

Why did Middle Eastern attempts at modernisation lead to bankruptcy and/or foreign occupation?

From the gradual decline of the Turkish military machine against its Russian and Austrian foes, it could be seen from early in the eighteenth century that the Ottoman governmental machine was not working with the efficiency of other European powers. Its structure remained essentially the same as the one which had besieged the walls of Vienna at the end of the 17th century - and there lay much of the opposition to attempts by the ruling classes to adapt to foreign and European ideas and technological progress. Where under previous rulers, the Ottomans had proved remarkably flexible and adaptable, the entrenchment of private interests in the army and learned groups of *'ulama* meant that the Empire was growing increasingly sclerotic. Eighteenth century and early nineteenth century attempts for Ottoman reform foundered on the opposition of the Janissaries - the élite fighting class who had been created by Suleiman the Magnificent to avoid the personal and family interests which they now exhibited. Long before Turkey was acknowledged as the 'sick man of Europe,' she was demonstrating the inflexibility which marked her hesitant and clumsy steps at revenue increase - though not from lack of effort on the part of the sultans themselves. Selim III was deposed in 1807, partly as a result of his reforming efforts to reform the army clashing against the powerful interests of the Janissaries. Even here, it is noticeable that the aim and purpose of reforms was to increase the effectiveness and size of the Turkish army - and not from an economic interest, as was the case in Turkey's nominal client-state of Egypt. Nevertheless, by the 1830s, several new developments had occurred which placed the official view squarely on the need for a greater awareness of the technological and administrative advances which were taking shape in the rest of Europe. A new corps of Turkish officials was coming to prominence, which had been trained in the new diplomatic schools and who could understand European ideas without being torn from their Turkish roots. More painful, though, was the series of Balkan revolts in the 1820s - leading to the full independence of Greece and Romania - which brought westernising influences closer to Constantinople. This threat could never be forgotten since from this moment Christian peoples inside the Ottoman Empire increasingly thought in terms of national liberation, while rallying the forces of liberal Europe in their favour.

The sense of weakness inside the Ottoman polity was extended across many spheres of government control, from the quality of the army to the size of government revenues to the regard for Islamic doctrines about the role of the state. Sultan Abd-al-Majid said in 1839 'In the last hundred and fifty years a succession of accidents and diverse causes have arisen, which have brought about a disregard for the sacred code of laws and the regulations flowing therefrom, and our former strength has changed into weakness and poverty; an empire in fact loses all its stability so soon as it ceases to observe its laws.'¹ It is noticeable how the reforming period initiated by Sultan Abd-al-Majid in Ottoman Turkey and by Muhammad Ali in Egypt were both started with the purging of the incumbent army structures - the Janissaries were abolished in 1826 in the wake of their humiliating failure to subdue the Greeks, while the Mamluks in Egypt were massacred after Muhammad Ali seized power from the chaos created by the withdrawal of the French. Clearly the immediate priority was to reorder the quality of the army, but in order for this to happen there had to be 'guarantees insuring to our subjects perfect security for life, honour and fortune; a regular system of assessing and levying taxes; an equally regular system for the levying of troops and the duration of their service.' This served to increase the sultan's power while simultaneously bringing all elements of society under his rule regardless of their religious beliefs - in contradiction to the established form of Islamic states. In fact, in almost all Middle

¹ Hourani *Arabic Thought in the Liberal Age* p.45

Eastern states, the formal role of the *'ulama* declined in the face of the rather more urgent needs in the minds of temporal rulers for technical specialists in the administrative and military techniques which were proving so noticeably more successful at maintaining power structures in the Balkans and in the already-colonised French Algeria. Yet nevertheless, these successful structures remained entirely alien to the pattern of Arab governance, such that even Napoléon III had cause to mention that French policy 'sententiously advanced to assimilate the Arab population, but having no other result but its exploitation, and the sacrifice of its most cherished institutions to our interests.'² Foreign rule, nevertheless, made it possible for European settlers to dream in the words of General Hanoteau of the *bureaux arabes* in Algeria of 'a bourgeois feudalism in which they will be the lords and the natives the serfs.' Other Arab rulers with similar administrative methods were themselves shown the possibility of themselves receiving the benefits of a policy which Jules Ferry described by saying that 'as far as the native is concerned, the *commune de plein exercice* is daylight robbery.' Taxation revenue was available, if foreign methods were followed. The difficulty was always to successfully implement these methods into a society which had not been won by conquest, but which had already well-developed networks of personal influence. Ahmed Vefik, one of the Ottoman Empire's most dynamic officials, had warned as early as the 1830s that 'An attempt to introduce, wholesale, European institutions into Turkey, and to engraft European civilisation upon the ancient traditional Turkish political system, before it was prepared for so great an innovation, could not possibly prove successful, and must inevitably so weaken the Ottoman Empire that it would lose the little strength and independence it still possessed.'³

