 1950), and the two entities became known as Banque Sabbag et Française pour le Moyen-Orient SAL-Fransabank.¹³¹ SocGen and NBE established an Egyptian joint-venture, National Société Générale Bank. NBG established a branch in Cairo.

In 1980 the Turkish government implemented a new liberal economic policy aimed at integrating with the world economy by establishing a free market economy. The government liberalised interest and foreign exchange rates, permitted the creation of new banks, and encouraged foreign banks to operate in Turkey.¹³² Of the 13 foreign banks now in Turkey, all but BdR (1911) and ABN AMRO (1921) arrived after 1980.¹³³ Bank of Cyprus acquired Standard Chartered Bank's operations there.¹³⁴ In Lebanon, Banque Indosuez sold its shares in Fransabank to local shareholders.

In 1981 Greece acceded to the EU. The Treaty of Accession recognized the right of EU banks to establish branches on equal terms with Greek banks. Midland Bank (now a subsidiary of HSBC) opened an office in Athens. Citibank established a branch in Istanbul. The Central Bank of Cyprus issued regulations authorising foreign and domestic banks to establish Offshore Banking Units (OBUs). With the collapse of Beirut as a financial centre due to the Civil War, numerous Lebanese banks were among the first banks to establish OBUs. The Bank of Palestine re-commenced operations in Gaza after winning a long court battle with the Israeli authorities.

In 1982 Israeli forces invaded Lebanon. BNP established a branch in Greece. Grindlays sold its Cyprus operations (ex- OB) to Cyprus Popular Bank. HSBC established Hongkong British Bank in Egypt with a 40 per cent ownership stake.

In 1983 Barclays took majority ownership of Cairo Barclays Bank International.

In 1984 the troops of the ill-fated multinational force departed Beirut. Foreign banks too began leaving Lebanon. Arab Bank opened a branch in Cyprus and later opened more.

In 1985 a new banking law in Turkey facilitated the entry of new banks, both foreign and domestic.¹³⁵ BNP formed a joint venture in Turkey, BNP-AK-Dresdner, with 40 per cent Akbank ownership and 30 per cent each BNP and Dresdner Bank. Banque Libano-

Française bought the Bank of Nova Scotia's operations in Lebanon. Also, Chase Manhattan Bank and Bank of America both closed their Beirut operations, with Chase handing over its business to Banque Sabbag et Française pour le Moyen Orient.

In 1986 the Greek government began to permit foreign banks to establish subsidiaries. In Cyprus, BNP established an OBU. Cairo-Amman Bank re-opened operations in the Israeli-occupied territories.

In 1987 Citibank left Lebanon due to the civil war.

In 1989 BNP opened a representative office in Turkey that it upgraded to a branch.

In 1990 Garanti established a subsidiary in the Netherlands—United Garanti Bank International—that became a vehicle for opening other offices abroad, including one in Milan (Garanti website). BBME opened an office in Istanbul.

In 1991 the Bank of Cyprus opened a branch in Athens.

In 1992 Cyprus Popular Bank established a subsidiary, the European Popular Bank, in Athens. The Egyptian parliament passed a law granting foreign banks operating in Egypt, whether joint ventures or branches, equal treatment with and making them subject to the same regulations as national banks. The Law freed the branches of foreign banks to deal in Egyptian pounds and the joint ventures to deal in foreign currency.

In 1993 Barclays sold its shares in Barclays Discount Bank to Israel Discount Bank, which changed the bank's name to Mercantile Discount Bank. The Bank of Valetta opened a representative office in Catania and another in Milan. Banque du Liban et d'Outre Mer (BLOM, est. 1944) opened an OBU in Cyprus. The Libyan government passed a law permitting the establishment of private sector banks in the country, including representative offices of foreign banks.

In 1994 the Bank of Israel Supervisor of Banks signed a banking agreement with Jordan's central bank, making Jordan responsible for banking regulations in the West Bank and Gaza Strip.¹³⁶ Consequently Arab Land Bank returned to the building it had occupied in Bethlehem that it had shuttered in 1967 and opened a branch in Nablus.¹³⁷ Arab Bank reopened branches in the West Bank and Gaza. Reportedly, the Israeli government had asked Arab Bank to return to the Occupied Territories prior to the peace agreement, but it had refused when the Israelis would not allow it to reopen its branches in East Jerusalem.¹³⁸ In Cyprus CBG established a subsidiary and NBG incorporated its branches into a subsidiary—National Bank of Greece (Cyprus) Ltd. The government in Malta passed a law that commenced the deregulation of banking.

In 1995 the Greek government dissolved the faltering Arab Hellenic Bank after the US and the UK objected to a plan that would have had the Libyan Arab Foreign Bank recapitalise the bank by increasing its ownership to 72 per cent.¹³⁹ Both the UK and the US were concerned that under EU rules the bank could then open branches anywhere in Europe, including the UK, while being subject only to Bank of Greece supervision. Australia & New Zealand Banking Group (ANZ), which opened a branch in Nablus once the Palestinian Authority had established its control, became the first foreign bank in Palestine. ANZ had acquired Grindlays Bank in 1984 and with it several branches that dated back to BIO's presence but that been in abeyance since the Six Day War. Egypt's Development and Agricultural Credit Bank too established a branch. The government of Malta privatised Bank of Valetta, reducing its ownership from over 50 per cent to 25 per cent; the Banco di Sicilia became the next largest shareholder with 15 per cent of the shares.

