French Direct Investments in the Ottoman Empire Before World War I

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Foreign direct investment entered into the Ottoman Empire to support and develop foreign trade. Europeans who wanted to sell their manufactured products and acquire raw materials were instrumental in the construction of trade-related infrastructure in this country. Therefore, the first French investments, like those of other countries, were made for constructing railways and ports. The growth of raw material production in primary commodities, finally led to an increase in the number of foreign service companies such as banks and insurance providers that served these transport and production facilities. The initial motivations of French investors were mainly economic as they tried to find new markets and secure a viable share in these markets before their international competitors. Motives gradually became political as the opinion about the disintegration of the Ottoman Empire got stronger by the end of the nineteenth century. The French government assisted its investors in obtaining important concessions for investments in Anatolia, the Balkans, and the Arab provinces of the Empire.

After signing trade agreements with major European countries in 1838 and 1839, the external trade of the Ottoman Empire quintupled between 1840 and 1870. However, the lack of infrastructure created difficulties for foreign merchants who dominated the external trade; hence, the Empire's trade volume failed to reach its full potential. For this reason, building new roads and improving and developing port installations was essential. The European nations, experiencing the Industrial

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Revolution, needed raw materials that were, generally, to be found in the less developed regions of the world. To reach these resources, they had to invest in infrastructures. Moreover, since Europe's iron, steel, and other similar products would be used for such projects, European producers also had much to gain. This study aims to ascertain the motivations of French investors in making direct investments in the Ottoman Empire before World War I, and also to evaluate such investments. To realize this objective, major companies were examined by exploring their capital, partners, competitors, accomplishments, benefits to the host country, and the political risk they faced or created. The study period encompasses the second half of the nineteenth century and on through 1914. When the war started, investors virtually stopped making investments. The only major exception was the German effort to complete the Baghdad railway to help the Central Powers' military operations. The war also brought the end of the Ottoman Empire.

Foreign direct investment (FDI) entering into the Ottoman dominions is probably as old as foreign loans. However, it is difficult to establish the amount of this capital; estimates are generally based on European publications from the end of the nineteenth century. Perhaps the most important was Manuel des Sociétés Anonymes Fonctionnant en Turquie by E. Pech who was the head of the Statistical Office of the Ottoman Bank. As the number of companies kept increasing, and other activities such as mergers and liquidations took place, this author provided updated editions between 1904 and 1911. The 1911 version examined eighty-two foreign companies, covering details about the year they were established, their headquarters, and equity capital as well as the loans they received. While extensive in its treatment, the book still missed many unincorporated companies that had been doing business in the Ottoman Empire for a long time. At the beginning of 1914, limited liability companies in Izmir alone numbered more than two dozens and new ones were being established. As these limited companies could not be officially set up in accordance with Ottoman law, they created an extraordinary situation, according to Izmir's British Chamber of Commerce.[1] In time, with the

1. The Near East, "British Companies in Turkey—Their Non-Recognition by the Authorities," February 20, 1914, 516. One can also mention La France à Constantinople published in 1907 by Ernest Giraud, the head of the French Chamber of Commerce in Istanbul. This book lists the names, addresses, and brief explanations of the business of small and large French enterprises. Further useful information is to be found in Les Intérêts Financières de la France dans l'Empire Ottoman prepared in 1919 by French businessmen who had investments in the country. There are also specialized studies that emphasize a single investment in detail. Vedat Eldem and Hüsrev Tökin classified foreign investments according to sectors and home countries as well.

Table 1 Foreign direct investment stock by home countries

	1888 (thousand pounds £)	%	1914 (thousand pounds £)	%
French	5,020	31.7	37,383	45.3
British	8,895	56.2	11,516	14.0
German	166	1.1	28,007	34.0
Others	1,744	11.1	5,500	6.7
Total	15,825	100.0	82,406	100.0

Source: 1888 estimations from S. Pamuk, Osmanli Ekonomisi ve Dünya Kapitalizmi 1820–1914, 1984. 1914 estimations were based on various works: Pech, Manuel des Sociétés Anonymes Fonctionnant en Turquie, 1906 and 1911, The Near East, May 24, 1911, Le Groupement des Intérêts Français, Les Intérêts Financières de la France, 1919, and Eldem, Osmanli Imparatorlugu'nun Iktisadi Sartlari Hakkinda Bir Tetkik, 1994.

accumulation of information, more recent authors such as Jacques Thobie, Haydar Kazgan, Gündüz Ökçün, Orhan Kurmuş and Sevket Pamuk were able to supply greater data. Readers should be cautious about the valuations given for these investments because of cumulative inflation over a long period. Hence, the figures shown for more recent years may look far greater than they really are as compared to past periods. Nonetheless, with proper care, these figures can be of great value when examining the distribution of firms by sectors and home countries. Table 1 shows how the total FDI stock changed from 1888 until the beginning of World War I. While, in 1888, French investments were only about 32 percent of the total, second after the UK's 56 percent, they eventually increased to more than 45 percent, ranking first. Meanwhile, the total foreign debt of the Empire was calculated at 162.1 million Ottoman liras (OL) (179.5 million British pounds) in 1914. About half of these loans had come from France.[2] All large-scale enterprises in the Empire depended on foreign capital. The banking system and the railways, with very few exceptions, were financed from the outside, as were ports, public utilities, mineral exploitation, and irrigation works. The French capital underwriting these works kept increasing as the disintegration of the Empire became more evident. The evaluation of these developments is important not only for Turkish and French economic history, but also for FDI history.

Motivations for Investing in the Ottoman Empire

Unlike financial investments, direct investments are made in physical assets such as factories and infrastructure that create employment

2. Eldem, Harp ve Mütareke Yıllarında, 13, 15.

and income within the receiving country. Trading concerns and maritime transportation firms made the first Ottoman-era direct investments. The expense and difficulty of land transportation impeded the growth of trade. Even during the reign of Abdulhamit II (1876–1909), at the end of the nineteenth century, it was very difficult to transport potatoes to Istanbul from Anatolia in the winter. Hence the demand for potatoes was met by imports from French traders on the Atlantic coast.[3] In 1857 the British consulate in Izmir, responding to a questionnaire from the Manchester Cotton Supply Association, reported that transportation by camel caravans was very costly but the newly begun construction of the Aydin railway would eventually greatly contribute to the cultivation of cotton.[4] The British merchants anxiously waited for the completion of this railroad, especially after the start of the American Civil War, which undermined Britain's cotton imports. Besides completing this railroad, other infrastructure investments on Turkish rivers, for irrigation and navigation purposes, were needed to develop cultivation of cotton, a key raw material.[5] Thus, initial FDIs, channeled to building infrastructure in the Ottoman dominions, were followed by direct investments in agriculture and mining. As investors' numbers increased, a ripple effect generated a corresponding increase in the number of banks and insurance companies that served them. FDI from Britain and other European countries started to shift to industrial production only in the early 1900s,[6] a general tendency also observed in the Ottoman Empire.

Vernon John Puryear studied the legal bases of foreign trade in Turkey, and concluded that the European powers were more interested in obtaining economic equality with one another than securing superior individual privileges.[7] Hence the other powers ultimately followed Great Britain and signed free trade agreements with the Ottoman Empire copying the British gains achieved by the 1838 Commercial Convention. Foreign investments in the Ottoman state loans were made almost solely for the purpose of securing special, ulterior advantages, such as acquiring concessions or settling political disagreement between lenders and borrowers. "The thought which apparently has heretofore guided countries when loaning money to

3. Kazgan, Osmanli'dan Cumhuriyet'e Sirketlesme, 8.
4. Kurmuş, Emperyalizmin Türkiye'ye Girisi, 70–80.
5. The Manchester Guardian, "Cotton Growing in Turkey and Syria", May 25, 1861, 5.
6. Hobson, The Export of Capital, 159.
7. Puryear, International Economics and Diplomacy, 125.

Turkey has been to exploit the country and only incidentally to develop its resources."[8] France's "historical and practical" spheres of influence also played a part in directing its direct investments to various parts of the Empire. "French national sentiment towards Turkey, however, [was] concentrated in Syria."[9] Indeed, "the successful development of French factories and public concessions in Syria gave ground in some French political circles to imperialist designs in this area as the Ottoman Empire showed signs of disintegrating."[10]

By the turn of the twentieth century, foreign powers firmly believed that the Ottoman State would fall apart and cease to exist. As they did not want to pass up their shares of the spoils, they brought in capital that would solidify their presence and prepare the grounds for territorial or economic claims on the estate of the defunct regime. "European governments were not content to interfere in the affairs of Ottoman Empire. They sought to destroy it. Their zeal in this latter respect was limited only by their jealousies as to who should become the heir of the Sick Man."[11] Experts believed that with an inept government and a population unorganized for production, this country's fate would belong to the foreign capitalists who controlled the economy. Thus, international representatives urged their governments to invest in the Ottoman dominions.[12] In December 1912, the French and the British governments defined their spheres of influence. The British recognized the French interests in Syria and the Lebanon, in return for protecting UK interests on the Persian Gulf. After that, French negotiations with the Ottoman government intensified, targeting important railway concessions in Northern Anatolia and Syria, plus ports on the Black Sea and Syria's Mediterranean coast. French demands also included the building and protection of convents, churches, schools (under Roman Catholic auspices), and charitable institutions in Palestine, Syria, and Asia Minor, particularly in Jerusalem and Beirut.[13] To carry out these construction projects, the most important enterprises of public works formed a consortium, including Schneider et Cie. (Creusot), La

8. Mears, Modern Turkey, 363.
9. Ibid; 358.
10. Raccagni, "The French Economic Interests in the Ottoman Empire," 367.
11. Earle, Turkey, the Great Powers, 11.
12. Dunn, Turkey and its Future, 58–61; and Feis, Herbert, Europe the World's Banker, 317.
13. The Times, "French Interests in Turkey—Schools and Railways," May 16, 1913, 5; The Times, "French Railways in Turkey", October 16, 1913, 7; and The Times, "French Interests in Syria—The Premier's Statement," 26 December 1913, 6.

