THE SUDAN "SCANDAL"

By H. P. RATHBONE

THE story of what has been called the "Sudan Scandal" began with the raising of the question by Thomas Johnston as to whether a loan to the Sudan Government should properly be guaranteed by the British Government under the Trade Facilities Act 1921, in view of the following facts:—

(1) That H. H. Asquith was the man who introduced the deputation which went to the committee set up under the Trades Facilities Act to advise the Government whether to guarantee these loans or not. For was not Asquith's son a director of the Sudan Plantations Syndicate, which was already in receipt of a loan from the Sudan Government and which would be the company which would get part of the profits from the cotton grown in the area, for which the Sudan Government was wanting the loan to develop? Further, Asquith represented Paisley, a constituency which it was maintained would directly benefit from the scheme owing to the existence there of Coats' sewing cotton factory.

(2) That the loan to develop cotton plantations in that area would not provide employment for British workers.

(3) That S. Pearson & Sons, Ltd., Lord Cowdray being its president, had obtained the contract for the scheme while Lord Cowdray was financially interested in the scheme.

The facts of No. 1 are correct except so far as Coats' wage earners are concerned. No. 3 has apparently never been proved, but that does not mean that it is untrue. No. 2 was apparently wrong, as certain of the plant for the dam which would provide irrigation facilities for the cotton plantation, was ordered in England.

But the whole affair involves further questions than were raised by Thomas Johnston.

As far back as 1900 efforts have been made to develop cotton cultivation in the Sudan. In 1904 an "agreement" was reached "under the auspices of Lord Kitchener, who was then in command in the Sudan"—as Lord Stanley put it in the debate in the Commons on April 5, 1924 (col. 1458)—between the Sudan Government, the Sudan Plantations Syndicate, Ltd., and the native cultivators. This agreement laid it down that the proceeds from the sale of cotton grown under the agreement should be divided as to 40 per cent. to the native cultivator, 25 per cent. to the Sudan Plantations Syndicate, Ltd., and 35 per cent. to the Sudan Government.

Though it is admitted that the native cultivators had unimpeachable title to the land they cultivated, in 1921 the Sudan Government issued the Gesira Land Ordinance whereby they obtained a lease of the land, owned by the natives, for a period of forty years, and at the same time took power to re-let it out to these same natives on annual tenancy, " the landowners being given full opportunity to take up as cultivating tenants so much of their own land as in practice they are able to cultivate on an artificial irrigation system involving regular and careful cultivation, with which, of course, they are not familiar." (Report on Egypt and Sudan for 1920, Cmd. 1487, 1921, p. 136.) Thus the natives were practically expropriated from their land and were only given back certain portions of the land to cultivate on condition that they cultivated it on the system laid down by the Sudan Government and the Sudan Plantations Syndicate, Ltd., and were liable to be expropriated altogether if that cultivation did not meet with the approval of these " authorities." Lord Stanley in the same speech, quoted above, said that in return for the 40 per cent. proceeds from the cotton sales the native " gave his labour." Thus the native owner became practically a wage servant of the " authorities."

Now these " authorities " though nominally the Sudan Government, were in reality the Sudan Plantations Syndicate, Ltd. For the while the Sudan Government in return for its ratio of 35 per cent. from the proceeds of cotton sales, undertook to get the dam and the large irrigation works constructed by which alone the cotton could be grown, the concession for the growing and marketing of the cotton was handed over to the Syndicate. For the 25 per cent. share, the Syndicate undertook the carry out minor operations concerning the irrigation works, and to educate the native cultivators in the best methods of growing cotton. " They also had to act," again in the words of Lord Stanley," as land banks in financing the cotton crop on behalf of the native cultivator." The native cultivator, though he was interested in getting the best price for his cotton, would thus be completely in the financial grip of the Syndicate. That the people behind the Syndicate were by no means unaware of the benefits that such an agreement would give them is shown by a minute of 1913 of the British Cotton-growers (now Growing) Association, quoted in the *Manchester Guardian*, January 26, 1923.