In 1996 Paribas sold its stake in OB to Garanti. Citibank re-opened its branch in Lebanon. Cyprus' Hellenic Bank (est. 1976) acquired Barclays' offices in Cyprus that dealt

with onshore business. Citibank opened a representative office in Tel Aviv. Egypt passed a law permitting majority foreign ownership in joint-venture banks. SocGen became the first foreign bank to acquire a majority stake in an Egyptian bank by raising its stake in National Société Générale to 51 per cent. Midland Bank established a branch in Malta, as did Garanti.

With the Bank of Valetta taking the lead, it and three other banks—Garanti, Nova Ljubljanska Banka and Banque Internationale Arab de Tunisie—established the Mediterranean Bank Network. Since then other banks have joined: Israel Discount Bank (1997), Credito Emiliano (1997), Banco BPI (Portugal; 1997), Banco Sabadell (Spain; 1997), Lyonnaise de Banque (1998), Piraeus Bank (1999), West LB (Germany; 2000) and Bank of Jordan (2000). The Network has established technical subcommittees to address banking activities, business development and opportunities, economic information and data exchange and benchmarking. The first subcommittee is seeking to improve payments of trade and treasury transactions between member banks to facilitate trade throughout the region.

In 1997 ANZ received a license to open the first branch of a foreign bank in Israel. ANZ re-opened a branch in east Jerusalem and also opened a representative office in Tel Aviv. ANZ entered to benefit from a possible increase in trade between Israel and the Arab world following the signing of the Oslo agreements. The bank quickly realised that trade would take some time to develop.

In 1998 Greece's Alpha Credit Bank acquired more than eighty per cent of Lombard NatWest Bank in Cyprus and renamed it Alpha Bank Ltd.¹⁴⁰ Hellenic Bank opened a branch in Athens. HSBC acquired Republic Bank (of New York), which had a representative office in Tel Aviv. BBME opened a branch in Bethlehem.

In 1999 Garanti established a bank in the Turkish Republic of Northern Cyprus (TRNC). Midland Bank acquired the government of Malta's shares in Mid-Med, both the direct as well the indirect holdings. HSBC then renamed the bank HSBC Malta.¹⁴¹

In 2000 President Hafiz al-Assad issued a decree allowing foreign banks to operate in the Free Trade Zones, under the supervision of the Commercial Bank. (In 1972, Syria had set up free zones for industry, trade and transit of goods in Damascus, Adra, Aleppo, Lattakia and Tartus.) Four Lebanese banks received licenses: BLOM, BEMO, Fransabank and Société Générale Libano-Européenne de Banque. Citibank upgraded its representative office in Tel Aviv to a branch. The Palestinian Monetary Fund ordered the closure of Mercantile Discount Bank's branch in Bethlehem—the only Israeli bank operation under the jurisdiction of the Palestinian Authority—for not abiding by Palestinian banking regulations.

In 2001 HSBC purchased Barclays' 13 branches in Greece. HSBC also purchased Demirbank (est. 1953) in Turkey to merge it with its subsidiary there. The acquisition gave HSBC ownership of Demirbank's operations in the Turkish Republic of Northern Cyprus. Syria authorised the creation of private banks—including ones with foreign ownership—though it still required 51 per cent Syrian ownership. A delegation from the Palestinian National Bank gave a proposal to the Commercial Bank of Syria (CBS) and the Ministry of Economy and External Commerce to establish a Palestinian bank in Damascus. In Egypt, HSBC acquired over 90 per cent of the shares in Hongkong British Bank and renamed it HSBC Bank Egypt. Bank of Valetta opened a representative office in Libya.

In 2002, HSBC caused consternation in Cyprus when it put its own name on the branches in Northern Cyprus that it had acquired with Demirbank.

4 Discussion and Conclusion

In the Eastern Mediterranean the ideologies of Socialism and Nationalism led in the National Era to the widespread nationalisation or nostrification of banking systems and the closure to foreign banks. Since then, as Lewis argues, “Both have been discredited—the first by its failure, the second by its success and consequent exposure as ineffective.”¹⁴²

The policies of the National Era, handicapped banks indigenous to the region in a variety of ways. First, the policies limited the banks in their ability to expand within the region and so to foster trade and investment links between the countries.

Currently, only one bank indigenous to the region has offices in any more than one or two other countries in the region. The empirically highly successful gravity models of trade suggest that trade volumes are inversely proportional to distance. The blocking of access to nearby countries ensured that the indigenous banks had little reason to go abroad except for ethnic banking. Even ethnic banking led the banks out of the region.

Banks from Greece, Turkey, Lebanon, Cyprus, Israel, and Malta have followed their national diasporas to Europe, the Americas, Africa and even Australia. By contrast, three of the four banks that link the majority of the countries in the region are clearly from outside the region (Table 1). BNP Paribas, HSBC and Citibank all have long-established ties to the region. BNP Paribas has the longest association through its ancestors CNEP, BNCI and Banque de Paris at de Pays-Bas. HSBC, now headquartered in the UK, incorporates the BBME. Citibank opened its first branch in the region in Italy in 1916 but lost it in 1939. From the early 1950s it re-entered the region with branches in Lebanon, Egypt, Italy and Greece. All three of these banks continued to develop their international networks in countries relatively untouched by the enthusiasms of the National Era. They were thus in a better position than the indigenous banks to respond to the opening that accompanied the

International Era. Also, they were less constrained by some of the conflicts in the region. The fourth bank with widespread representation throughout the Eastern Mediterranean—Arab Bank—is technically from Amman, although its roots are in Palestine.