Société de Construction des Batignolles, M. Hersent et Cie., La Régie Générale des Chemins de Fer et Travaux Publics and other financial establishments of first-class character.[14] On October 2, 1913, The Near East's Istanbul correspondent wrote: "The interference of diplomacy or of the State in financial or commercial matters is of comparatively recent date, and the merits of this step are open to discussion." The arrangement between the Ottoman and French governments for the extensive concessions in return for a loan of 22,000,000 Turkish lira was one such state interference.[15] The war's outbreak prevented the realization of these plans, however.

The French celebrated their investments in the Ottoman Empire, since, for many years, they ranked at the top both as creditors and as direct investors. According to some French authors, "it was more difficult to state where the French investments were than where they were not".[16] They also mentioned that France entered Ottoman life not just with investments but also with her "brilliant history," "respected past," "civilization, language, and political and military traditions," Accordingly, "the foundation on which the French Republic's material interests lay in the Levant was her moral respectability."[17] Nevertheless, several changes took place at the end of the nineteenth century. While Britain and Russia had played the leading roles in the Balkans, new actors like Austria, Germany, and Italy were taking their places on the eastern scene. Among all these self-seeking countries, only France had good relations with the Sultan, respecting Ottoman territorial integrity without thinking about political or economic interests.[18] For some reason, these commentators turned a blind eye to France's land-grabbing activities in Ottoman North Africa, fomenting revolts in lands such as Egypt, Syria, and the Lebanon, or endorsing the Balkan Wars to divide and create new countries. They thought quite self-righteously that, by providing credits, France was altruistically contributing to developing the Empire and its foreign trade.[19]

Herbert Feis documented that in consequence, when lending to foreigners, French investors were unable to measure their economic

14. The Near East, "Constantinople Business Letter," November 28, 1913, 112.
15. The Near East, "Ottoman Finances," October 3, 1913, 641.
16. René Pinon, L'Europe et l'Empire Ottomane, 355, and Le Groupement, Les Intérêts Financières de la France, July 1919, 6.
17. Chéradame, La Question d'Orient, 261.
18. Paul Imbert, La Rénovation de l'Empire Ottoman:Affaires de Turquie, Librairie Académique, Paris, 1909, 235.
19. René Pinon, L'Europe et l'Empire Ottoman, 355; Le Groupement, Les Intérêts Financières de la France, 3; and Imbert, La Rénovation de l'Empire Ottoman, 235.

gains carefully and objectively. Their decisions were influenced and/ or controlled by the French government and large financial institutions. Thus, they were directly or indirectly under the influence of sentimental and political developments.[20] For this reason, French capital, both as loans and direct investments, flowed to Latin and Slavic countries. According to one French writer, examining the history of French capital exports is “almost equivalent to writing the history of French political sympathies, rapprochements, vague dreams of influence, alliances in arms.”[21]

That said, French interest in the Ottomans had a longer history than that of other European powers. Ernest Giraud’s booklet that provided a list of French businesses in 1907 [see n1], included numerous small- and medium-sized stores, wholesale and semi-wholesale traders, makers of shoes and saddles, pharmacies, tailors, printing houses, bookbinders, hotels, inns, restaurants, as well as construction and insurance enterprises in Istanbul. There were also large-scale enterprises in mining, navigation, and railways. A number of the small firms had started business in the 1840s and 1850s, although the majority had been established after 1870. Such small French business owners were quite successful as craftsmen, teachers, pharmacists, and the like. “These foreign residents enjoyed to the fullest extent the privileges granted them by the Capitulations and used and abused the rights of their consulates to protect them against Turkish jurisdiction.”[22]

French investments in Anatolian railway construction commenced at a much later date than British, which funded the Izmir-Kasaba Railway in the 1860s. Georges Nagelmackers bought its concession in 1893 and sold it to the French the next year.[23] With generous subsidies and kilometric guarantees given by the Ottoman State, the French pledged to extend this line by 100 km.[24] Nagelmackers also obtained a concession for the Mudanya–Bursa line, which had been constructed by the Ottoman state. Work on this line had stopped for some years because of the 1875 state bankruptcy, but it finally became operational in 1886. Nagelmackers transferred his rights to

20. Feis, The World’s Banker, 50.
21. Ibid; 50.
22. Raccagni, “The French Economic Interests in the Ottoman Empire,” 359.
23. Du Velay, Essai sur l’Histoire Financière, 579.
24. Earle, Turkey, Great Powers, 30. The state pledged to “top up” revenues per km from the totals actually achieved to an agreed sum. Thus, if the kilometer guarantee were 12,000 francs and income per km reached only 7,000, the Ottoman treasury would add 5,000 francs per km to the operating company’s revenues.

the French in 1891 to establish a new company to be run from Paris.[25] Investments in Syria and Palestine accelerated during the 1890s after the Germans started building the Anatolian Railway. The main purpose behind this was to prevent Germany's rise in the Near East and to create French spheres of influence.[26] Protecting the region's Catholics and their clergy also played an important role in traditional French foreign policy. Even the Third Republic's "lay" government did not hesitate to extend financial assistance to French religious schools and to the Jesuit St Joseph University. Such educational efforts and developments of roads and railways certainly benefited the local population.[27] However, according to ambassadors like Ernest Constans (1898–1909), France's main goal was to strengthen its economic interests. Hence, this ambassador's main concern was to protect the privileges of the Ottoman Bank, under French control, to assist French companies' industrial investments, especially those involving railways, and to increase French exports to the Ottomans.[28]

After 1888, French capital flows kept increasing and spread to sectors like banking, insurance, mining, seaports, trade, and railway construction (and operations). Clearly, French investments were not undertaken for purely altruistic motives, as contemporary French authors maintained. Rather, the rationales included:

- investing only when there was a certainty of profits (e.g., securing kilometric guarantees for railroads);
- preempting other countries' investments in certain regions (e.g., obtaining railway concessions in Syria as the Germans started building Anatolian and Baghdad railways);
- reducing or eliminating competition from other Europeans (e.g., the Powers had long negotiations and fights in establishing the Baghdad Railway Company and other consortia);
- facilitating the business and life of her own citizens and traders (investing in public utilities where their citizens clustered, and providing banking and insurance services to French trading or industrial companies);
- opening up and developing economic, cultural, and political spheres of influence, especially in the Ottoman Arab provinces.

25. Du Velay, Essai sur l'Histoire Financière, 615.
26. Feis, The World's Banker, 208 and 334.
27. Raccagni, "The French Economic Interests in the Ottoman Empire", 366–7.
28. Fulton, "France's Extraordinary Ambassador," 685.

Railways

Sultan Abdulmecit (1839–1861) and the European-educated statesmen of the Tanzimat (Reform) Period wanted railroads, as they had seen in Europe, built in their country. However, Ottoman government and business groups lacked the capital and the expertise this new transportation system required. Thus, railway building was left almost entirely to outsiders. Concessions given to foreign investors provided monopolies for operating the lines they built for a contractual period. The government guaranteed sufficient profits and agreed to provide operating companies with certain sums for every kilometer built. Although very burdensome for the state treasury, these obligations helped the development of a vast railway network that would have been impossible otherwise. In 1893, in his yearly report to Ottoman rail bondholders, Sir Vincent Caillard, the British delegate to the Council of the Public Debt Administration (PDA),[29] gave assurances about the Ottoman government's goodwill, and pointed out that (1) operational kilometric guarantees were only payable on the portion of the railways opened to traffic, and (2) the liabilities in connection with them would come gradually into force. If all presently granted concessions were carried out in five to six years, the most important railways would probably be earning the amount guaranteed, and the value of the tithes[30] in many districts traversed by the new lines would have been greatly enhanced, thus providing the government additional revenue to offset the guarantee payments. Caillard added that the government held a "wise view" in agreeing guarantees for new railroad construction because those previously confirmed had been noticeably "lightened by the returns from the railways themselves."[31] However, in 1896, when the state's financial difficulties increased due to "disturbances in various parts of the empire," and the guarantee payments reached almost 750,000 OL, Caillard anxiously stated that the Turkish Treasury was in no position to stand such a drain.[32] Moreover, on other occasions this kilometric

29. PDA was established after the bankruptcy of the state to service the Ottoman government's debt. The council of this administration was made up of the representatives of the debt holders. The British and the Dutch together were represented by one member. The French, German, Austrian, and Italian bondholders had one representative each.

30. Tithes here were a form of taxes on those using public or crown lands, usually paid in kind as a percentage of produce, or in cash as a proportion of rents/leases. Lands adjacent to railways should, Caillard increase in value and productivity, thus providing the Ottoman state with a funding increase.

31. The Economist, "The Turkish Railway System," November 4, 1893, 1313.

32. The Times, "Sir Vincent Caillard's Special Report on the Ottoman Public Debt," November 26, 1896, 9.

guarantee system was criticized for reducing incentives for railroad administrations to work hard to increase traffic and revenues. Since they were relieved of the risk of loss, managers, at least in some cases, did not worry whether or not freights or fares covered operating expenses.[33]

During the Tanzimat Period (1839–1876), a new system of government and bureaucracy was created. Under this approach, economic and social councils, composed of retired experts, senior bureaucrats and distinguished men, advised the government on various policies and legislation. One of these was the Council on Public Works, which included several Europeans among its members. A Cahier des Charges, prepared by this Council for the concession of railways, was reported by The Times in November 1858. The Cahier detailed, in six chapters and eighty-six paragraphs, "as minutely as possible, the plan and concession of railways, of the manner of maintaining and working them, of the length of the concession, of the caution money, the guarantee, the rates, the regulation of the railway service, and diverse other matters connected with the subject."[34] Although The Times' correspondent found it unappealing to European capitalists, he admitted that this elaborate code ordered everything "so beautifully" that the Turkish government might have constructed railways wherever it pleased.