> Another difficulty, and a serious one, is the unearned increment in the value of land. The land without irrigation is worth, say 2s. per acre, with irrigation possibly as much as £10 to £20 an acre (p.a. E.M.G.). It does not seem reasonable that the whole of this large increase which is due to large expenditure on the part of the Government and consequently of the whole community should go into the pockets of individual owners.

The Government incurs the expenditure; the price of the land goes up; how is the Syndicate to get this increased increment? That was the " difficulty " and a " serious " one. The solution was found as we show above by " requiring " the Syndicate to be the bankers of the native cultivators, by " requiring " them to " finance " the cotton crop on behalf of the native cultivators.

How profitable the financing of a cotton crop can be, will be seen from the following quotation taken from a Supplement to the *Commerce Reports*, the weekly publication of the U.S.A. Department of Commerce, on Egypt for 1922. The writer of this report is urging the establishment of an American bank in order to get a share in the financing of Egyptian cotton. Such a bank, he maintains, "would yield large returns on an absolutely safe basis." He then explains how this is done.

> It is customary for banks as well as large exporters to receive cotton from planters for storage in warehouses controlled by banks and exporters, and to advance loans against the cotton so held, usually up to 60 per cent. of its spot value, with the right to dispose of the cotton if the margin narrows. Not only is interest charged on the loan, but storage charges are also made on the cotton while it is being held in warehouse. Cotton so held is almost invariably sold through the bank or exporter under orders from the owner, and for this service the bank or exporter receives a commission.
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> It will, therefore, be seen that with adequate security a bank operating a cotton department would earn profits as interest on loans, storage and commission on sales, and throughout would be adequately protected by holding in its possession cotton which can promptly be liquidated on the spot market.

The scheme itself involves the irrigation of the Gesira plain, which lies between the Blue and White Niles south of Khartoum.

It is estimated that production by 1925 will reach 70,000 bales of Egyptian long staple cotton (c.f. the total consumption of cotton in England equals 3,500,000 bales) and, according to the *Morning Post* (November 6, 1922), 250,000 bales in the next ten or fifteen years and 1,000,000 bales later.

The scheme was first launched in 1913, but no public issue of money was made till October, 1919, when an issue of £3,500,000 5½ per cent. bonds at £95½ per cent. was made under a guarantee by the Imperial Government under the Sudan Loan Act of 1919. The financiers and others who floated the loan thus appropriated £157,500, being the difference between the issue price and the par value of the Stock on which interest would have to be paid, leaving a net amount available for the Sudan Government of £3,342,500. A further issue was made in February, 1921, of £2,880,000 at £92 per cent. The financiers again appropriated £230,400, thus leaving a net amount of £2,649,600 for the Sudan Government. Out of these two sums £1,000,000 was reserved to paying the interest on the loans until the scheme became sufficiently productive to the Government. Thus while the Sudan Government was responsible to paying interest at 5½ per cent. on a total of £6,380,000, only £4,992,100 was available for the construction of the dam which it was intended would earn this interest.

This is by no means the end of the story. For the contract for the building of the dam was originally placed with a man called Alexandrino, to whom Thomas Johnston referred in the Commons Debate on March 4, 1923 (col. 1285). For he asserted there that this man got the contract on the basis of being paid " 10 per cent. on everything he spent, including his wages bill, and it was after the Sudan Government had become aware that this money was being wasted that they cancelled the contract and paid him a heavy sum in compensation for cancelling it." This charge of wastage was not denied by William Graham, the Financial Secretary to the Treasury, in his reply.