The second way Nationalist policies—throughout the 20th Century not just during the National Era—have reduced integration is through the elimination of the various diasporas that linked countries. The Greeks, Sephardic Jews, Italians, Levantine Christians and others whose communities traded amongst themselves, with each other and with their host communities are almost all gone. Furthermore, these communities produced cosmopolitan and polyglot individuals who staffed the foreign banks, rotating among countries and even back and forth between the region and the head office.¹⁴³

Despite the ongoing opening that has characterised the international era, financial system integration in the Eastern Mediterranean remains limited. Deregulation has followed different paths in different states, with the path depending on the type of regime. Furthermore, political issues continue to fragment the region.

Libya and Syria, the two bunker regimes, are the least integrated within the region. Its ostracism has forced Libya to use minority investments in consortia as a way to establish a presence in other financial centres. Libya now permits foreign banks to open representative offices and some have begun to do so. Syria, although not ostracised, too has only just begun to permit foreign banks to enter in an extremely limited way.

Israel, though essentially ostracised within the region, remains connected to the outside world through the extensive network of overseas offices of its banks in the UK, Europe, South Africa, the US, Latin America and Australia. Israel also has started to receive some inward banking FDI, but only by UK and US banks.

The banking systems of Greece and Cyprus have become mutually intertwined. Despite Cyprus, Greece and Turkey being liberalising reformers or conditional democracies, for obvious reasons there is almost no banking cross-investment between Greece and Cyprus on the one hand and Turkey on the other.

As far as a regional financial centre is concerned, the outbreak of the Lebanese Civil War and the ongoing unsettled security situation there has meant that since 1975, there has been something of a vacuum. Egypt, as a bully state, was not able to bring itself to liberalise sufficiently to replace Lebanon. The Egyptian government tried to promote Cairo as an offshore centre but the tendency for government-owned companies to deal with government-owned banks and the limitations on foreign banks' access to the domestic economy left foreign banks with limited scope.

Cyprus, and later Malta, too sought to fill the vacuum, but with limited success for similar reasons. Their unwillingness to open their economies meant that they could only draw a limited number of banks to their offshore centres. Cyprus has drawn primarily Lebanese banks seeking an alternative venue to Beirut in which to meet their international clients. (Lebanese banks represent some seven out of 28 or so OBUs.) Since its signing of double taxation treaties with Bulgaria, Romania, Yugoslavia and Russia (among others), Cyprus has also drawn OBUs from there (some nine or so). Malta, having come late to the tendencies of the National Era, was slow to respond to the opportunity. When it did move in the late 1980s, it found that it was competing in offshore banking with Cyprus to its east and Gibraltar to its west. To date Malta has drawn only about a dozen foreign banks, with half being Turkish. One may conjecture that a re-unification of Cyprus would see the Turkish banks switching their offshore branches from Malta to Cyprus.

Still, if the countries of the region can abandon grievances, settle differences and liberalise their economies, and especially their financial systems, the consequent development will bring them prosperity. Then perhaps the Eastern Mediterranean can again be a centre of progress and civilisation.

Table 1: Today, four foreign banks have an extensive presence in the Eastern Mediterranean (2001).

	HSBC	BNP Paribas	Citibank	Arab Bank	Total
Italy	X	X	X	X	4
Greece	X	X	X	X	4
Turkey	X	X	X		3
Syria					0
Cyprus	X	X		X	3
N. Cyprus	X				1
Lebanon	X	X	X	X	4
Israel	X	X	X		3
Palestine	X			X	2
Egypt	X	X	X	X	4
Libya	Indirect ¹				1 ¹
Malta	X				1
Total	11	7	6	6	

Note: 1) HSBC is the largest shareholder in British Arab Commercial Bank (est. 1972) with its head office in London. The Libyan government owns 25% of the bank. The bank has representative offices in Algiers, Tripoli (Libya), Beirut and Casablanca.

Endnotes

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² B. Lewis (2002) *What Went Wrong? Western Impact and Middle Eastern Response*. (New York).

³ W.A. Lewis (1978) *The Evolution of the International Order* (Princeton).

⁴ For the purposes of this paper, the Eastern Mediterranean comprises Italy, Greece, Turkey, Cyprus, Syria, Lebanon, Palestine and Israel, Egypt, Libya and Malta.

⁵ R.G. King and R. Levine (1993) Finance and Growth: Schumpeter might be right. *Quarterly Journal of Economics* 108, 717-738.

⁶ R. Levine, N. Loayza, and T. Beck (2000) Financial intermediation and growth: Causality and Causes. *Journal of Monetary Economics* 46, 31-77. P.J. Rousseau and R. Sylla (2001) Financial Systems, Economic growth, and Globalization. NBER Working Paper No. W8323.

⁷ R. Levine (1997) Financial development and economic growth: Views and Agenda, *Journal of Economic Literature* 35 (2), 688-726.

⁸ Rousseau and Sylla, "Financial Systems".

⁹ J. Sengupta (1988) Internationalization of banking and the relationship between foreign and domestic banks in the developing countries. *International Journal of Development Banking* 6 (1), 25-50. R.J. Mann (2000) The Role of Letters of Credit in Payment Transactions. *Michigan Law Review* 98 (8), 2494-2536.

¹⁰ W.J. Van den Bremen (2001) Spatial Patterns of Trade as Indicators of Regional Unity in the Mediterranean Basin. In R. King, P. De Mas, and J. Mansvelt Beck, eds. *Geography, Environment and Development in the Mediterranean Basin* (Brighton: Sussex Academic Press).