In Anatolia, the Mudanya–Bursa line, previously built by the Ottoman state, was sold to the French in 1891. The construction of the railroad from Mudanya on the Marmara Sea to Bursa started in 1873 with an imperial decree from Sultan Abdulaziz. A committee consisting of generals and colonels was assigned to control the project. The leveling and grading stage took about a year. Thereafter, the inspection of the rails to be laid was assigned to two French contractors, Laporte and Miribel.[35] They were to complete the railway construction plan prepared by the Austrian engineer Wilhelm von Pressel. Due to financial difficulties, the construction progressed slowly and came to a halt with the state bankruptcy. Yet, to complete the line only an additional few thousand francs would have been sufficient.[36] The Ottoman State had spent 4,200,000 francs for this 42-km railway. Sixteen years later, in 1891, Georges Nagelmackers, president of Wagon-Lits, obtained a ninety-nine-year concession to extend and operate this line to Çitli, for which he paid only 500,000

33. The Economist, "The Oriental Railway—Nisch-Uskub and Salonica," November 2, 1912, 905.
34. The Times, "Turkey", November 17, 1858, 8.
35. Karal, Osmanli Tarihi, vol. VII, 270.
36. Du Velay, Essai sur l'Histoire Financière, 615.

francs.[37] Nagelmackers promptly established the Société Ottomane du Chemin de Fer Moudania-Brousse (Moudania-Brousse Ottoman Railway Company). This company that became operational in 1892 had its headquarters in Istanbul but its administration in Paris, and the majority of its capital was in France.[38] (This short line and other railroads, are shown on Map 1).

The Ottoman government's desire to have a railroad that could carry troops from Istanbul to Salonica was well known to European diplomats and capitalists. The French authorities did not pass up this opportunity. With an 1892 imperial decree, René Baudouy, banker for the French Embassy in Istanbul, succeeded in obtaining a ninety-nine-year concession for such a railway line. Its construction (510 km, parallel to the sea) was completed in 1896. The Ottoman State had pledged a guarantee of 15,500 francs per km. The tithes from the Sanjaks (administrative areas) of Gumuljina, Serez, Drama, and Dedeagach were offered as collateral. Salonica's tithe had already been pledged as collateral for the German-built Salonica–Monastir line, thus was unavailable.[39] The Ottoman PDA regulated the procedure for the guarantee payments to be made to the company. The Société du Chemin de Fer Ottoman Jonction Salonique-Constantinople (Salonica–Constantinople Junction Railway Company), founded as an Ottoman joint stock company, had its headquarters in Paris, like others. Due to sea transportation competition, the railway's revenues remained limited, and the kilometric guarantee deficit was covered by the tithes.[40] This line had a strategic importance, and hence, was heavily subsidized. In 1901, its gross receipts were only 3,534 francs per km, so the government had to pay a guarantee amounting to 11,900 francs per km.[41] A large section of this line, as well as of the lines of the Oriental Railways lines, owned by the Ottoman State and operated by the Bank of the Oriental Railways, remained outside of the Empire after reverses in the Balkan Wars of 1912–1913.

Local entrepreneurs obtained concessions to build railways in Syria, but until the 1890s they did not follow up. In 1888, Youssouf Navon Efendi obtained a seventy-one-year concession for example,

37. Morawitz, Les Finances de la Turquie, 391. According to Du Velay, this amount was 680,000 francs (Du Velay, Essai sur l'Histoire Financière, 615).

38. Morawitz, Les Finances de la Turquie, 391–2, and Karal, Osmanli Tarihi, vol. VII, 270.

39. Du Velay, Essai sur l'Histoire Financière, 555–8.

40. Eldem, Osmanli Imparatorlugu'nun Iktisadi Sartlari, 98.

41. The Times, "Railways in Turkey," September 20, 1902, 4.

but did not have the necessary capital. He convinced Bernard Collas, Director of the Ottoman Lighthouses Company, to invest, and in 1889, transferred the concession to the Société du Chemin de Fer Ottoman de Jaffa à Jérusalem (Ottoman Railway Company from Jaffa to Jerusalem). The real purpose of this line, unlike those oriented to carry merchandise, was to shuttle the large numbers of non-Muslim pilgrims, visiting the Holy Land, from the Port of Jaffa to Jerusalem.[42] A Swiss subcontractor firm completed the 87-km line in 1892, and an Ottoman Greek subject had directed its technical department. Sadly, due to construction errors, the line closed in 1894. Later, even though the problems were not totally eliminated, it began operations under new management.[43] The French owned all the shares and bonds issued by this company, but as there were no government guarantees, it did not reward investors.[44]

In the spring of 1890, Joseph Moutran obtained a concession to run a steam-powered tramway (streetcar) between Damascus and Havran (Museyrib). Later, with French and Belgian capital, the Société Ottomane des Tramways de Damas et Voies Ferrées Economiques en Syrie was founded. In another case in 1891, Hassan Beyhoum Efendi, a Beirut notable, obtained a ninety-nine-year concession for a railway operation between Beirut and Damascus. With French capital, he established the Société Anomyme Ottomane de la Voie Ferrée Economique de Beyrouth à Damas. The company's intention was to lay rails on the Beirut–Damascus road. In 1892, these two companies merged.[45] Their capital of ten million francs consisted of twenty thousand shares worth 500 francs each. The shareholders of the Beirut–Damascus Road Company were given twelve thousand of these shares in return for their rights in the previous company.[46] In 1893, with a new decree, Birecik on the Euphates (Firat) was the last point on the line to be added. The company increased its funding base by issuing ten thousand more shares, and transferred its Moutran concession to a new firm launched in Paris under the aegis of the Ottoman Bank, with Swiss and Belgian banks also participating.

42. Thobie, Intérêts et Impérialisme Français, 158.

43. Hecker, "Die Eisenbahnen in der asiatischen Türkei", The Economic History, ed. Issawi, 250.

44. Thobie, Intérêts et Impérialisme Français, 160, and The Times, "Railways in Turkey," September 20, 1902, 4.

45. Pech, Manuel des Sociétés Anonymes, 86–7, and Thobie, Intérêts et Impérialisme Français, 165.

46. According to Thobie, number of shares was twelve thousand five hundred (Thobie, Intérêts et Impérialisme Français, 166). But, Pech reported the number of share in this deal as 12,000 (Pech, Manuel des Sociétés Anonymes, 87).

Despite several technical and financial problems, the Damascus–Havran and the Beirut–Damascus lines were completed. Concessions were obtained to extend the line to Hama and Aleppo via Rayak and to connect Homs to Tripoli-in-Syria. The Rayak–Hama line became operational in 1903 and the Rayak–Aleppo and the Tripoli–Homs lines were in service by 1906 and 1911, respectively.

At this point, the French claimed that the Baghdad Railway and its extensions were damaging the Hama–Damascus line even though the Ottoman State had not yet given permission for the Hama–Aleppo line. However, with the intermediation of Constans, the French Ambassador in Istanbul, a concession was granted in 1900 for the construction of the Rayak–Hama line to placate the French who were indignant about handing the Baghdad Railway to the Germans.[47] The kilometric guarantee that was fixed at a maximum of 12,500 francs was raised by an additional 2,500 francs until the connection with the Baghdad Railway was completed. In 1905, the kilometric guarantee for this entire line was fixed at 13,600 francs.[48] Later, in 1901 and 1908, disagreements arose during the construction of the Hejaz railway, which was totally built by the Ottoman State. The Government wanted to unite the Hejaz line with the Damascus line and purchase the section between Damascus and Muzeyrib. However, when the French company demanded an exorbitant price, the Hejaz Railway Company decided to remain independent. In 1902, the Hejaz Railway Company bought an uncompleted line with only 8 km built that the British had worked on between 1892 and 1898 and later abandoned. The Ottoman firm started to construct a railway parallel to that of the French. In 1902, the French asked to be indemnified arguing that the Hicaz Railway was creating losses for them by diverting passengers to the new line. After wrangling, which lasted until 1905, the Ottoman state had paid an indemnity of 3,400,000 francs to the French, in addition to giving them the permission to build a railroad between Hama and Aleppo.[49]

Banks and Insurance Companies

During Sultan Abdulaziz's reign (1861–1876), seven foreign banks did business in the Ottoman domains.[50] The most important, no doubt, was the Ottoman Bank. As foreign trade increased after the

47. Fulton, "France's Extraordinary Ambassador," 692–3.
48. Pech, Manuel des Sociétés Anonymes, 87–8.
49. Hecker, "Die Eisenbahnen in der asiatischen Türkei," The Economic History, ed. Issawi, 253.
50. Du Velay, Essai sur l'Histoire Financière, 189–210.

1838 Commercial Agreement, a British merchant and investor group wanted to establish a bank that would facilitate free trade, and in 1856, they founded the Ottoman Bank with British capital. However, the Ottomans had expectations well beyond the stated purpose of the bank. The State expected the bank to perform duties such as mediation on behalf of the Ottoman government's loans. In fact, in a society where people did not trust others for the safekeeping of their money, deposit banking had not taken roots. Nevertheless, this bank opened up a branch in Izmir a month later, and another one in Beirut soon after. The bank earned adequate revenues from its commercial activities, but still declared that there was a need for a state bank and the requirement for British and French capital became evident. In the end, when this bank was liquidated in 1863, giving way to the Imperial Ottoman Bank (La Banque Impériale Ottomane, BIO),[51] the shares of British and French investors remained more or less the same. Though headquartered in Istanbul, control rested with two committees in Paris and in London.

