

High Finance and Foreign Politics

PUTTING THE OTTOMAN EMPIRE INTO PAWN

By J. T. WALTON NEWBOLD

[By no means the least important part of Communist agitation in this country is to expose how ruthlessly British imperialism has plundered the peoples of the East. In the following article, which is the first of a series, Comrade Newbold unmasks how certain financiers used "democratically" elected Governments to further their economic interests abroad. In order to show British foreign policy in action the author has been compelled to go back a little into history and trace out the various roots which now nourish the most cunningly devised imperialism the world has ever known. As the coming struggle between France and Britain will be over the East, and as the conflict of America, Japan and Britain will take place in the Far East, it is highly important for all sections of the Labour movement to thoroughly grasp the economic character of the coming world-war. To provide such information is the aim of these articles.—ED. OF COMMUNIST REVIEW.]

WHETHER we would understand the diplomacy of the British Government now or at any time within the epoch of capitalist development, that is to say within the last century to a century and a half, must have regard to the fact that it always centres upon the maintenance of control over and continuous communication and contact with the great dependency known as the Indian Empire. Whatever were the factors originally determining the very influential sections of the English bourgeoisie who founded the East India Company or its rival, the New East India Company, with which it subsequently amalgamated, to invest such considerable sums of money and to establish themselves so firmly in the peninsular of Hindustan does not concern us in a study of this character. The fact is indisputable that the interests involved were extremely powerful and that the inducement to secure possession of the Indian trade was sufficient to make it worth while for the most influential mer-

chants of the United Netherlands to ally themselves, both financially and politically, with the dominant sea power that controlled the avenues of Asiatic trade. Three hundred years have elapsed since the merchants composing the original East India Company began to establish themselves in the East. Two hundred years have gone by since English, Scottish and Dutch interests began, under the patronage of a Crown completely in their pockets, to exploit India and the East in effective co-operation. During that time, there have grown up successive series of official and trading interests who have, firm rooted in the governance and tribute of India, become the impervious core of the British aristocracy and of our mercantile and banking community.

In the service of the Honourable East India Company, many Scottish gentlemen of birth and breeding found a congenial outlet for their martial qualities when, after the Rebellion of the "45," a complete change was effected in the social and economic organisation of the Highlands. Thither, also, after the Union in 1707 but much more rapidly after the middle of the eighteenth century, the younger sons of the Lowland gentry, then entering into trade, made their way. We remark on this because the British East swarms with the merchants of three races, Scots, Jews and Greeks. Nearly every merchant house that fell heir to the monopoly of the East India Company has a name that denotes it as belonging to one or other of these three categories.

In the earliest period of European contact with the East, a very considerable part of the trade was in the hands of the Portuguese, from whom, of course, England obtained, as a marriage portion, Bombay. Hard on the heels of the Portuguese came the Dutch and, also, the French. Then, appeared the English. With the first of these and with each subsequent arrival came the inevitable cosmopolitan trader in bullion, expert in exchanges and specialist accomplished in handling all the new instruments of commerce, the Jew of the Marano or Portuguese connexion. His drift across the centuries and the European Continent was from Portugal to Holland and, sometimes, to France, and from Holland to the London Stock Exchange. Stray members made their way to Italy, to Turkey and to Mesopotamia. Some of them rose high in the service of the Ottoman Government, becoming pachas and viziers. One family, in particular, made its home in Baghdad, where it conducted treasury operations for the Turkish Governor. *That was the family of the Sassoons.*

But whilst Baghdad was a place of consequence standing, as it did, on one of the main caravan routes between the Mediterranean and the Persian Gulf, it was not of such importance in the early nineteenth century that the Sassoons could remain there and prosper exceedingly. That being so, in 1822 David Sassoon left his father's mercantile and banking house in that city and made his way to Bombay, there to found the famous firm of *David Sassoon & Co.*

The Bullion Brokers

Meanwhile, however, we must have regard to the fact that the East India Company was as yet supreme, that its ships went ever (like the Flying Dutchman) round the Cape of Good Hope, and that England's eyes were, therefore, set in the ends of Africa.

