The Middle East in the World Economy 1800–1914

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financial control which, in a number of ways, led to an equivalent loss of sovereignty. The main instrument of this control was the Ottoman Public Debt Administration (PDA) established by the Decree of Muharram (October 1881), assisted by the three major foreign-controlled banks – the Imperial Ottoman, the Deutsche Bank and the National Bank of Turkey – as well as, on numerous occasions, by the diplomatic support offered by the most important European embassies in Istanbul. Initially, the two powers most interested in the management of Turkey's finances were Britain and France; but they were soon joined by Germany in a triple alliance which, though often split at the political level by intra-imperialist rivalries, continued to co-operate well enough inside the Empire itself for the whole system to be described as a single international regime.[13] The primary aim of this regime was to safeguard the position of those who held shares in the Ottoman public debt. But in time a second aim came to assume increasing importance: that of opening up the Turkish economy to further European economic penetration. Here, the development of the Turkish railway system was seen as the principal instrument, although attention was also paid to the award of concessions for the production and export of mineral products like coal and chrome and for important public works in and around the major towns. All this was done with the co-operation of the Ottoman government, if possible. However, it was also made repeatedly clear that the Sultan and his government were expected to go along with European plans and that they would only receive further financial support if they did so. As time went on, the sheer blatancy of this method of economic control became ever more galling to a number of Turks and was subject to increasing verbal attack.[14] But even the Young Turk reformers of the years just before the First World War were too weak and too dependent on European loans to challenge it to any real degree.

As already indicated, the main agency of European financial control was the PDA. This consisted of a seven-man council composed of the representatives of the main groups of bondholders (British, Dutch, French, German, Austro-Hungarian, Italian and local Ottoman) plus a member nominated by the Imperial Ottoman Bank, assisted by a large staff of permanent administrators and officials.[15] Presidency of the council alternated between a Frenchman and a Briton, on the grounds that these were the countries with the greatest interest in the proper management of the debt.[16] Its semi-official role as an agency of European control was further reinforced by the fact that most members of the council were appointed with the active, though usually covert, support of their respective national governments.[17] As for the Ottoman government itself, it was given only a watching brief through the right to send a commissioner to attend meetings of the council but with no vote.

The initial aim of the PDA was to collect the revenues allocated to it powerful and ever-watchful protector of their interests. Its prompt and regular payment of the moneys owed to the bondholders produced a steady increase in the value of shares in the public debt as quoted in the major financial markets. From an Ottoman point of view, however, the situation was obviously much more ambiguous. On the one hand, the PDA was certainly instrumental in underwriting the government's credit and ensuring that it obtained loans on very much more favourable terms than in the days before bankruptcy. Of the £T166,000,000 borrowed during the period 1881 to 1914, the government itself received £T147,000,000 or 89 per cent. On the other hand, the very size of the PDA's staff, the independence of its operations and the increasing limitations its presence imposed on Ottoman fiscal sovereignty were bound to create great resentment. In 1886 it employed a staff of 3040 (of whom fifty-five were Europeans and the rest Ottoman subjects); by 1912/13 this had increased to over 5500 full-time officials, a few more than in the Ottoman Ministry of Finance itself. Another aspect of its large size was the fact that, by the turn of the century, it had spread itself out into 720 separate tax-collecting offices all over the Empire, as well as the management of over 100 salt works.

The entrenched position of the PDA at the heart of the control of Ottoman financial affairs was even more galling. Until its amendment in September 1903 the Decree of Muharram effectively prevented the government from obtaining any share of the revenues collected by the Administration, however much they might be increased. To make matters worse, the Decree also required the authorities to co-operate with the PDA in a number of costly measures from which they themselves derived no profit, for example the maintenance of an expensive system of cordons and patrols aimed at preventing contraband traffic in goods like salt over which the Administration had a monopoly. It is little wonder that they set about such tasks with so little enthusiasm that a great deal of potential revenue was lost. Concessions were required from both sides in order to allow the amendment of the Decree of Muharram in such a way that the maximum sum permitted for repayment of the pre-1903 debt was fixed at £T2,157,000, leaving any surplus to be divided between government and PDA in the ratio 75 : 25.

A second dispute which broke out two years later concerned an Ottoman attempt to extend a new scheme for the direct collection of the agricultural tithe to certain districts where the PDA was already active in supervising the auction of those tax farms set aside to provide the guarantees necessary to meet any shortfalls in the profits of several foreign railway companies. On this occasion, however, there was no room for compromise and the PDA's claim that the proposed change might be detrimental to the interests of foreign holders of shares in these same railway companies was allowed to carry the day.