Until the end of the 1880s, the BIO served as a state bank. As the British lost their clout for political reasons, the French acquired the majority of the Bank's shares and the Paris committee dominated its administration. In the 1890s, when the Ottoman economy showed a sustained increase in output and commercial activities and foreign banks from other countries displayed interest in the Ottoman Empire creating competition, the BIO opened many branches, beyond having offices in Istanbul and other large commercial centers. By 1914, there were fourteen branches in Roumelia, forty-three in Anatolia, two on the Aegean Islands, four in Cyprus, fifteen in Syria, four in Iraq, two in North Africa, two in Arabia, and three in Egypt, in addition to the central office and two other branches in Istanbul.[52]

The other major banking institutions in Istanbul during Sultan Abdulaziz's reign were mostly joint ventures linking British, French and local, so-called Galata bankers who operated in Istanbul.[53] The

51. Eldem, Osmanli Imparatorlugu'nun Iktisadi Sartlari, 160 and Pech, Manuel des Sociétés Anonymes, 111–2.

52. Clay, "The Origins of Modern Banking in the Levant," 610. The BIO continued to serve as a state bank of the Turkish Republic. However, it had to drop the word "imperial" from its name in 1925. When the Turkish Central Bank was established in 1931, it simply became a foreign commercial bank. When the share prices had fallen during the War, speculative investors were able to acquire large amounts of shares. The French Finance Ministry played a role in the acquisition of these shares by Banque de Paris et des Pays-Bas in 1920. This group sold its African and Middle Eastern branches (outside of Turkey) to Grindlays Bank in 1969. The Ottoman Bank operating only within the borders of Turkey was sold to a Turkish holding group, and merged with Garanti Bankasi in 1996.

53. Du Velay, Essai sur l'Histoire Financière, 200–1.

Société Générale de l'Empire Ottoman was established in 1864 by the Ottoman Bank and some Galata bankers, with a capital of two million pounds sterling. Only six thousand five hundred of the hundred thousand shares were marketed in Istanbul where the headquarters was located. The BIO's office in London had the responsibility of selling twenty-six thousand five hundred shares to the British investors. The remaining shares were distributed among the founders with only twenty-four thousand shares kept as founders' shares. In addition, forty-three thousand ordinary shares were also reserved for the founders. Its major purpose was to underwrite the government's internal and external loans. Although quite successful in its earlier years, this company was liquidated at the end of its predetermined term, in 1893.[54] A similar establishment was Crédit Générale Ottoman, founded in 1868 by the Société Générale de France and Tubini and Sons of Istanbul. The company was the major underwriter of Treasury bonds, but it ceased to exist in 1899. Banque de Constantinople commenced in 1872 with a capital of one million pounds sterling, supplied by British, French and local Galata bankers. In 1894, it merged with the Société Ottomane de Change et de Valeurs, also founded in 1872. The latter had a similar shareholding structure, and a capital of 600,000 pounds sterling. It, too, was liquidated in 1899.[55]

Crédit Lyonnais that opened its first office in Istanbul, in 1874, was the most important French bank before World War I. In 1896, it offered branches in Izmir, Jerusalem, Jaffa, Alexandria, Cairo, and Port Said.[56] Moreover, French banks arranged credit syndicates for the Ottoman state loans. Between 1881 and 1914, they performed or directed twenty-four of thirty-four important operations.[57] The Banque d'Orient, funded in Athens with French capital (1904), was active in the important centers of the Ottoman Empire: Izmir, Salonica, Alexandria and Cairo. It also had representatives in Monastir, Mitilini, Serez, Manisa, and Bergama.[58] The Crédit Foncier d'Orient of France, established in Istanbul in 1910 with a seventy-five-year concession, was generally in the mortgage lending business.[59]

54. Ibid; 200.
55. Ibid; 202–3.
56. Clay, "The Origins of Modern Banking in the Levant," 593.
57. Jacques Thobie, "Les Banques Etrangères," Système Bancaire Turc, ed. J. Thobie and S. Kancal, 1995, 14.
58. Pech, Manuel des Sociétés Anonymes, 1911, 153.
59. Ibid; 137, 328. In 1888, the Banque de Salonique was founded as an Ottoman joint stock company with the participation of three banks, from France, Austria, and Hungary, as well as businessmen from Salonica. In 1911, it had branches in Istanbul, Monastir, Cavalla, Skopje (Üsküb), Edirne, Beirut, Dedeagaç, Drama, Samsun, Yenice and Izmir. Its initial capital of 2,000,000 million francs rose to 5,000,000 francs in 1905. The headquarters of the bank moved to Istanbul in 1912, due to the loss of Salonica to Greece during the Balkan War.

At the beginning of the twentieth century, foreign banks in the Ottoman Empire went through a transformation that placed three types of activities in the limelight. These were (1) conditional borrowing, (2) the creation of industrial enterprises through partnerships with other foreign bankers, and (3) the establishment of financial groups aiming to support the industrial firms of their host country.[60] The lending countries did not want their funds to be used for purchasing equipment from other countries and granting of concessions thereto. They would openly state: “the money you borrow from us can only be used to purchase our goods or to grant concessions to our investors.” The banks of the creditor countries proceeded according to this policy. The French and the Germans would denounce each other for this “conditional lending.”[61] However, national teamwork benefited everyone on the nation’s team.

On the other hand, when it suited their interests they could enlist investors from various countries to realize an industrial enterprise. For instance, the BIO had wanted to establish the Istanbul Port Company to run the port of Istanbul as a joint Anglo-French venture. The Deutsche Bank provided financial support for the Anatolian Railways and the Baghdad Railways while the BIO arranged the provision of the tobacco monopoly to a French firm La Régie Cointéressée des Tabacs de l’Empire Ottoman. Foreign banks in the Ottoman Empire did not only offer their standard banking services, but also intrigued for shares of the ruins, once the Empire collapsed. While they made large profits in promoting the trade of their home country, “[n]one has worked with singleness of purpose for the prosperity of Turkey—that has always remained an incidental consideration.”[62]

In insurance, though the British were the first comers, the French eventually overtook them. According to a report prepared by the French Chamber of Commerce in 1907, eight French companies were represented in the Ottoman Empire and seven others by non-French agencies.[63] One of the more prominent, L’Union, had started its fire insurance activities in 1891, and by 1900 had made an inroad into life

60. Thobie, “Les Banques Etrangères,” 19.
61. Feis, Europe the World’s Banker, 127–30.
62. Ravndal, Turkey: A Commercial and Industrial Handbook, 226.
63. Giraud, La France à Constantinople, 225. La Confiance, Compagnie d’Assurances Générales Maritimes Française, La Foncière, Le Phénix, L’Urbaine, La Mutuelle de France et des Colonies, La Mutuelle Lyonnaise and La Nationale, had agencies in Istanbul. French companies represented by non-French agents included, L’Abeille, La Caisse Paternelle, La Célérité, La Paternelle, La Populaire, L’Union, and L’Union et le Phénix Espagnol.

insurance, opening offices in the major Ottoman cities.[64] The first full-fledged insurance company in the Ottoman Empire was established with foreign capital. With an Imperial decree (firman) of April 1892, the Ottoman General Insurance Company received a thirty-year concession for the insurance and reinsurance of risks related to fire, transportation and life both within and outside the Ottoman dominions. Its 1893 establishment involved a partnership of the BIO, the tobacco monopoly (La Régie de Tabacs) and the Ottoman PDA.[65] The BIO branches spread throughout the Empire and the offices of the Régie des Tabacs acted as agencies for this company. The Ottoman General Insurance Company joined with the forty-three foreign insurance companies in the Empire so as to streamline insurance procedures. By 1900, they all started charging fixed insurance fees. Their secretive operations and price fixings made these firms very profitable despite all the risks and damages they encountered.[66] During World War I, the Ottoman government was instrumental in transferring British- and French-owned shares of Ottoman General Insurance to the Austro-Hungarian Assicurazioni Generali, operating in an allied empire.[67]

Ports and Docks

In the nineteenth century, even the most important Ottoman ports could not meet the rising volume of trade, which led foreign merchants to promote improvements. The oldest important French company in the Ottoman dominions was l'Administration des Phares de l'Empire Ottoman, a lighthouse builder and operator. Marius Michel, a French sea captain, who sailed the Ottoman seas in the mid-nineteenth century, noticed that lighthouses were scarce and poorly maintained. He convinced French authorities to act fast, lest the British take the initiative. Napoleon III promptly sent delegates to the Sublime Porte for discussions and negotiations. With a treaty signed in August 1855, the Ottomans established a lighthouse administration, Direction

64. Pech, Manuel des Sociétés Anonymes, 248.

65. Kazgan et al., Cumhuriyetin 75 Yillik Sigortacisi, 56, and Pech, Manuel des Sociétés Anonymes, 257.

66. Ravndal, Turkey: A Commercial and Industrial Handbook, 190.

67. Generali Sigorta, available at http://www.generali.com.tr/kurumsal/tarihce/html (Accessed January 24, 2007). This company continued its insurance operations under its new name, Istanbul Umum Sigorta Sirketi (Istanbul General Insurance Company) until it was sold in 1979.