The Sudan Government then proceeded to place the contract with S. Pearson & Sons, Lord Cowdray's firm. A further £3,500,000 was found to be necessary. An issue of £3,250,000 4½ per cent. guaranteed stock at £93 per cent. was, therefore, made in January, 1923. Here again the financiers obtained a sum of £227,500 on the deal, leaving a net amount of £3,022,500 for the works. In 1924, the Advisory

Committee under the Trades Facilities Act approved of a further £3,500,000 to be guaranteed by the Imperial Government; no doubt on this issue also, if it is made, the financiers will levy their toll. The excuse given for this guaranteee of a further £3,500,000 is that if this money is not made available—and it was maintained that it would not be got without a guarantee—the British Government would become liable for interest and principal under their guarantee on the whole of the remaining £9,630,000 as the whole scheme would collapse without further cash.

It is not surprising that the Sudan Government with all this unproductive debt on which it must pay interest, has increased the burdens of taxation and these burdens fall on the native cultivator. Thus the revenue from some taxes in 1913 and 1921, the last year for which complete figures are available, is as follows:—

	1913 £	1921 £
Date tax	16,380	22,781
Animal tax	81,599	190,161
Customs department	186,837	487,280
Land Tax		
(*a*) Taxed land	45,078	39,832
(*b*) Ushur (tithes)[1]	122,430	315,277
	£452,324	£1,055,331

The result of the transaction is as follows:—

The Sudan Government constructs a dam and other irrigation works, being robbed in the process of immense sums of money,

[1] This is a tax equivalent to 10 per cent. of the value of the crops assessed; thus if three cotton crops a year are harvested the tax has to be paid on each of the crops. According to the report of the Sudan Government on the position of the native cultivators this tax, however, has been definitely remitted in the case of the cultivators under the Syndicate scheme. This is merely a device to get more labour to work on the scheme, and not as the report tries to make out, a magnanimous gift from a generous and openhanded government. For by this means these Sudanese who at present cultivate rain-grown cotton (*i.e.*, cotton grown in areas which have not been artificially irrigated) and thus remain liable to the tax, would be tempted to work under the scheme; in addition the prospect of freedom from this tax would attract the many pilgrims returning from Mecca, when, *i.e.*, a previous report on the Sudan cast jealous eyes as a further source of labour for the scheme. It will then happen that when a sufficient labour force has been accumulated, the Sudan Government will cancel this exemption or increase other taxes such as the sugar monopoly tax or even introduce new taxes always, of course, under the hypocritical excuse that the budget must be balanced, and that all classes must bear their share of this most regrettable situation.

some of which goes to financiers and some of which goes to contractors who fail to construct the works.

The native cultivator, previously in undisturbed possession of his land, is compelled under threat of expropriation to cultivate cotton on a system under which he practically becomes a wage labourer. What freedom remains to him is indirectly valueless by the fact that on the the one hand he is tied to his employers' banks, who kindly finance him and on the other burdened by increased taxation—increased in order to pay interest on the money which was obtained to enslave him.

The Syndicate on the other hand is in effect the employer of the native, is the marketer of the cotton, is the banker to the native, and finally receives a loan from the Sudan Government for the purpose which it is required to undertake under the agreement.

In addition the Syndicate is developing another region, the Kassala region, for cotton growing; in order that this cotton may become marketable it induces the Sudan Government to construct a railway from this area to join the main Government line to Port Sudan, the chief port on the Red Sea; it further induces the Government to hand over the management and profits, of course, of the line for a period of thirty-one years to a company—the Kassala Cotton Co., Ltd,—in which a controlling interest is held by the subsidiary it sets up, in order to grow cotton in this same region, Kassala. Finally, in order that the railway may have all the benefits of Government knowledge and yet be able to pay revenue to the Syndicate, one of the directors is the consulting engineer to the Sudan Government Railways.

This is the scheme which the Labour Government has supported. The only points on which they have agreed to ask for further information are:—

(1) What is the system of taxation, particularly with regard to its incidence in the area in question.