Such administrative changes required a good deal of further spending, and as rulers consolidated their positions in the post Mamluk and Janissary period, the creation of a professionalised bureaucracy backed by a conscript army based on the *levée-en-masse* removed the existing spheres of opposition to the ruler's policies. Instead, new areas of opposition were formed, such that as the power of the mamluks and *'ulama* to resist autocracy weakened, the sphere of politics moved to within the bureaucracy itself. This was in fact made easier by the fact that reforming governments tended to be more reliant on their own created bureaucratic machines than did their predecessors. The expansion of agriculture, notably cotton, reached such levels that in Egypt the centralising government was forced to sanction the creation of provincial agricultural and administrative institutions - eroding the central control which these autarkic measures had been designed to create. In combination with this, a much greater percentage of state revenues were now also being spent on the personnel and salaries of bureaucrats. As an example, the Egyptian Department for Charitable Endowments increased its expenditure from 42,805 piastres per month to 59,880 in 1863, even though the government was engaged in a policy of confiscating religious endowments. In the Department of Public Works, salary expenditure went up from 159,082 piastres in 1866 to 366,750 in 1872.⁴ At the same time, European officials and specialists were demanding and receiving disproportionately large salaries from the government in return for services which many believed to be of only slight value to the Ottoman and Egyptian governments. However in all parts of the Middle East, the aggression of European consuls led to the extraction of special concessions towards their citizens. Europeans already enjoyed immunity from taxation, thanks to an Ottoman Capitulation, and the right to be tried under their own laws. As Europeans began to purchase increasingly large shares of Arab property the damaging effects on state revenue became more and more acute, especially after the loss of monopolies by the Anglo-Turkish Commercial Convention and Treaty of London of 1839 and 1840. Even inside the government service, Europeans also benefited from the assertiveness of their consuls, such that European officials engaged in government work attained

² Ageron *Modern Algeria* p.39

³ Hourani *Arabic Thought in the Liberal Age* p.48

⁴ Hunter *Egypt under the Khedives* p.47

a status unavailable to other officials - e.g. by 1857 no European railway-worker could be reprimanded without reference to their consuls.⁵

However, other government efforts to increase revenues were often short-sighted and unsustainable in the context of the massively greater power and efficiency of European competition. Needing to create a viable means of increasing production, Muhammad Ali ordered the introduction of Jumel cotton into Egypt, which subsequently provided between a fifth and a quarter of government revenues in times of good harvests, and a tenth at other times.⁶ Yet such was the reliance on this policy and this crop alone that it exhausted the lands, despite the massive government funds placed in creating a modern and effective irrigation system. A flight of entire peasant villages to the large towns after the 1830s shows the declining value per cantar of cotton, until the outbreak of the American Civil War disrupted foreign competition. Where cotton was worth £E3.41 per cantar in 1835-9, this declined to £2.05 per cantar in 1840-5 and £1.81 per cantar in 1845-9.⁷ Most importantly of all, was the unsustainability of the cotton monopoly as the bedrock of state finances, in an era when the European powers were more than willing to use force to ensure access to foreign markets. The European intervention in the disastrous Ottoman-Egyptian war of 1839 forced Muhammad Ali to return profitable Ottoman territory and abolish the monopolies, thus drastically reducing his income.⁸ There were attempts to avoid this difficulty by confiscating land for his khedive's own profit. An example comes from Khedive Ismail, who said 'In keeping with the right of free disposal which I possess, I have ordered that 320 *faddans* of *waqf*land in the village of Zaira be exchanged for lands in al-Sharqiya province, and that the aforementioned Zaira be given to Nubar Pasha.'⁹ However as a base for government funding, this was impossible to maintain in the face of the influx of foreign capital. All land purchased by Europeans remained both impossible to confiscate or in any way interfere with, and also impossible to tax for fear of the consuls and their gunboats. Since the French Expedition in Egypt of 1798-9 estimated that three quarters of the government revenue of 4 million francs came from land taxation, governments were peculiarly weak in this area.¹⁰ Muhammad Ali's policy of industrialisation was also an attempt to reduce the levels of imports needed in the textile sector. - but in fact it forced an increase in imports, since the factory components were not made of high quality materials - thus needing replacement. The very small number of steam engines in the textile factories also meant that power was provided by humans and bullocks and thus affected greatly by external factor such as the cattle murrain of 1843. Nevertheless, local handicraft was able to survive, despite the destruction of organised local industrialisation, such that by the 1870s the government surveyed the number of textile-workers in Egypt at 28,000, roughly three times the figure for 18th century Cairo.¹¹