Générale des Phares, which Michel headed. This administration, tasked to build lighthouses across the Empire, erected thirty-six on the Black Sea and the Dardanelles, plus four at the mouth of the Danube. As Director General Michel recognized that this was a profitable undertaking, he negotiated with the State to establish a new company.[68] Subsequently, he and a friend came to the capital in August 1860 and obtained an initial lighthouse building/operating concession from the Ottomans. Later, he secured a second concession in 1884, and a third in 1899. Thus, a French commentator said, "he makes France feel proud of the services he rendered to navigation in Turkish waters."[69]

In 1867, the British obtained a concession for expanding the docks of Izmir, but the French actually constructed and operated the port. Three British subjects, John Charnaud,[70] Alfred Baker, and George Guarragino contracted with the Ottoman government for building and operating the quay.[71] But, the company founders were unhappy with their British engineers. The French consul general in Izmir, Marquis de Moustier, recommended the Dussaud brothers to John Charnaud, as they had a great reputation in seaport construction. When legal and financial problems discouraged the founders, they ceded the company to the Dussaud brothers in 1869.[72] Less than a year after the docks started operating, disagreements arose between British merchants and the company, for it charged full fares to British merchants while offering a 50 percent discount to French and German traders.[73] The British, who had to incur higher transportation costs, realized that they were facing unfair competition. The UK's Chamber of Shipping asked its government to bring pressure on the Porte to end the French dock company's concession. During the early 1880s, with British pressure, the Porte mandated charging the same fees to all concerned, after more than a decade of discrimination.[74]

The ports of Istanbul, Beirut, and Salonica were also largely built with French capital. In 1879, Marius Michel secured another concession, this time for the construction and operation of the ports on both sides of the Golden Horn entrance, Galata and Stamboul. The British ambassador in Istanbul objected to Michel Pasha's new project

68. Thobie, Intérêts et Impérialisme Français, 148–9.
69. Giraud, La France à Constantinople, 176–7.
70. The Charnaud family members, who came to Izmir from France in 1827, later became British subjects. Jean Charnaud was naturalized in 1862.
71. Pech, Manuel des Sociétés Anonymes, 188.
72. Thobie, Intérêts et Impérialisme Français, 134.
73. Kurmuş, Emperyalizmin Türkiye'ye Girisi, 201–2.
74. Ibid; 203.

(and perhaps to his assertive new name), continuing antipathies voiced earlier about his lighthouses.[75] The British saw several hitches about "the great Michel quay scheme". The Manchester Guardian (January 2, 1880) reported an intrigue among some Ottoman officials for nullifying the most sensitive privileges of the concession. First of all, it would be impossible to estimate the cost of such a gigantic project until the work began. Even if the government ceded its right to the foreshore, of great value to the concessionaire, there still existed difficulties in building up land from seaways at the Golden Horn's entrance. Although the Izmir quay scheme had, in the end, turned out to be a financial success, once the Dussaud brothers reclaimed much valuable land from the sea to be used as building sites, this would not be possible in Istanbul. The water of the Golden Horn was too deep and its bottom was unsuitably treacherous for infilling in front of existing property/shorelines. Moreover, it would be necessary to destroy valuable property for the port construction on a site where expropriation was most difficult. Unless the Great Powers favored the scheme, the project would encounter many difficulties.[76]

Since Istanbul was a large port of entry not only for its neighboring regions, but also for the Balkan Peninsula and Asia Minor, and for traders as far as Persia, the project was recognized as potentially profitable by both the concessionaire and the adversaries. However, the work was delayed until Michel Pasha received a new concession in 1890, forming la Société Anonyme Ottomane des Quais, Docks et Entrepôts de Constantinople in 1891.[77] Apparently, the Company was registered in June 1894. The concession included: [78]

1. Construction and operation of quays on both shores of the Golden Horn's entrance;
2. Establishment of customs warehouses and free docks with a privilege of issuing their own warrants;
3. A steamboat service to carrying merchandise and passengers within the concession zone;
4. Installation of tramways along the quays;
5. Utilization (by selling) of the land reclaimed from the sea, when not affecting the public services.

75. Thobie, Intérêts et Impérialisme Français, 162–4, and Thobie, L'Administration Générale des Phares, 40–1.
76. The Manchester Guardian, "The Greek Question and Mediation of the Powers", January 2, 1880, 7.
77. Thobie, Intérêts et Impérialisme Français, 162.
78. Pech, Manuel des Sociétés Anonymes, 1911, 179.

The company would provide over 10 percent of its gross operating revenues to the Imperial government. It had 36,000 common stock shares authorized (at 500 francs each), with 6,000 outstanding, for a total worth of 18,000,000 francs. It also issued 11,750 preferred shares (worth 500 francs each) amounting to 5,875,000 francs. Thus, the total capital was 23,875,000 francs.[79] In 1895, some 13,000,000 francs worth of shares remained outstanding, and the share value belonging to Michel Pasha was 6,000,000 francs. However, by this time, the company needed 29,500,000 francs to carry out the promised construction. Since the general manager and the main partners did not want to issue new shares, the company had to borrow. When BIO refused a loan, the company approached a local banker, L. Zarifi, supported by Crédit Lyonnais, which was involved in issuing the bonds. The company was able to raise 11,000,000 francs. A part of the Galata quays opened to business in February 1895. The rest of the Galata quays began work in March 1896, but difficulties also began arising.[80]

In 1900, the Société des Quais, Docks et Entrepôts de Constantinople claimed that, since it was not allowed to enjoy all the rights and privileges conferred by the concession, the Ottoman government should purchase the quays at a certain price.[81] According to Tahsin Paşa, the court chamberlain of the Sultan, the company wanted to be relieved from the unprofitable parts of its concession.[82] French Ambassador Constans supported his close friend, Felix Granet, the Quays Company's managing director. Granet wanted to realize a hefty profit by selling both its property and its rights. Ambassador Constans urged the Ottoman government to purchase the company for sixty-nine million francs, an amazing sum.[83] The Porte finally agreed to a purchase for forty-one million francs in September 1901.[84] It did not have the funds to complete the transaction, and agreed to pay an indemnity of 25,000 OL to maintain the status quo for one year until it mustered the required sum.[85] The government was not able to carry out this transaction in later years, defeating Granet's exit strategy.

79. Ibid; 180.
80. Thobie, Intérêts et Impérialisme Français, 164.
81. The Times, "France and Turkey," 9 September 1902, 3.
82. Tahsin Paşa, Abdülhamit ve Yildiz, 177–8.
83. Fulton, "France's Extraordinary Ambassador," 693–4.
84. Ibid; 694.
85. The Times, "France and Turkey," September 9, 1902, 3.

Urban Services

The introduction of modern urban services to major Ottoman cities was not generally carried out by local enterprises. Instead, the French, British, Germans, Belgians, and other Europeans generally strove to extend urban services to their compatriots and make money from the construction and operation of these facilities. La Compagnie des Eaux de Constantinople (the Constantinople Water Company) was charged to provide water to Pera (Beyoglu) and the European side of the Bosphorus. The master of ceremonies of the Palace, Kâmil Bey, and an engineer Ternau Bey, obtained a concession in 1874, to create and operate a company that would bring water from Lake Terkos. The war with Russia, and the death of Kâmil Bey substantially delayed the implementation of the concession. Still, Ternau Bey succeeded in getting government approval for his firm in 1882, capitalized at twenty million francs.[86] By 1885, the company was able to provide water, albeit partially, and became profitable.[87] Yet this firm, which started to provide water in 1891, did not operate ethically. To increase the number of its customers, it asked the state to close heavily used public fountains in certain areas and even submitted reports to the government that they were health hazards. The company actually threatened to cut off the area's water supply, which would have left the government in dire straits.[88]

The BIO led the efforts to illuminate Beirut, which was becoming an important city, with street gaslights and to provide public utility gas. In 1885, Alexandre de Girardin, having obtained a concession for producing and distributing manufactured (coal) gas, founded La Compagnie du Gaz de Beyrouth. With the plant rapidly constructed, the pipes were laid in a year, and the first city illumination appeared in March 1888. The BIO appointed three of the seven board members; Moussa Freige, a banker from Beirut, represented Ottoman shareholders. However, usage was low and this company consistently incurred losses.[89] A French investors group reported in 1919 that when the company could not pay interest on its bonds because of the

86. Pech, Manuel des Sociétés Anonymes, 203. La Société Générale de l'Empire Ottoman, Camondo and Company, La Banque de Constantinople, the Oppenheim-Alberti Company, La Banque d'Escompte de Paris, La Banque de Paris et des Pays-Bas, La Société Générale pour Favoriser le Developpement du Commerce et d'Industrie en France et des Pays-Bas and the A.-J. Company were among the partners.