There, also, was set in a happy moment, England's flag. There, of course, it continues to fly.

The East India Company did business with a great firm of bullion brokers, *viz.*, *Mocatta and Goldsmid*. This house had most extensive financial operations connecting it with Portugal, Brazil and Turkey. The Goldsmids were closely associated with Pitt on the one hand—as brokers for his war loans—and with Ricardo, the economist, on the other. Isaac Lyon Goldsmid “secured the powerful aid of Lord Holland, the Marquess of Lansdowne, the Duke of Sussex and other prominent members of the Liberal Party” for the cause of Jewish Emancipation (*i.e.*, enfranchisement). The Mocattas were inter-married with the Montefiores and they with the Rothschilds. All four families were in 1829 very big holders of stock in the East India Company.

The *Montefiores*, as agents of the *Rothschilds*, were the pioneer financiers to interest themselves in what was then a penal colony, and is now the Commonwealth of Australia.

Australia, in its development, has been to a very great extent an appendage of India so far as land mortgage investment, banking and shipping enterprise were concerned.

This interest of the great Jewish bullion brokers in the finances and trade of India during the first half of the nineteenth century was all important. These brokers were Liberals. They were seldom Radicals. They maintained a continuity of interest and of ideology binding the City of London and, for that matter, Manchester and Liverpool commercial circles to India at a time when the dominant interests of the cotton capitalists were not pre-disposing them to maintain or, at any rate, to extend the British Empire. Railway construction had not yet made India a great market, and not until the American Civil War and the resulting Cotton Famine did Lancashire and Glasgow textile capitalists concern themselves with developing the raw material resources of the great dependency.

India, at that time, was the concern rather of the Tory Party. It was a preserve of the Army and of the officialdom of the East India Company, one of those privileged corporations so little in favour with the Manchester school of economic thought. Palmerston, whose father had been a stock-holder in the East India Company, and whose diplomatic assertiveness conformed to the interests of the Whig oligarchy in “the City,” directed his policy in the Near East to the end of stabilising the Ottoman Government and of checking French penetration into Syria and Egypt. “We want,” he said, “to trade with Egypt and to travel through Egypt, but we do not want the burden of governing Egypt. . . . Let us try to improve those countries by the general influence of our commerce, but let us abstain from a crusade of conquest.”

Palmerston was concerned to keep “free” the land-route to India.

This route, or rather, these routes, were becoming much more important than hitherto. French trade and finance, which had revived under the First Empire and which flourished more and more vigorously under the Monarchist Restoration, were aspiring to penetrate and to possess those two southern provinces of the Ottoman Empire, Syria and Egypt. British and Portuguese merchants and

shipping magnates were heavily involved in the Eastern Mediterranean. London and Liverpool had very great connexions with the ports of the Turkish Empire. There was a very considerable import trade in cotton from these parts. The French were concerned rather with the silk trade.

The Cotton Brokers

Extensive mercantile interests were at stake. All through the early nineteenth century we can see behind that mysterious emanation of idealism, Greek Liberalism, the characteristic lay-out of a cotton-merchant's warehouse.

Manchester has been clamorous in its enthusiasm for the Greeks and its sympathy for the Armenians. Have not the merchants of these races been the best hucksters of its wares, and the best buyers of its raw materials?

Asia Minor and Egypt—it was thence that for two centuries most of the raw cotton was imported into Western Europe. That trade was, mainly, in the hands of Greeks. They flourished under the rule of the Moslem Turks much as the Jews had flourished some centuries before under that of the Christian Latins. Ubiquitous in the East, they frequented every sea-way, every caravan-route, and every bazaar. Their religious attachment to the Orthodox Church, moreover, gave them a decided advantage in Russia whose borders began in the eighteenth century to march with those of Turkey on the Black Sea.