¹¹ Lewis, *What Went Wrong?* 62-3.

¹² To the best of my knowledge, the term “nostrification” first appeared after the dissolution of the Hapsburg Empire and in connection with policies in the Czech Republic towards Austrian investments. Nostrification is a policy of ensuring that industries and firms be in national hands, albeit private ones. The acceptance of private ownership distinguishes nostrification from nationalization, which refers to national governments assuming ownership.

¹³ This is not to deny that these policies have not achieved some human development, which in turn is not to argue that other policies could not have brought both economic and human development. On what has been achieved see: M. Dunford and R. King. Mediterranean Economic Geography. In King *et al.*, *Geography, Environment and Development*.

¹⁴ R.D. Robinson (1964) *International Business Policy*. (New York: Holt, Rinehart & Winston).

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¹⁶ S.C. Huntington (1993) The Clash of Civilizations? *Foreign Affairs* 72 (3), 22-48.

¹⁷ E. Anderson (2001) The Mediterranean Basin: A Geopolitical Fracture Zone. In King *et al.*, *Geography, Environment and Development*.

¹⁸ D.C. Rapoport (1996) The Importance of Space in Violent Ethno-religious Strife. *Nationalism and Ethnic Politics* 2 (2), 258-85.

¹⁹ E. Frangakis-Syrett (1992) The role of European banks in the Ottoman Empire in the second half of the nineteenth and early twentieth centuries. In A. Teichova, G. Gurgan-van Hentenryk and D. Ziegler, eds., *Banking, trade and industry: Europe, America and Asia from the thirteenth to the twentieth century* (Cambridge: Cambridge University Press).

²⁰ C. Issawi (1998) “The Greeks in the Middle East”, in *Cross-Cultural Encounters and Conflicts* (Oxford: Oxford Univ. Press), pp. 101-118.

²¹ P. Bateau (1953) *Ionian Bank Limited: A History*. (London: privately published).

²² C.G.A. Clay (1999) Western Banking and the Ottoman Economy before 1890: a Story of Disappointed Expectations. *Journal of European Economic History* 28, 473-509.

²³ Apparently Cassel did so to please the Foreign Office and the Young Turk government though he had doubts about its viability (See: P. Thane (1986) Financiers and the British State: The Case of Sir Ernest Cassel. *Business History* 28 (1), 80-99). Foreign Office support turned out to be evanescent and the bank was not a success (See: M. Kent (1975) Agent of Empire? The National Bank of Turkey and British Foreign Policy. *The Historical Journal* 18 (2), 367-389). In 1919 the British Trade Corporation (BTC; est. 1917) bought the bank, which limped along until its liquidation in 1931. In 1926, BTC amalgamated with the Anglo-Austrian Bank to form the Anglo-International Bank. In 1944, Glyn Mills & Co. acquired Anglo-International.

²⁴ During World War I the Deutsche Orientbank and the Österreichisch-Ungarische Orientgruppe came to dominate war finance in Turkey. K. Strasser (1925) *Die Deutschen Banken im Ausland: entwicklungsgeschichte und Wirtschaftliche Bedeutung* (Munich: E. Reinhardt).

²⁵ A. Di Vittorio (1987) A Multinational Bank: The Bank of Rome. *Journal of European Economic History* 16, 389-98.

²⁶ Issawi, “The Greeks”, p.104.

²⁷ In time and after several amalgamations the Nicosia Savings Bank became today’s Bank of Cyprus. The Popular Savings Bank of Limassol became the Cyprus Popular Bank and now the Laiki Group.

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- ²⁸ D. Michaelis (1986) 100 Years of Banking and Currency in Palestine, in P. Uselding, ed., *Research in Economic History*. Greenwich, CT: JAI Press; v. 10, 155-197.
- ²⁹ N. Halevi with N. Gross, E. Kleiman and M. Sarnat (1981) *Banker to an Emerging Nation: Bank Leumi Le-Israel*. (Jerusalem: "Shikmona" Publishing Co.).
- ³⁰ Strasser, *Die Deutschen Banken im Ausland*.
- ³¹ R.L. Tignor (1981) The Introduction of Modern Banking into Egypt, 1855-1920. *Asian and African Studies* 15, 103-22.
- ³² Barclays (DCO), (1938) *A Banking Centenary: Barclays Bank (Dominion, Colonial and Overseas), 1836-1936*. Plymouth: The Mayflower Press).
- ³³ D.S. Landes (1958) *Bankers and Pashas: International Finance and Economic Imperialism in Egypt*. (Cambridge: Harvard University Press), and Baster, *The International Banks*.
- ³⁴ H. Bonin (1991) The Case of the French Banks. In R. Cameron and V.I. Bovykin, eds., *International Banking, 1870-1914*. (Oxford: Oxford Univ. Press).
- ³⁵ Ducruet, *Les capitaux européens au Proche-Orient*.
- ³⁶ Raphael Suarez, of the Jewish banking house Suarez Frères & Cie., was a leading banker in the Egypt of his day.
- ³⁷ Constantine Salvagos, of the Greek banking house of Salvagos & Cie., was an equally prominent figure as Raphael Suarez.
- ³⁸ Cassel remained in England and the London Directors retained special rights.
- ³⁹ The Egyptian Arab Land Bank traces its origins back to the establishment of the Crédit Foncier Égyptien in 1880. Egyptian Arab Land Bank: <http://www.eal-bank.com/frames/mainframe.asp> accessed 14 Feb 2001. French investors, working with Suarez Suarez Frères et. Cie., founded the Crédit Foncier Égyptien. See: B.D. Cannon (2001)

Mortgage Banking Strategies in Egypt, 1880-1914: Crédit Foncier Égyptien, Investment and Local Borrowing. *Business History* 43 (4), 29-47.