87. Thobie, Intérêts et Impérialisme Français, 141–2.

88. Kazgan, Osmanli'dan Cumhuriyet'e, 132.

89. Thobie, Intérêts et Impérialisme Français, 189–92.

difficulties caused by the Balkan Wars, its debts were restructured under the supervision of l'Office National des Valeurs Mobilières.[90]

The BIO also helped created the first Ottoman tramway (street car) company. In 1869, the Ottoman government gave a concession to Konstantin Karapanos, a Greek Ottoman businessman, to build and operate a horse-drawn tramway line in Istanbul. The BIO and its affiliated company, the Société Générale de l'Empire Ottoman, as well as three notable Galata bankers, Avram Camondo, Hristaki Zografos Efendi, and Yorgi Zarifi, were among the founders of the Société des Tramways de Constantinople. The initial capital of the company was 400,000 OL.[91] The first line started in 1871, and ten years later, in 1881, the concession was extended until 1918 for the building of two new lines. As the shares were generally sold in France, by the end of the century, the part of the capital contributed by the French rose to 3,700,000 francs.[92] In 1906, the operating period was further extended to 1993, to sustain adding four new lines.[93] This last agreement provided the firm with a concession to operate electrical tramways. However, the British-owned Metropolitan Railway of Constantinople from Galata to Pera Limited, maintained that the concession to operate electrical tramways belonged to them, and virulently opposed this scheme, stating that it would demand compensation. The government asked the two companies to strike an agreement. Finally, the Metropolitan Railway Company and the Société des Tramways resolved the electric tramway dispute, delivering, as of January 1910, the right to operate electric tramways to the Société des Tramways de Constantinople. A year later, the Société des Tramways bought the British Metropolitan Railway for 95,000 pounds sterling, raised by issuing 5 percent bonds, using the Metropolitan Railway's assets as collateral.[94]

Mining

Ottoman mining was in its infancy during the early twentieth century. A reason for this was surmised to be the paucity of capital and the

90. Le Groupement, Les Intérêts Financier de la France, 33.
91. Thobie, Intérêts et Impérialisme Français, 188–9.
92. Ibid; 189.
93. Kazgan, Osmanli'dan Cumhuriyet'e, 88.
94. Kazgan, Osmanli'dan Cumhuriyet'e, 88, and Kayserilioğlu, Dersaadet'ten Istanbul'a Tramvay, 145, and The Times, "Sale of the Metropolitan Railway of Constantinople", June 28, 1911, 23.

negative attitude of the government toward foreign enterprises in such areas. If low-cost large scale extraction and production coupled with efficient transportation to seaports were to be realized, however, Asia Minor could turn into one of the major mining centers of the world.[95] The Société d'Héraclée was founded as a joint stock company with French capital in 1896, using a fifty-year concession previously given to S. E. Yanko Bey Joannidés.[96] Somehow, the concession changed hands, before a final transfer to a French syndicate led by Count Vitali.[97] This company, with the BIO's support, would not only construct the mine installations, but also build a port at Zonguldak, together with a railway line connecting the mines to the port. However, the company did not achieve the prosperity it expected, and by 1906, sought the support of experienced Count Vitali and the BIO for monopolizing the Heraclea basin's coalfields. Claiming that the company had encountered official obstruction in its operations, managers wanted the Porte to settle its demands, which included a clarification of property titles, the introduction of a customs service at Zonguldak, and a payment of sizable indemnity.[98] When the Porte resisted, the French Foreign Ministry closed the Paris money market to the Ottomans until the Heraclea Company's demands were met. Moreover, the BIO also refused advances to the Ottoman Treasury. Constans, on April 21, 1908, gave the Porte an ultimatum demanding an immediate settlement, and on May 5, sent the ambassadorial ship with a contingent of marines to Zonguldak. "These strong-arm tactics and a liberal distribution of bakhshish" soon showed their effects.[99] On May 18, the French Embassy received a written communication from the Porte confirming a settlement with the Heraclea Company "in accordance with the demands contained in Constans's Note of May 5."[100] Constans immediately informed the French cabinet about the satisfactory resolution of the problem.[101]

Following the Young Turk Revolution of July 1908, the new leadership was unhappy with the country's economic dependence on Europe, and especially the manipulations by companies such as the BIO and the Tobacco Régie. The new government indefinitely

95. The Near East, "The Mineral Wealth of Turkey—Undeveloped Resources of the Empire," June 21, 1911, 156.

96. Pech, Manuel des Sociétés Anonymes, 163.

97. The Times, "A Franco-Turkish Difference," May 9, 1908, 9.

98. Fulton, Bruce, "France and the End of the Ottoman Empire," 155–6.

99. Ibid; 156.

100. The Times, "The Heraclea Mines Question," May 27, 1908, 9.

101. The Times, "France and Turkey. Heraclea Mines Dispute Settled," May 20, 1908, 7.

postponed the implementation of the Heraclea (May 18) Iradé. Ambassador Constans had already been called “Mr. Twelve Percent” by some Turkish officials before the Revolution. Evidently, he expected his business associates to pay him a significant percentage of the value of the deals he was involved in. He was also known as “Mr. Eighteen Percent” by the British Foreign Office.[102] When an official circular and a Turkish newspaper wrote how much a “certain” ambassador profited from the Heraclea Mines affair, Constans demanded an official apology.[103] Still, the company was responsible for 52 percent of coal production between 1908 and 1911, though it did not pay its workers enough for a decent living, while supporting foreign engineers and managers generously. Since its sole purpose was to increase profits, it did not try to safeguard the mines and reduce waste.[104] The company continued to extract coal during the First World War.[105]

French capital also played a leading role in the establishment of the Société Anonyme Ottomane des Mines de Balia-Karaidin, a major investment to produce silvery lead (i.e., galena or lead sulfide) in Balikesir and lignite in Mancilik. When an 1878 concession to a Frenchman was revoked due to an 1885 disagreement, the concession transferred to the Banque de Constantinople, belonging to Zarifi, Sultan Abdulhamit’s banker and to the Laurium Factories.[106] The company was able to increase its net profits six-fold between 1901 and 1908.[107] In 1900, French investors chartered the Société Anonyme Ottomane des Mines de Karasou, following an 1898 concession for mining silvery lead and zinc in the Karasu village in the Izmit subprovince (sanjak). The initial capital (3,200,000 francs) was raised to 5,600,000 francs in 1906.[108] Another French firm sought to extract

102. Fulton, “France’s Extraordinary Ambassador,” 688.

103. The Times, “French Ambassador and the Committee,” May 30, 1909, 6, and Fulton, “France’s Extraordinary Ambassador,” 701.

104. Eldem, Osmanli Devleti’nin Iktisadi Sartlari, 49.

105. When the Ottoman Empire was defeated during the War, her lands were occupied by the Allied countries, and even in the unoccupied regions, there were plans for not leaving the resources in the hands of the Turks. With the Treaty of Sèvres (which was not accepted by the Turkish nationalists who founded the Turkish Republic in 1923), Italy secured all concessions for exploiting coal in the Heraclea basin. However, the rights of the Heraclea Company would be respected by the Italian Government (Mears, Modern Turkey, 640–1). After the establishment of the Turkish Republic, the Company was allowed to produce coal until it was nationalized by the Government in 1937 (Conker, Redressement Economique, 86–7).

106. Pech, Manuel des Sociétés Anonymes, 156.

107. Eldem, Osmanli Devleti’nin Iktisadi Sartlari, 54-55, and Pech, Manuel des Sociétés Anonymes, 158.

108. Pech, Manuel des Sociétés Anonymes, 167-8.

pitch and bitumen at Seniçer in the Province of Janina (Yanya). After the Ottoman Bank obtained a twenty-five-year concession in 1885, the Société des Mines de Sélénitza was founded in 1891 by Portelin, a Parisian notary (notaire). The Ottoman Bank represented this Paris-headquartered firm in Istanbul.[109] Early nineteenth century borax discoveries in Sultancayiri, near Bandirma led eventually to an 1867 French concession for mining development. Twenty years later, the Charles Hanson, Desmazures and Groppler Company took it over.[110] In addition, the Ottoman state regularly ceded to foreign companies the right to operate mines that belonged to the public domain. Of these, the French operated the Ergani copper mine, the Akdag zinc mine, and the Bolkardagi silvery lead mine.[111] Later the Bolkardagi mine was operated by the German owned Frankfurt Mine Company followed by the British owned Smelting and Refining Company.[112] The only hurdle outside investors encountered was the fierce competition among themselves. By 1910, the foreign firms owned more than two-thirds of the coal, chromium, copper, and other mines in the Ottoman Empire.[113]

Industry and Trade

It seems that the most important company in the industrial and trade sectors was the tobacco monopoly, founded through the 1881 Muharrem Decree when the lending countries established the Ottoman PDA to manage tax collection (including the tobacco revenue), which secured debt payments.[114] As for tobacco, the profits that could result from its exploitation through a régie (monopoly

109. Ibid; 171.

110. Ibid; 173.

111. Le Groupement, Les Intérêts Financiers de la France, 29, and Mears, Modern Turkey, 371.

112. MTA, “Umumi Maden Durumu,” 270.

113. Owen, The Middle East in the World Economy, 198.

114. Article 8 of the Decree stated: “The Government cedes in an absolute and irrevocable manner, as of January 1/13, 1882 and until the complete repayment of the above-mentioned debt, the revenues from the tobacco and salt monopolies, produced or consumed in the provinces of the Empire, enumerated in the list annexed to the Convention of November 10/22, 1879 and attached to this Decree, excluding cigars, snuff, and chewing tobacco, imported tumbeki [tobacco used in narghiles] and excepting the dime and tobacco customs duties.” Article 9 stated: “As for the monopolies of tobacco and salt, the Government would not oppose in principle that arrangements be made to exploit the salt through a régie [monopoly firm] except when there is a prior agreement between the Government and the PDA.”

firm) would be shared between the State, the lenders, and the operating company, subject to conditions to be determined among the interested parties. In fact, the PDA fully realized that the six taxes which guaranteed payment of the debt were increasing and that the tobacco monopoly would be a profitable business.[115] The opportunity to establish a tobacco products firm fell to a Frenchman, Monsieur Devey.[116]

The BIO, the main concession holder, the Kreditanstalt group of Vienna and the Bleichröder group in Berlin set up the Société de la Régie Cointéressée des Tabacs de l'Empire Ottoman in May 1883, with an initial capital of 100,000,000 francs (4,400,000 OL), half of which was already paid in. The other half was to be obtained later with the approval of the Ottoman State and the PDA. In return for the thirty-year concession, the company was to pay the PDA 750,000 OL annually in three installments. Then the company would pay shareholders an 8 percent dividend its paid-in capital. Any residual earnings would be divided among the Ottoman State, the PDA, and the Régie in proportions that would change according to the level of the earnings, the state's share rising from 30 percent (at a half million Ottoman liras) to 75 percent should this final profit pool exceed two million Ottoman liras[117]

As the company suffered losses during its first three years, the paid-in capital fell by 20 percent, to 40,000,000 francs or 1,760,000

115. Morawitz, Les Finances de la Turquie, 281–2. It is very difficult to calculate, or even reliably estimate, the amount of FDI in areas such as industry and trade. The business list of the French Chamber of Commerce in Istanbul (La France à Constantinople, 1907) contains the addresses of hundreds of stores and small businesses. However, sources showing foreign investment concentrate on large firms for which information was easy to obtain, and skip or neglect the smaller firms. The Ottoman city records and yearbooks do not seem to be that reliable either. Most firms are not to be found in these records. Industrialists from Lyons and Marseilles had set up factories for silk production in Syria since the 1840s. (Raccagni, "French Economic Interests," 365.) However, no information documents conditions of work, capital invested, or production, and exports. City records may indicate that a foreigner obtained permission to establish a steam-powered factory, and yet, omit whether this business became operational. Articles in contemporary newspapers discuss factories running under modern management principles, that is, detailed information on a spermaceti (whale oil) candle factory established in 1896 in Istanbul with French technology and capital, but which closed shortly thereafter due to the introduction of urban gas and electrical lighting technologies. In 1898, a Monsieur Tavernier established a match factory in an Istanbul suburb. While it used modern production techniques, it lasted for only a short period. (Kazgan, Osmanli'dan Cumhuriyet'e, 152–7, and 122–7.) These short-lived enterprises are not included in calculating total foreign capital.