International trading patterns were also changing the role of Middle Eastern countries as part of the emerging world market. When Muhammad Ali held cotton exports from the European market during the 1836-7 downturn in prices, hoping to force a price-rise, he was successful - albeit at the cost of severely straining his public finances. Such policies were no longer possible with the massive competition in cotton with the South of the United States after this date. Ottoman Turkey saw a massive fall in the value of her cotton crops after the lifting of the American Civil War trade embargo. Where in 1863-4 the trade was worth £1.5m, in 1875-9 it was only worth £378,000 - a 74% drop¹² In the same period, the Egyptian cotton trade rose

⁵ Hunter *Egypt under the Khedives* p.38

⁶ Hunter *Egypt under the Khedives* p.15

⁷ Owen *The Middle East in the World Economy* p.67

⁸ Hunter *Egypt under the Khedives* p.31

⁹ Hunter *Egypt under the Khedives* p.65

¹⁰ Owen *The Middle East in the World Economy* p.64

¹¹ Owen *The Middle East in the World Economy* p.76

¹² Owen *The Middle East in the World Economy* p.111

from £6.1m in value to £8.4m - a 38% increase since American Civil War. The trade in cotton seed increased by 326% over this period.¹³ Turkey saw a rise in value of her wool exports from the £165,000 in 1863-4 to the £459,000 by 1875-9 - a 178% increase. Also startling was the rise in the value of valonia by 63% over this period. However, Turkish overseas trade remained very small in comparison with her Egyptian vassal, for the simple reason that Egypt poured investment into an aggressive set of agricultural reforms, where Turkish money remained tied to the maintenance of her army and her Great Power pretensions. For example, the number of cantars of cotton which Egypt produced annually between 1875-9 was 10 times the figure which had been produced 30 years earlier - and the price per cantar had increased from £E1.81 per cantar to £E3.77 over that period.¹⁴

In any case, what was undeniable was that Middle Eastern governments in their attempts to modernise their infrastructures either for commercial or administrative reasons, consistently exceeded the capacity of their revenue systems. Arab rulers had been reliant on merchant houses for government credit throughout the nineteenth century, and had therefore been hit by the 1837 financial crisis. In these circumstances, the build-up of public debt remained greatly the responsibility of the rulers themselves for relying on foreign lenders rather than consolidating a viable financial system. Khedive Sa'id for instance was primarily responsible for committing his government to purchasing 176,000 Suez shares using government bonds and a public loan promising to repay Fr198,000,000 for a Fr53,500,000 undertaking. By 1870, one third of Egypt's revenue was diverted to debt-service, not least because of the actions of many of the rulers involved.¹⁵ A contemporary critic of Ottoman finances commented presciently in 1851, at the time of the first Ottoman public loan that 'If this state borrows five piastres it will sink. For, if one loan is taken, there will be no end to it. It will sink overwhelmed with debt.'¹⁶ By 1875, the Turkish government had amassed £T242,000,000 worth of external debt, equivalent to twelve times the total annual government revenue, and mostly arranged in deals which reflected very badly on the credibility of the Ottoman state. Of the £T242m worth of loans, the Turkish government only actually received £T128m, and even this sum was mostly with real interest rates of between 10-12%. Even local commentators agreed with a newspaper editorial of 1871 which said 'Heretofore there was talk of reform, improvement and progress only when the state had a loan in view, only to forget all those beautiful intentions once the loan was received.'¹⁷ However, this comment was unduly harsh on the Ottoman government in comparison to their southern neighbours, since Ottoman revenues increased from 1.25bn piastres in 1860 to 2.48bn piastres in 1874. The administrative reforms did indeed have some effect, therefore. On the other hand, income after 1860 remained consistently just below the level of state expenditure - between 1 and 17% lower than expenditures - until 1877, when the war with Russia cost 2.95bn piastres compared with 1.97bn piastres income (50% shortfall)¹⁸ In contrast, the high-point of Egyptian khedival autocracy coincided with the most extravagant government spending. Egyptian expenditure outran revenues consistently between 1854-72 by 2% - 232%, and only when the with the figure for debt-service in 1872 reached a third of annual revenue did any moves for retrenchment happen. However, the Suez Canal affair was the spur for yet more government spending, and by 1874, debt-service reached 63% of total annual revenue. Even the sale of the Suez shares to the British government raised only £4m instead of the £16m which they had originally cost the Khedive.¹⁹ Yet the reason why the Egyptian government was able to support