⁴⁰ The Deutsche Orientbank, in which Dresdner Bank and A. Schaffenhausenschen Bankverein joined, kept the branch in Hamburg and that in Constantinople. The Greeks kept the branches in Saloniki, Smyrna and Alexandria. See: C. Hadziiossif (1999) Issues of Management Control and Sovereignty in Transnational Banking in the Eastern Mediterranean before the First World War. In K.P. Kostis, ed. *Modern Banking in the Balkans and West-European Capital in the Nineteenth and Twentieth Centuries*. (Aldershot: Ashgate), 160-177. See also: Ducruet, *Les capitaux européens au Proche-Orient*, and

⁴¹ Strasser, *Die Deutschen Banken im Ausland*.

⁴² H. Bonin (1992) Une Grande Entreprise Bancaire: le Comptoir national d'escompte de Paris dans l'entre-deux-guerres. *Extrait de Études et Documents* 4, Comité pour l'histoire économique et financière.

⁴³ Di Vittorio, "The Bank of Rome".

⁴⁴ Di Vittorio, "The Bank of Rome."

⁴⁵ It entered as Banque Sino-Belge but changed its name in 1913 to Banque Belge pour l'Etranger. Société Générale de Banque had established Sino-Belge in 1902 to enter China after the suppression of the Boxer Rebellion.

⁴⁶ Di Vittorio, "The Bank of Rome."

⁴⁷ L. Anderson (1984) Nineteenth-Century Reform in Ottoman Libya. *International Journal of Middle East Studies* 16 (3), 325-348.

⁴⁸ Banca di Roma: <http://www.bancaroma.it/archivio/archivio.htm>; Di Vittorio, "The Bank of Rome."

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- ⁴⁹ CFAT, with its head office in Algiers, was a subsidiary of the French bank, Société Centrale de Banque, established in 1880. In 1963 CFAT took the Société Centrale de Banque (SCB) name.
- ⁵⁰ C. Clay (1994) 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), 589-614.
- ⁵¹ A. Autheman (1987) *La Banque Impériale Ottomane*, (Paris: Comité pour l'Histoire Economique et Financière de la France).
- ⁵² J. Thobie (1991) European Banks in the Middle East. In Cameron and Boykin, *International Banking*.
- ⁵³ J. Ducruet (1964) *Les capitaux européens au Proche-Orient* (Paris: Presses universitaires de France).
- ⁵⁴ A.S.J. Baster (1935/1977). *The International Banks*. (New York: Arno Press reprint).
- ⁵⁵ G. Jones (1989) British overseas banks in the Middle East 1920-70: a study in multinational middle age. In A. Teichova, M. Lévy-Leboyer and H. Nussbaum, eds. *Multinational enterprise in historical perspective* (Cambridge: Cambridge Univ. Press), 224.
- ⁵⁶ Barclays (DCO), *A Banking Centenary*.
- ⁵⁷ Di Vittorio, "The Bank of Rome".
- ⁵⁸ The Ottoman Government had ordered it to cease operations during the war as it was a British company. However, Siegfried (Eliezer) Hoofien, Deputy Manager of the Bank and a neutral Dutch subject, ran the Bank from the Spanish Consulate in Jerusalem. See Bank Leumi Le-Israel: http://www.bankleumi.co.il/english/museum/hazon_finansi_en.shtml (accessed 10 Feb 2002).
- ⁵⁹ Banque de Salonique, which the Sephardi community had established in 1888 with the backing of the group of the Österreichische Länderbank and the Comptoir d'Escompte de

Paris, moved its headoffice to Istanbul in the wake of the Balkan Wars. It closed its branches and agencies in Bulgaria, Serbia and the Ottoman Empire in 1918. CFAT also took over BdS's branch in Paris. See: Hadziiossif, "Issues of Management Control". Also: H. Bonin (2002) *Une banque française maître d'œuvre d'un outre-mer levantin. Le Crédit foncier d'Algérie & de Tunisie, du Maghreb à la Méditerranée orientale (1919-1970)*. Institut d'études politiques de Bordeaux, unpublished paper.

⁶⁰ The other owners were a consortium of French banks and the Bank's headquarters was in Paris. In 1924 the bank changed its name to Banque de Syrie et du Grand Liban. In 1939 the name became Banque de Syrie et du Liban. See R. Wilson (1983) *Banking and Finance in the Arab Middle East* (New York: St. Martin's Press).

⁶¹ Bonin, "Une banque française".

⁶² R. Di Quirico (1999) The initial phases of Italian banks' expansion abroad, 1900-31. *Financial History Review* 6, 7-24.

⁶³ Di Vittorio, "The Bank of Rome".

⁶⁴ These included Damascus (1920), Aleppo (1920), Great Lebanon (1920), Souaida (1922), the Alawite State (1923, including Alexandretta), later renamed Latakia after its chief town, and Jebel Druze State (1927; with the addition of Damascus' Hawran—Jabal ad-Duruz or Druze Mountains).

⁶⁵ P. Mansfield (1991) *A History of the Middle East*. (London: Viking).

⁶⁶ Bonin, "Une banque française".