In the ports of Southern Russia—in the grain ports—they were more welcome than the Jews. It is quite obvious that they profited enormously by the opening up of backward Russia and negotiated a very large proportion of the trade between that awakening agrarian empire and the capitalist countries of the West.

It was no accident that Greek nationalism and Greek liberalism began to manifest themselves in the early nineteenth century. Having gained economic power and realised the strategic advantage of their position in the grain, cotton, dried fruits, silk and other produce markets on the road to India, the Greek merchants set out to achieve political power in addition. They enlisted the sympathy of their co-religionists (and clients) at the Court of the Czar. They appealed to the easily excited sentiments of the manufacturers and merchants with whom they did business in Manchester and Liverpool. They discovered, in the period when the capitalists of Cottonopolis were jealously challenging the economic and social monopoly of the privileged companies trading in the East, that they could cash the credit of the classic isles at the humanitarian bank-counter of aspiring Liberalism. The Greek and Armenian communities of Manchester and Liverpool were the not disinterested go-betweens of Gladstonism (Liverpool) and Cobdenism (Manchester) on the one hand and the Russians on the others.

The Governing class—and the victorious Reformers and Free Traders of 1832 did not conquer executive power for nearly if not quite a generation—favoured the Ottoman Government, preferring to keep it as a barrier across the land-route to India what time they held the command of the sea-route.

When, with the introduction of steamships into the Mediterranean and the Red Seas and the building of a railway between

Alexandria and Suez, traffic to India began to go through Egypt rather than round the Cape, Greek merchants in the former city began to reap a rich harvest. When, in the "sixties" Lancashire commenced to seek in Egypt and in India the cotton she could no longer obtain from the Confederate States, the Greeks in Alexandria saw unroll before their eyes new vistas of profit. When, in 1869, the Suez Canal opened up a route, a water-way, that struck a mortal blow at the transshipment monopoly of Alexandria they had, perforce, to seek new centres of activity and to follow the cotton-bale and the dry-goods package to India.

Enter the Rallis

As early as 1864, we find associated with the Sassoons in the *Bank of Hindustan, China & Japan, Ltd.*, the already influential Greek merchants, the *Rodocanachis* and the *Rallis*.

The former established themselves in London in 1830. The latter in 1820.

In 1872, the *Rodocanachis* were trading as merchants in London, Marseilles, Alexandria and Odessa. The *Rallis* were to the fore as cotton brokers and merchants in Liverpool and Alexandria, as merchants in Marseilles and as bankers in Constantinople. They were, also, in London.

Together with the *Mavrogordatos*—bankers at Constantinople and merchants in London—and the *Agelastos*—bankers at Marseilles and merchants in London and New Orleans, the *Rallis* and the *Rodocanachis* were big and influential holders in the *Bank of Alexandria*, founded in 1872.

It is quite apparent that this concern had influence with the Khedive Ismail and that it was heavily involved in loans to that unhappy prince.

In the "sixties" the *Rallis* were to be found in association in banking circles with the all-powerful financial house of *Bischofheim, Goldsmidt & Co.*, of Paris. They were, also, in the same camp as the *Sterns*.

These facts are of importance because the former house was in antagonism to the *Crédit Mobilier Français* and the older French banking houses that in 1863 promoted and secured control of the *Imperial Ottoman Bank*.

The *Sterns*, the *Bischofheims*, the *Goschens* are all to be found bunched together in banking promotions in the "sixties." They were, of course, Liberals. They were, also, the houses issuing loans to the Khedive Ismail of Egypt. Egypt was at that period in an anomalous position. It was nominally a part of the Ottoman Empire. It had been the policy of the British Government to keep the latter intact and, in consequence, to maintain the suzerainty of the Sultan over the Khedive. It had been the policy of the French Government to encourage the Khedive in his pretensions of independence.

Until about the middle of the nineteenth century, Britain, under the direction of Palmerston, had regarded France as a more immediate menace to the Indian outworks than Russia. After 1850, British policy oriented towards France and away from Russia and, in consequence, the Crimean War occurred which, whilst it saved

Turkey politically, definitely inaugurated the era of her economic subjugation.