¹³ Owen *The Middle East in the World Economy* p.136

¹⁴ Owen *The Middle East in the World Economy* p.136

¹⁵ Hunter *Egypt under the Khedives* p.39

¹⁶ Owen *The Middle East in the World Economy* p.100

¹⁷ Owen *The Middle East in the World Economy* p.108

¹⁸ Owen *The Middle East in the World Economy* p.106

¹⁹ Owen *The Middle East in the World Economy* p.124

such a high budget deficit was exactly because they were investing in the future of their economy. Turkish manufactures and products were simply not as valuable as the large and reasonably efficient Egyptian cotton market. If Turkish loans mainly used to fund the army and administration, Egyptian loans were used to convert the entire country to the production of cotton. Thus between 1854-81, the Ottoman government paid out £T94m (£T21m worth of principal & £T73 worth of interest) - leaving only £T45m for other purposes - mostly to pay for the army & navy which at one stage was still the third largest in Europe yet lost humiliatingly to the Russians in 1877.

The final factor in the growing bankruptcy of the Middle East was active European intervention, in both the economic and political spheres. Concessions to foreign powers had for a long time enabled European governments to intervene in Ottoman politics on behalf of the Christian minorities of the Empire. This prerogative was used time and time again to justify direct military involvement against the Ottomans, not least by the Russians in 1854 and 1877, and by Gladstone in famously calling for the removal of the Turks from their (most profitable) European provinces 'bag and baggage.' The French invasion of Egypt in 1798 had been overtly to rid the Egyptian people of the Mamluks, who in Napoleon's decree had 'no more right to rule over the people of the Egyptian kingdom.' The revolts of Greece and Romania in the 1820s had attracted a vast amount of sympathy from the forces of liberal Europe, who increasingly saw the region as strategically important. The Napoleonic Wars had seen a British takeover of the seas of the Eastern Mediterranean, and it is not surprising that the spoils of Britain's participation in the Congress of Berlin would be possession of a permanent Mediterranean base in the shape of Cyprus. In purely economic terms, the Middle East was also becoming an increasingly profitable market for the Europeans. British exports to Turkey doubled in the fifteen years between 1835-50, and exports to Turkey rising fourfold in the same period - with cotton exports to Egypt doubling again by 1870. This figure compares very well with the returns on other areas of the British portfolio.²⁰ Turkey became a vital area of interest to France especially, since 23% of French overseas investment (Fr3.45bn) went into Turkey 1852-81. The European current account with the Middle East was also good, such that Turkey was one of the few areas of the world with which Britain maintained an export surplus of £10m annually by 1910.²¹ Egypt's growing reliance on European manufactured goods set up a net outflow of treasure, since the latter were more valuable than Egyptian cotton.

However, by far the most important factor in the European view of the Middle East was the geographical and strategic change created by the Suez Canal, a factor that was especially important for the United Kingdom. The use of the Suez Canal made it easier for British shipping to take more produce for less freight rates to areas much further afield in Asia, where the British current account was in even better condition. In 1880, 80% of Suez Canal tonnage was British; 1890 - 76%; 1910 - 62%. Where the political stability and condition of the Levant area had previously only been a concern for the minority of international traders with interests there, now it became a priority for anyone trading with the jewels of the British Crown in South Asia and further east still. British interests in the stability of the Ottoman polity, which had safeguarded the overland route to India, were correspondingly reduced after the opening of the Canal. Although the French had significant stocks in Ottoman state loans, as did many British investors, it is noticeable how equivocal was Franco-British support for their traditional ally in the Congress of Berlin in 1878, when just twenty years previously, they had been prepared to go to war to protect the Straits. However, a lessening in the number of vital interests in the hands of the Ottomans, could in some ways be seen as a virtue, considering that the Egyptian bankruptcy was considered by the British so serious given the threat to the Canal, as to justify occupation. If

²⁰ Owen *The Middle East in the World Economy* p.85

²¹ Latham *The International Economy and the Undeveloped World 1865-1914* p.69

the Ottoman government was no longer vital to maintain the status quo in the Near East, then European governments were very prepared to use it entirely as a money-making venture and sacrifice it to Russian greed. Egypt and the vital link to India were a different matter, and it is significant that the British Prime Minister who authorised it was Gladstone - apparently the most sceptical of statesmen about the virtues of colonies at all.