⁶⁷ CFAT was a shareholder in the Compagnie and after its acquisition of the Banque de Salonique CFAT no longer needed to retain its own offices there.

⁶⁸ Bonin, "Une banque française".

⁶⁹ Tignor, "Modern Banking into Egypt".

⁷⁰ S. Saul (1995) *From the Anglo-Egyptian Bank to Barclays (DCO): A Century of Overseas Banking*. In M. Davids, F. de Goey, and D. de Wit, eds. *Proceedings of the Conference on Business History* (Rotterdam: Centre of Business History).

⁷¹ The major shareholder was the Banque française pour le commerce et l'industrie (est. 1901). In 1922, the Banque National de Crédit (BNC,) acquired this bank and with it the operations in Turkey. The BNC had been established in 1913 to take over the French (i.e., those outside Alsace-Lorraine) operations of the Comptoir d'escompte de Mulhouse. In 1930 BNC acquired the now French operations in Alsace-Lorraine as well. French national archives: <http://www.archivesnationales.culture.gouv.fr/camt/fr/inventairesaq/120aq-2.html>).

⁷² The Banque de Salonique's branch in Smyrna was destroyed in the fire that followed the Turkish army's victory there but later reopened. The Greek, Armenian and Jewish populations of the city fled.

⁷³ There was a substantial and prosperous Greek community and Greeks made up a half-percent of Egypt's population in 1927. The Greek population was more than double that of the English and French populations there. M. Rifaat (1935) *The Monetary System of Egypt*. (London: Allan & Unwin), 199. See also: Y.A. Kourvetaris (1988). The Greeks of Asia Minor and Egypt as middleman economic minorities during the late 19th and 20th centuries. *Ethnic Groups* 7 (1), 85-111.

⁷⁴ S. Shuv (1998) *The Israeli Banking Market*. The Institute for Advanced Strategic and Political Studies, Jerusalem and Washington, Policy Study No. 36.

⁷⁵ V.K. Fouskas (2001) Reflections on the Cyprus Issue and the Turkish Invasions of 1974. *Mediterranean Quarterly* 12 (3), 98-127. Fouskas asserts that the Treaty of Lausanne was the first agreement in modern Europe to endorse mutual ethnic cleansing. However, the 1913

Convention of Adrianople, annexed to the Peace Treaty between Bulgaria and Turkey, provided for an exchange of ethnic Turks and Bulgarians in a 15 kilometer strip. Next, the 1919 Treaty of Neuilly-Sur-Seine provided for the reciprocal emigration of ethnic minorities between Greece and Bulgaria.

⁷⁶ Mustafa Kemal Atatürk had mandated the founding of the bank after the First Economic Congress in Ýzmir. Türkiye İş Bankası: <http://www.isbank.com.tr/english/history.html> accessed Feb 2002.

⁷⁷ Di Quirico, “Italian banks’ expansion abroad”.

⁷⁸ Rifaat cites a newspaper article to the effect that the conversion of branches to subsidiaries was a device to avoid corporate income tax in the home country; Egypt had no corporate income tax. Rifaat, *The Monetary System of Egypt*, 97, fn.4.

⁷⁹ Rifaat, *The Monetary System of Egypt*, 199.

⁸⁰ The National Bank of South Africa was a Barclays’ subsidiary. Barclays had inherited the ownership of The Colonial Bank when it acquired the London Provincial and South Western Bank in 1918. In 1920 Barclays had engaged in a share exchange with the Anglo-Egyptian that gave Barclays a controlling interest. As a result of the merger, Barclays Bank Limited (“The Limited”) came to own 75 per cent of “DCO,” though the two banks operated quite independently. P.W. Matthews (compiler) and A.W. Tuke (editor). (1926) *History of Barclays Bank Limited*. (London: Blades, East & Blades).

⁸¹ Equally: Banque agricole de Chypre. French National Archives: <http://www.archivesnationales.culture.gouv.fr/camt/fr/egf/lettreb-1.html> accessed 14 Feb 2002. The Agricultural Bank of Cyprus was a central office for cooperatives. See also: <http://www.coopcb.com/about.htm> accessed 14 Feb 2002.

⁸² A.W.Tuke and R.J.H. Gillman. 1972. *Barclays Bank Limited, 1926-1969*. (London: Barclays Bank).

⁸³ Bareau, *Ionian Bank*.

⁸⁴ A. Kyrkilitsis (1968) The Greek Banking System: A Historical Review. *Revue Internationale d'Histoire de la Banque* 1, 126-160.

⁸⁵ French National Archives:

<http://www.archivesnationales.culture.gouv.fr/camt/fr/egf/lettreb-1.html>

⁸⁶ DiQuirico, "Italian Banks' Expansion Abroad". Stanciu gives the name as Comit-Hellas and reports that it was an affiliate, not a subsidiary. L. Stanciu (2000) Italian Multinational Banking in the Inter-War East Central Europe. *Financial History Review* 7 (1), 45-66.

⁸⁷ This bank traces its origins back to 1865 and the establishment of the Société Générale Algérienne, which in 1877 became the Compagnie Algérienne. In 1954 this established a separate banking subsidiary, Compagnie Algérienne de Crédit et de Banque. In 1960, Banque de l'Union Parisienne (BUP) acquired CACB. CACB became the Compagnie Française de Crédit et de Banque (CFCB) in 1965. In 1974 Crédit du Nord merged with BUP.

⁸⁸ Ducruet, *Les capitaux européens au Proche-Orient*.