116. Kazgan, Osmanli'dan Cumhuriyet'e, 104.

117. Du Velay, Essai sur l'Histoire Financière, 503–4.

OL in 1889. Moreover, to meet possible extraordinary losses, a reserve fund was created and the distribution of earnings was temporarily rearranged.[118] Even so, shareholders continued to get their 8 percent dividends while the founders received 5 percent returns. The PDA provided the necessary funds.[119] Between 1890 and 1895, profits steadily increased and the total returns paid to shareholders rose to 18.5 percent. In 1889, the dividend had been thirteen francs per share, or 6.5 percent, but it rose to 20.5 francs, or 10.25 percent, by 1895.[120] Part of the reserve fund was generously distributed to the shareholders. This raised serious doubts about the company's financial policies; the Régie also grossly inflated storage, production, and sales costs to artificially reduce its profits.[121]

To prevent "illegal" tobacco cultivation (without permission from the Tobacco Régie), the monopoly provided good quality seed and advance payments to farmers, selected employees according to merit, offered technical advice, and educated specialists to improve quality and productivity. It established a comprehensive administrative system, created new processing and storage units, and opened agencies in production regions far from these centers. The main factories, outside Istanbul, were in Samsun, Adana, Izmir, and Manisa in Anatolia as well as Beirut, Damascus, Aleppo, and Jaffa in Syria and Palestine.[122] In Lebanon and Crete, the Régie's monopoly right was limited to gathering the production tax (müruriye) previously collected by the state. The government also gave up the import taxes it collected on tobacco products like cigarettes, cigars, and snuffs as well as dues from granting permissions for tobacco processing in addition to the consumption tax (beyie).

The Régie was unlike tobacco monopolies in other countries. It played a major role in the Ottoman economy and continued its importance even after the Republic of Turkey came into being. It paid its employees high salaries and even more to its top level administrators. Foreigners and Ottoman subjects alike perceived it as a desirable place to work. Besides paying high salaries, the company also provided traveling expenses and paid leaves to its European managers—above European standards. Even the branch managers, who numbered more than a hundred, earned more than the Ottoman prime ministers.[123] While creating employment for some, the Régie

118. Pech, Manuel des Sociétés Anonymes, 30–2.
119. Kazgan, Osmanli'dan Cumhuriyet'e, 107.
120. Thobie, Intérêts et Impérialisme Français, 188.
121. Shaw and Shaw, History of the Ottoman Empire, 233.
122. Thobie, Intérêts et Impérialisme Français, 182.
123. Kazgan, Osmanli'dan Cumhuriyet'e, 108.

obstructed a significant proportion of the population from making a livelihood through tobacco production and sale. A great many farmers, cigarette producers, workers, bankers, and merchants lost their jobs and incomes.[124] The Régie was one of the PDA's most important organizations. Its presidents or vice-presidents were all foreigners, also working for the BIO, the railway companies, or the foreign banks. These organizations' close connections facilitated the PDA's mission of constantly protecting foreign interests in the Ottoman Empire.[125]

The Régie was never on good terms with the Ottoman government or the people who earned their living through tobacco, for Ottoman tobacco cultivators found themselves under the control of a foreign agent that even collected taxes from them. The Régie would extend permission for the cultivation of tobacco, provide credit, and buy the crop. Like any monopoly, the Régie held profits above everything else, thus bought the crop at rock bottom prices, and even demanded a 5 percent interest for the loans, though this was not stipulated in the concession agreement. Farmers who could not make ends meet had to grow and sell tobacco "illegally". In some regions, "illegal" buyers would pay the double or triple the Régie price.[126] To prevent such smuggling, the company created its own police force and demanded that the Ottoman gendarmes also fight the smugglers. Although the Government and the Sultan reluctantly accepted this demand, the governors of provinces where tobacco was grown generally refused to cooperate. In 1889, the Régie acquired three cruisers to use against external smuggling along the Ottoman coast. Because of high maintenance costs, this fleet was liquidated in 1896.[127] Nonetheless, during the fourteen years following the establishment of the Régie, there were approximately two thousand persons died each year during skirmishes between the Régie forces and the smugglers.[128]

In 1890, Nuri Bey, a Régie employee, sent a report to the Ottoman Palace. It detailed the company's monopolistic policies, such as falsely showing earnings at levels much lower than actual, thus reducing payments to the State. The report also indicated the abysmal prices paid to the cultivators, many of whom were left with no choice but smuggling.[129] Parvus Efendi studied the Régie during the last

124. Quataert, Social Disintegration, 15–8.
125. Blaisdell, European Financial Control, 222–3.
126. Quataert, Social Disintegration, 24.
127. Thobie, Intérêts et Impérialisme Français, 188.
128. Quataert, Social Disintegration, 34.
129. Ibid; 34.

years of its concession. He found that its real capital was above the 1,760,000 OL, and the huge difference between that and the real figure was recorded as security funds secretly. According to the agreement, should the company's capital exceed 2,200,000 OL, the dividends paid to the shareholders would decline from 8 percent to 7 percent.[130] Despite all these problems, in 1913 the Régie's concession was extended for another fifteen years with no changes in its capital. The amount paid annually by the Régie to the PDA rose from 750,000 OL to 800,000 OL, and the dividends paid to the shareholders fell from 8 percent to 6 percent. No important changes were made in the distribution proportions of other earnings.[131] The Régie continued to operate during the First World War in spite of irregularities in tobacco production and scarcity of fuel to power its cigarette factories.[132]

In 1891, the Ottoman Government granted a concession to the Vicomte Georges de Zogheb for an exclusive right for twenty-five years to import and sell tumbeki (tobacco for nargile/water pipes) in the Empire. In 1892, the Vicomte founded a joint stock company in Paris; the Société du Tombac had an initial capital of five million francs. In addition to the monopoly payment for each year, the company was to pay the government an entry duty calculated in the following way: 3 gold piasters per kg during the first nine years, 4 per kg in the following nine years, and 4.5 during the final seven years, with a minimum payment of 40,000 OL each year.[133] Following some difficulties, the company was reorganized in 1897, with the helping hand of the BIO, as an "Ottoman" company, in return for reduced customs duties. Its capital was increased to 12.5 million francs.[134]

On the retailing side, the Etablissements Orosdi-Back (EOB) started in 1855 as a family business with an Istanbul store, not in Europe as is sometimes thought. Eventually the company's headquarters moved to Paris where it registered in 1888.[135] In addition to its famous department stores in the Empire (Istanbul, Izmir, Salonica, Philippopoli, Cairo, Alexandria, and Tantah), it also operated in Paris, Vienna, Tunis, and Bucharest. Reorganized in 1895 as a joint-stock company, it had purchasing offices in Lyon, La-Chaux-de-Fonds, Manchester, Birmingham, Bradford, Vienna, Milan, Chemnitz,

130. Parvus Efendi, Türkiye'nin Mali Tutsakligi, 219.
131. The Near East, "Turkish Tobacco Monopoly," August 1, 1913, 375.
132. Ökçün, Osmanlı Sanayii, 65–6. Tobacco Régie was nationalized in 1925 when the Republican Government of Turkey decided to create a state monopoly (Conker, Redressement Economique, 108–9).
133. Pech, Manuel des Sociétés Anonymes, 253.
134. Thobie, La France et l'Est Mediterranéen, 249.
135. Kupferschmidt, European Department Stores, 21.

and Barmen.[136] In 1908, the EOB reported that its imports into the Ottoman Empire in the previous year had made up 5 percent of the country's total. French investors held 80 percent of its equity and bonds, with the rest essentially in Austro-Hungarian hands.[137] According to Thobie, the company was the third largest French commercial company in the Ottoman Empire in 1914.[138] During the Greek occupation of Salonica in 1912, which turned out to be permanent, the majority of the city's population had to leave, chiefly Jews and Turks. They were partially replaced by an influx of Greeks. The EOB store manager, who became worried, made arrangements with the French government to protect the store, and sent the account books and some merchandise to Üsküb (Skopje), also under attack by the Serbs but apparently considered safer than Salonica.[139]

Foreigners not only constructed hotels but also operated them. The most famous of these was the Pera Palace Hotel in Istanbul, built in the spring of 1893 by the Compagnie Internationale des Grands Hotels, a part of the Orient Express train operations owned by Georges Nagelmackers, the Liège financier.[140] Moreover, the French owned at Beyoglu (Pera), the Grand Hotel Français et Continental and the Grand Hotel des Colonies.[141] Many small entrepreneurs worked as

136. Pech, Manuel des Sociétés Anonymes, 268.

137. Thobie, La France et L'Est Mediterraéen, 251. Thobie estimates that the British Oriental Carpet Manufacturers Company with majority of shares (worth fifteen million francs) owned by the French, became the largest commercial enterprise by French investors. The second one was the Société Immobilière de Constantinople (with a capital of 12.5 million francs), while the EOB came third (with a capital of 12 million francs).