(2) The exact system under which the tenant cultivators will develop their plots with particular reference to the security of tenure enjoyed by the tenant cultivators (note well the phrase "tenant cultivators"; according to the Land Commission of 1908, these "cultivators" were confirmed in their *ownership* of these lands; now they are called "*tenant* cultivators").

(3) Whether the cotton produced can be offered first for sale in Great Britain, and

(4) Whether a maximum price could be fixed for it to prevent corners.

Yet Mr. Graham tried to minimise the profits of the Syndicate by averaging the dividends of the company since its formation, and yet asserted in the same speech that he could not deal with the question "as to the position of the native and to his taxation and other problems of that kind" (Hansard, March 4, 1924, col. 1294), affirming that these "problems" would be satisfactorily answered by the queries (given above) which had been sent to the Sudan Government (as if any satisfactory answers to such questions could be sent by a Government of such a nature).[1]

As to the effects of the production of long staple cotton under this scheme on Lancashire. The present crop of cotton grown in Egypt amounts to 450,000 bales, only part of which is long staple cotton. The supply in 1925 from this scheme in the Sudan is reckoned to be 70,000 bales, increasing to 250,000 bales in fourteen or more years. The whole basis of the scheme is to keep the price of the cotton high: the heavy taxation will mean high prices: the Syndicate itself has a number of cotton interests which, so long as they remain connected with the Syndicate, will not lose by the high price.

The situation in Egypt will contribute towards maintaining the price of cotton, so long as the Soudanese crop remains small. For there the land has been completely alienated from the native and is in the hands of the land companies. They let this out to the native at rents of £10 to £15 (pre-war rents) which, according to E. M. Ginders, of the Power Engineering Co., Trafford Park, writing in the *Manchester Guardian* (January 16, 1923) makes it the most expensive agricultural land in the world. As he goes on to say: "It would appear in order to pay this tremendous toll the price of Egyptian cotton must be kept up by judicious curtailment of acreage under crop." This curtailment has been carried out under Egyptian

[1] Since this was written, the reply of the Sudan Government has been published and as was to be expected it leaves the position just as it was. It merely tries to show how generous the Sudan Government has been especially with regard to taxation to which we refer in a previous footnote; but, of course, it makes no reference to the future position or to the land banking operations "required" of the Syndicate.

Government auspices by restricting the acreage of cotton to one-third of its normal amount in the years 1921, 1922, 1923.

The result is that though there is a cry for increased production of long staple cotton and millions of money are sunk in an effort to do this, at the same time the production of this cotton is being curtailed in Egypt in order that the expropriated natives may be able to pay the tremendous toll of rent to the Egyptian land and mortgage companies such as the Land Company of Egypt, the Mortgage Company of Egypt, and the Agricultural Bank of Egypt.

In the Sudan the position though on the surface different is essentially the same. The native, though nominally in full possession of his land, is in reality a tenant cultivator, who can be expropriated if he does not cultivate his cotton to the liking of the Syndicate. Though there are no land speculators and land banks under the scheme, the syndicate is " required " to be the financier of the native. Each " partner " in the scheme, the Government, the Syndicate, and the cultivator is interested in maintaining the price. The Government to balance its budget, the Syndicate to pay increased profits, and the cultivator to pay taxation to the Government and toll to his financiers, the Syndicate.

This means that there is no prospect of lower-priced cotton. Capitalists are now in the position that, however much they think that increased production would increase their profits, increased production is impossible because the profits to be made for the various interests prevent the output from being increased: the gangrene of the bondholders' toll, whether in the form of interest or Government loans or dividends on the capital lent to the Syndicate, is retarding production. The cultivation of cotton in the Sudan will be restricted in the future to pay this toll of the bondholder, just as it is now being restricted in Egypt. Such is the position.

The Labour Government supports this position. The Labour Government then agrees to exploit the Sudanese cultivators in order that the Syndicate may retain its profits. The Labour Government therefore refuses to abandon the Sudan. The Labour Government is an Imperialist Government. Is any other conclusion possible?