⁸⁹ S.B. Himadeh (1935) *Monetary and Banking System of Syria*. (Beirut: American Press).

⁹⁰ He and Hamid Abdul Hilmi had been co-founders of Arab Bank with Abdul Hamid Shoman. (Madi Abdul Hadi; personal communication).

⁹¹ Bonin, "Une banque française".

⁹² Himadeh, *Monetary and Banking System of Syria*.

⁹³ Rifaat, *The Monetary System of Egypt*.

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- ⁹⁴ In 1890, as the Anglo Egyptian Bank, it had sold its branches there to the Imperial Ottoman Bank. K. Phylaktis (1988) Banking in a British colony: Cyprus, 1878-1959, *Business History* 30 (4), pp. 416-31.
- ⁹⁵ Kyrkilitsis, "The Greek Banking System".
- ⁹⁶ National Bank of Egypt (1948) *National Bank of Egypt, 1898-1948*. (Cairo).
- ⁹⁷ Information courtesy of Victor Tortell, Curator, Bank of Valetta Museum.
- ⁹⁸ Bonin, "Une banque française".
- ⁹⁹ Barclays (DCO), (1948) *A Bank in Battledress: Being the Story of Barclays Bank (Dominion, Colonial and Overseas) during the second world war, 1939-45*. (Capetown).
- ¹⁰⁰ In 1932 the shareholders of BNC voted to liquidate their bank, which had fallen victim to the Great Depression, and to establish a new bank: BNCI. The French government nationalized BNCI in 1945. In 1966 BNCI merged with the Comptoir National d'Escompte de Paris to form the Banque Nationale de Paris (BNP). (See: BNP Paribas: <http://bnpparibas.com/en/historique/historique.htm> accessed October 2001.)
- ¹⁰¹ Garanti Bank: <http://www.garanti.com.tr/> accessed October 2001.
- ¹⁰² In November 1959 the Hongkong and Shanghai Banking Corporation (HSBC) acquired the British Bank of the Middle East. HSBC Middle East: <http://www.banking.middleeast.hsbc.com/> accessed Feb 14, 2002.
- ¹⁰³ Bank of Chios became Xiosbank, which merged with Pireus Bank in 2001.
- ¹⁰⁴ G. Jones (1987). *Banking and Oil: The History of the British Bank of the Middle East*. (Cambridge: Cambridge Univ. Press) vol. 2.
- ¹⁰⁵ Arab Land Bank: <http://www.arakari.com.jo> accessed 14 Feb 2001.
- ¹⁰⁶ Arab Bank: <http://www.arabbank.com/> accessed Oct 2002.

¹⁰⁷ An Israeli court decree of 22 Apr 1952 formally ended the operations of the Arab banks that had closed de-facto in 1948. (I am indebted to Nachum T. Gross for this information.)

¹⁰⁸ This bank took the name Banque G. Trad – Crédit Lyonnais. In 1993 CL wholly-acquired the bank and renamed it Crédit Lyonnaise Liban.

¹⁰⁹ In 1957 a Banking Act confirmed NBE as Egypt's Central Bank.

¹¹⁰ Bonin, "Une banque française".

¹¹¹ For a thorough discussion of the political situation in Egypt, the bitter Anglo-Egyptian negotiations from 1946 to 1954, and the Suez crisis and its immediate aftermath, see R.L. Tignor (1987) Decolonization and Business: The Case of Egypt. *Journal of Modern History* 59 (3), 479-505.

¹¹² Michaelis, "Banking and Currency in Palestine".

¹¹³ In 1964, Banque de Port Said acquired Bank Al-Goumhouria. Then in 1971, Banque Misr absorbed Banque de Port-Said. The loss in Egypt was a turning point for the Ionian Bank. In 1957 it sold its operations in Cyprus to the Chartered Bank and its operations in Greece to the Commercial Bank of Greece. IB then became a merchant bank in London but in 1977 it voluntarily gave up its banking license.

¹¹⁴ The surviving foreign banks accounted for 20 per cent. It is not clear whether Ducruet's figures include NBE or not, and if they do, whether they treat it as Egyptian or as foreign. Ducruet, *Les capitaux européens*, 392.

¹¹⁵ Bank of Palestine: <http://www.bankofpalestine.com/about/bop.htm> accessed Feb 14, 2002.

¹¹⁶ The Yokohama Specie Bank, the ancestor of the Bank of Tokyo, may have established a branch in Egypt in the late 19th Century. Rifaat says that it established its branch in 1870, but

the bank was only founded in 1880 and the textual location of the reference suggests that the date is in the 1880s. Rifaat, *The Monetary System of Egypt*.

¹¹⁷ Arab Bank saw itself as serving the Arab nation at large. Abdul-Hameed Shoman, by then retired, unsuccessfully argued the bank's case for an exemption in a personal interview he had with Gamal Abdel Nasser. Apparently the bank did not hold a grudge. In 1976 Abdel Nasser's son-in-law Hatem Sadek, joined the Arab Bank as a senior manager.

¹¹⁸ See: F. Mansour (pseudo.) (1999) *Le Secteur Bancaire En Syrie, Passe Et Perspectives*. <http://www.mafhoum.com/press/banques-fr.htm> (Accessed Oct 2001).

¹¹⁹ Jones, *Banking and Oil*.