The Ottoman Debt

M. Poulgy, in "*Les Emprunts de l'Etat Ottoman*," says that between 1854 and 1864 Constantinople became a new El Dorado, by reason of the tremendous outlay of the Sultans. "In ten years from 1854 to 1864, the Ottoman Budget rose to 100,000,000 francs for loans out of a total expenditure of 343,000,000 francs."

In 1862, when the American Civil War closed the American market to British and French investment, the Turkish Government issued a loan of £8,000,000 and £35,000,000 was almost instantly subscribed.

The *Economist* (29/3/62) was much disturbed and commented as follows:—

"People fancy that in some form or other the sanction of the British Government is given to the matter. . . . These indefinite sanctions to foreign loans are, in our judgment, very misleading now, and may easily be very dangerous hereafter. . . . England should not lead people to believe she will see them paid unless she intends to see them paid. . . . If the British Government gives the least aid to the borrower, assuredly in the case of default it will have either to give its aid to the lender at the cost of a possible war, or refuse that aid with the certainty of imputed ill-faith."

It stated that Lord John Russell had sent out two gentlemen to Constantinople "to assist in the due application of the proceeds of the loan to . . . the funding of the floating debt." There was the authentic hand of Liberalism in politics aiding Liberalism in finance just as Liberalism in politics had, by the Cobden Treaty of Commerce with France, just previously, prepared a basis for Franco-British co-operation in money-lending.

The Ottoman Bank

In the following December, the *Crédit Mobilier Français* promoted the Imperial Ottoman Bank as a state bank of the Ottoman Empire to handle the whole business of the loans, past, present and future. A group of English capitalists co-operated in the scheme but, as an older bank claiming an infringement of its privileges protested to the Committee of the Stock Exchange, the shares of the Imperial Ottoman Bank could not be dealt with thereon and, in consequence, *the French interests, at the outset of its career, secured that majority influence and interest in the Imperial Ottoman Bank which they have to this very day.*

From that time onwards the conflict of interests between "British" capitalism—very cosmopolitan in complexion—and French capitalism has been chronic in the Ottoman Empire.

That same victory for French capital at Constantinople promoted a change in "British" capitalism's attitude towards Egypt.

Ten years, during the major part of which the Liberalism of Rothschild and Goschen was in the ascendant, saw a great amount of British money pass into Egypt and, for that matter, into Turkey.

Egypt's Ruin

In 1873, the Khedive secured from the Sultan, as Rothstein says in "*Egypt's Ruin*," "with the connivance, if not under the encouragement of the British Government," his financial autonomy,

in other words, he gained the liberty to mortgage his province to the financiers to the uttermost.

In 1875, the Ottoman Government defaulted. Its borrowings were somewhere in the region of 1,000,000,000 francs—not that it had received anything like that amount but that was about the sum with which it was debited. In the same year, the Khedive Ismail, who was indebted to the sum of nearly £70,000,000, sold his shares in the *Suez Canal Company* to Rothschilds, who acted therein on behalf of the British Foreign Office, for £4,000,000.

The comment of the *Times* was instructive:—

"It is impossible to separate in our thoughts the purchase of the Suez Canal Shares from the question of England's future relations with Egypt, or the destinies of Egypt from the shadows that threaten the Turkish Empire. . . . Should insurrection, or aggression from without or corruption within bring a political as well as financial collapse of the Turkish Empire, it might become necessary to take measures for the security of that part of the Sultan's dominions, with which we are most nearly connected."
(26/11/75.)

Next month, the British Government sent out a financial mission to Egypt which was unsuccessful but which, probably, had acted on its instructions:—

"To obtain incidentally much information of the greatest value both to Egypt and to this country."