¹²⁰ Banque du Liban: <http://www.bdliban.com/hist/history.htm>

¹²¹ The shareholders became YKB (44 per cent), Marine Midland Overseas (28 per cent) Banque de l'union européenne (10 per cent) and Société centrale de banque (18 per cent). See Bonin, "Une banque française". In 1971, Fininvest, a subsidiary of Banque de l'Indochine acquired all the remaining shares still in French hands. In 1988, BdS (Selanik Bank) became Uluslararası Endüstri ve Ticaret Bankası and in 1990 Interbank. In 1996 the Negrin Group acquired the bank. The Central Bank's Savings and Deposits Insurance Fund took over Interbank in 1999 in a scandal that involved several major ex-government officials being accused of having looted the bank.

¹²² In 1946 the Anglo Maltese Bank (est. 1809) and the Bank of Malta (est. 1820) merged to form the National Bank of Malta (NBM). NBM took 25 per cent of the shares in MIBC, Standard Bank took 48 per cent and the other two took 14 per cent each.

¹²³ The Libyan government established the Wahda Bank (currently 22 per cent in domestic private hands) to acquire Bank of North Africa, Commercial Bank, Nahda Arabia Bank, Société Africaine de Banque, and some others. BdR's branches became Umma Bank (100

per cent government-owned). The Banco di Sicilia's branches became the Sahara Bank (currently 30 per cent in domestic private hands). Masraf al-Gumhouria (now Jamahiriya Bank) acquired Barclays (DCO)'s branches.

¹²⁴ In 1971 Barclays Bank Limited acquired the 43.5 per cent of Barclays DCO it didn't already own and combined it with its own international operations to form Barclays Bank International. Still, the two wings, Limited and International, remained managerially separate until 1984. See: M. Vander Weyer (2000). *Falling Eagle: The decline of Barclays Bank*. (London: Weidenfeld & Nicolson). The Palestine Mercantile Bank had changed its name to the Mercantile Bank of Israel in 1953. Mercantile Discount Bank:

http://www.mercantile.co.il/content/StaticEng/english_about.asp accessed October 2001.

¹²⁵ Fouskas, "Reflections on the Cyprus Issue".

¹²⁶ C.M. Henry (1996) *The Mediterranean Debt Crescent: Money and Power in Algeria, Egypt, Morocco, Tunisia, and Turkey*. (Gainesville: University Press of Florida).

¹²⁷ Barclays presence dated back to the entry in 1882 of the Anglo Egyptian Bank. In 1979 the Maltese government exercised its option to acquire all of Barclay's remaining shares in Mid-Med.

¹²⁸ C.M. Henry and C. Boone (2001) Commercial Banking Systems: The Neglected Variable in Political and Economic Development. University of Texas at Austin, Dept. of Government, unpublished paper.

¹²⁹ In 1966, BNCI had merged with CNEP to form Banque Nationale de Paris.

¹³⁰ G.A. Petrochilos (1985) Foreign Banks in Greece. *National Westminster Bank Quarterly Review* February, 57-69.

¹³¹ Fransabank traces its origins back to CFAT's opening of a branch in Beirut in 1921; this early start makes Fransabank the oldest bank in Lebanon.

¹³² H. Pehlivan and C. Kirkpatrick (1998) The Impact of Transnational Banks on Developing Countries' Banking Sector: An Analysis of the Turkish Experience, 1980-89. *British Journal of Middle Eastern Studies* 19 (2), 186-201.

¹³³ The ABN AMRO branch originally belonged to Hollandsche Bank voor de Middellandsche Zee (est. 1920). This merged with the Hollandsche Bank voor Zuid-Amerika in 1933 to form Hollandsche Bank-Unie. Algemene Bank Nederland (ABN) acquired Hollandsche in 1968; ABN merged with AMRO in 1991.

¹³⁴ Standard Chartered is the result of the 1969 merger of the Standard Bank of South Africa and the Chartered Bank. Chartered Bank had acquired the Cyprus operations from IB in 1957 (see text above).

¹³⁵ The number of foreign banks grew from four in 1980 to 23 by 1990. See E. Keskin and M. Alparslan (undated) *The Turkish Banking System* Banks Association of Turkey, <http://www.ttrb.org.tr> accessed Oct 2001.

¹³⁶ In addition to the Bank of Israel, the Palestine National Authority also had jurisdiction over licensing and monitoring of the financial institutions in the West Bank and Gaza, while a Palestinian Monetary Authority was under formation.

¹³⁷ In 1999 the Arab Land Bank merged with the Egyptian Real Estate Bank to form the Egyptian Arab Land Bank.

¹³⁸ *The Banker* (December 1994), 144 (826), 42-43. On the other hand, in 1992 Jordan rejected the Bank of Israel's conditions for allowing Arab Bank to return. The Bank of Israel had required a face-to-face meeting between the heads of the Bank of Israel and the Central Bank of Jordan to negotiate an agreement on supervision. The Jordanian government was unwilling to bypass the wider peace process in this way (*Jerusalem Post*, 9 Sep 1992).

¹³⁹ Arab Hellenic was insolvent and its dissolution cost Greece's Deposit Guarantee Fund Euro 1.5m in payments to depositors.

¹⁴⁰ Lombard began as a finance company in 1960. Nat West acquired it in 1972. Lombard Nat West received its bank license in 1989 and commenced full operations in 1991.

¹⁴¹ HSBC absorbed Mid-Med's European and Dubai operations into the HSBC offices in their respective countries and established "Malta Desks" there. HSBC Malta retained the offices in Canada and Australia to serve the Maltese communities there.

¹⁴² Lewis, *What went wrong?*, 45.

¹⁴³ Bonin, "Une banque française". Also: Hadziiossif, "Issues of Management Control".