Into the squabbles of the French and the British bondholders in Egypt we do not propose to enquire. The negotiations were prolonged. War with the revolting Egyptians supervened. Finally, the British Government installed Evelyn Baring, one of the great banking family of Baring Brothers, as Her Majesty's Agent and Consul-General of Egypt.

Evelyn Baring, subsequently Earl of Cromer, the great "pro-consul," had been private secretary to his relative, Lord Northbrook, when that representative of the Baring dynasty was Viceroy of India. In 1880, he had returned to India to be a financial member of the Viceroy's Council.

Meanwhile, Turkey had become embroiled in war with Russia and in her embarrassment, when nowhere else could she obtain money, she had turned to the "native" bankers of the Galatz suburb of Constantinople.

They drove a hard bargain. Amongst them were the Zarifis, now powerful in the *Bank of Athens*, the Mavrogordatos, since involved in Russian banking and the *Vlastos*, now associated with Ralli Brothers.

Three years later, in 1881, the French holders of Turkish bonds, the proprietors and associates of the Imperial Ottoman Bank, took the initiative and, after preliminary meetings of creditors in different countries, the whole of the bondholders sent a Commission to Constantinople with the result that in December of that year there was set up the *Council for the Administration of the Ottoman Debt*.

Goschen and D'Abernon

In the "seventies," Czardom adopted a policy towards the northern provinces of the Ottoman Empire, viz:—Bulgaria, and the semi-independent Wallachia and Moldavia, that had the result of making the Greeks seek closer association with Britain. In 1881, the Gladstonian administration obtained for them the cession of

Southern Thessaly from Turkey and it is noticeable that the British delegate concerned with this adjustment was Goschen. It had been Goschen whom the Conservative Government had sent out to Egypt, with every appearance of it being a private enquiry, to investigate into the finances of the Khedive in 1876. If the Liberals were in office, George Joachim Goschen went on his travels officially. If the Liberals were in opposition, he went semi-officially, as the representative of *Frühling and Göschen*. In the "eighties" he was to do the logical thing, and to be one of those to bridge the gulf and become a Liberal-Unionist.

It was in Egypt and in Turkey that the Liberals celebrated the economic pass-over that resulted inevitably in the political pass-over to Imperialism. Whilst Goschen was acting the diplomat of high finance on behalf of *Frühling and Goschen*, and Northbrook and Evelyn Baring were entering Egypt to give administrative effect to the economic decrees of Baring Brothers, representatives of Glyn, Mills, Currie & Co., were appearing in the *Bank of Egypt, Ltd.*, of the Grenfells in the *Bank of Roumania* and the *Imperial Ottoman Bank* where, also, were the Sterns. Later, the Goschens put in an appearance on the boards of the last two concerns.

The British merchant bankers were staking out their claims in the provinces of Turkey as they became detached from the rule of the Sultans and were laying systematic tribute upon their customs revenue, upon their tithes and skinning the unhappy peasantry of everything they could extort. What they were doing was being done, with even greater success, by the French under the auspices of the Imperial Ottoman Bank or of the *Crédit Foncier Egyptien*.

With the establishment of the Council of the Administration of the Ottoman Debt and the permanent residence at Constantinople of the accredited representatives of the bondholders, a new era of financial penetration and of diplomatic intrigue commenced. There appeared upon the scene a young gentleman of the name of Edgar Vincent. He had been private secretary to the Commissioner for Eastern Roumelia in 1880. He had been assistant to Her Majesty's Commissioner for territory ceded to Greece in 1881. In March, 1882, this henchman of George Joachim Goschen, this government official, was elected by the British, Belgian and Dutch bondholders as *their* representative on the Council of the Ottoman Debt. Next year, he was promoted to be the President.

But the career of Edgar Vincent, subsequently Lord d'Abernon, His Majesty's Ambassador to Berlin since 1920, and a director of a Vickers' subsidiary; of his brother, the arch-jingo Member for Central Sheffield; of Sir Vincent Caillard, Sir Ernest Cassel and Sir Basil Zaharoff are, like the inner workings of Greek merchant capital in the entire British East, another story.