138. Thobie, Intérêts et Impérialisme Français, 475. During the First World War, the company was able to minimize the negative effects of the war because of its large stocks in the local warehouses. It is difficult to find information about the troublesome years after the Armistice. One learns that the Izmir store, the only one left outside Istanbul in Turkey, suffered a big loss, when the defeated Greeks and Armenians set the city on fire in 1922. Because of the limitations on imports as a part of the new import substitution industrialization policies, and the declining purchasing power of the Turkish people, the store lost business. The Izmir store was liquidated in 1932. The Istanbul store survived until 1943 when it was sold to Sümerbank to become a store for domestic products. The Egypt stores had prevailed for a long time under a local name (Omar Effendi) until they were bought by the Egyptian Government in 1958. In Tunis, the stores were taken over by the government in 1955, and in Iraq, Orosdi-Back was purchased by the government and became Iraq Stores Ltd in 1961 (Kupferschmidt, 49–51).

139. Kupferschmidt, European Department Stores, 33–4, and Salmon, L., Carrière de Louis Salmon aux Ets. Orosdi-Back, available at http://papymac.free.fr/Louis_EOB.html (Accessed May 27, 2009).

140. Yenal, Bir Kent: Istanbul, 250.

141. Giraud, La France à Constantinople, 29.

subcontractors in the seaports, railways, and the urban services. For instance, a Frenchman P. Augier had businesses in the harbors of Zonguldak, Haydarpasa, and Bandirma, whereas Albert Pottier constructed Bursa's sewerage system.[142] One twentieth century novelty was the consultancy firm. The Société Franco-Ottomane d'Etudes Industrielles et Commerciales, established in Paris in 1908 aimed at studying and obtaining relevant concessions for industry, commerce, and real estate, as well as public works–related activities in the Ottoman Empire. Two other new firms joined the consultancy business a couple of years later. They were the Société Générale d'Entreprises dans l'Empire Ottoman and the Syndicat Industriel et Commercial Ottoman. The capital of these three consultancy firms was, respectively, 2.5 million francs, 4 million francs, and 1.2 million francs.[143]

As the British investors turned away from the Ottoman markets, French investors and government members showed readiness to fill the gap. The Oriental Carpet Manufacturers Company, established in 1907, a British merger of six major carpet manufacturers in the region, fell under French influence a few years after its creation. Three French managers and an increasing number of board members with French names were in place after 1911.[144] Initially, the company's shares were quoted in Galata (Istanbul) and London. But the demand by French investors was so high that quoting the shares in the Paris Bourse was proposed. This step was very seriously debated by Finance Minister Klotz, Minister of Foreign Affairs Poincaré, and France's Istanbul Ambassador Bompart, before new shares of the company were eventually listed in 1912. It is estimated that 60 percent of the Oriental Carpet Manufacturer's shares were traded in France on the eve of the First World War.[145]

Although the British invested in agricultural projects, especially during the 1860s, to develop cotton, olive oil, cereals, and fruits production, they were not very large investments. When the crown lands (lands belonging to the Sultan) were confiscated by the Government in 1909, after the Constitutional Revolution, an opportunity for the State arose for selling or exploiting large chunks of these lands through concessions given to foreigners. In 1912, the Ottoman government, by an Imperial iradé, authorized a French group to exploit parts of Çukurova, a fertile southern region. Paul de Lesseps and Baron Florent Evain de Vendeuvre had already made an

142. Ibid; 33.
143. Pech, Manuel des Sociétés Anonymes, 311, 316, and 325.
144. Thobie, La France et l'Est Mediterranéen, 253.
145. Ibid; 253–4.

agreement in 1911 for establishing “Syndicat d’Adana.” In April 1912, a convention was signed by the Ottoman Finance Minister Nail Bey and Baron de Vendeuvre and his associate for operating the Imperial farms of Çukurova. According to the contract, the company would grow wheat, barley, sesame, cotton, and leguminous vegetables on 63,000 hectares of land. In these ominous days before the outbreak of the war, it was not possible to start this project.[146]

Concluding Remarks

FDI flows into the Ottoman Empire arose for both political and economic reasons. The European countries that had experienced the Industrial Revolution needed raw materials from peripheral regions and new markets for their mass-produced goods. The Ottoman Dominions were one such market, offering both ample raw materials and readiness for manufactured products. To facilitate their trading activities, foreigners had to build roads and ports and primary commodities-producing facilities such as farms and mines. Such forms of direct investment led to investments in services such as banking and insurance, and even consulting, as well as retailing activities. Although earlier railways were constructed for purely business considerations, the Baghdad Railway, finally built by the Germans, created acrimonious political bickering that lasted for years. The French acquisition of the British railways also involved political motives. The Société du Chemins de Fer Ottoman Jonction Salonique-Constantinople was established two years after the German Salonica-Monastir Railway with the political purpose of not leaving the Balkan railways totally under German influence. Vast Ottoman lands with their enormous resources lay ready for exploitation by western capital and technical skill. After 1881, the PDA, administered by representatives of foreign bondholders, controlled Ottoman financial policy and supervised several direct investments. The PDA council tried to keep domestic order in the Ottoman Empire while encouraging railway construction and other investments that would increase its revenues. In Earle’s words: “One must feed the goose which lays the golden eggs.”[147]

146. Thobie, La France et l’Est Mediterranéen, 227–42. It seems that the French-German rivalry in railway development was carried into other investments as well. The Germans undertook a series of irrigation works in the Konya plain in central Anatolia, following an agreement between the Ottoman Government and the Anatolian Railway Company, the work carried out between 1908 and 1913 by a Frankfurt-based company. (See The Near East, “The Konia Irrigation Works,” September 19, 1913, 577–8, and Suleiman Sirri Bey, “Irrigation,” in Modern Turkey, ed. Mears, 275–6.)

147. Earle, Turkey, Great Powers, 18.

The BIO that was virtually controlled by the French at the end of the nineteenth century was also instrumental in directing investments into certain activities to be carried out by certain groups. Political aspirations played a more pronounced role especially near the turn of the twentieth century, when the end of the Empire seemed imminent. France, like other powers tried to increase her political influence. She targeted certain parts of the Empire, notably Syria, to get her share of the sick man’s estate by increasing her direct investments. The French share of the FDI in the Ottoman Empire, about 32 percent in 1888, had risen to more than 45 percent just before the First World War.

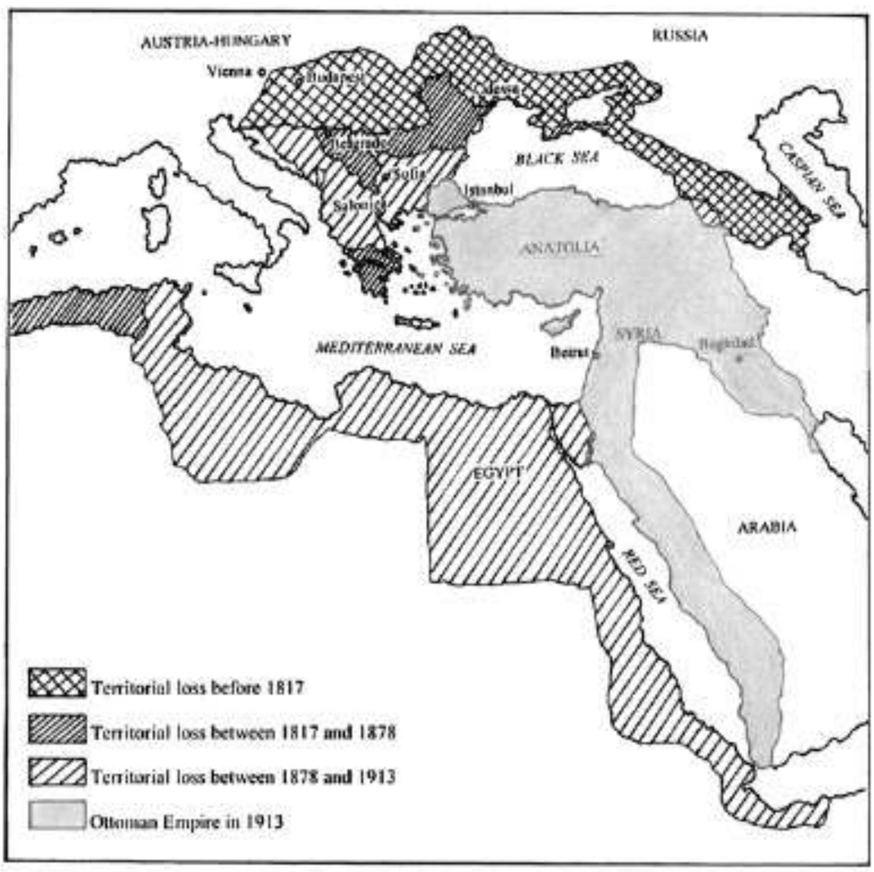
Among all direct investments, railways probably had the longest and the greatest impact on the economy. As the Ottoman government lacked adequate capital and technology for building railroads, such investments had to be left to foreigners. Realizing the importance of infrastructure developments, the Government granted concessions to foreign investors to build and operate lines sustained with government guarantees. Revenues of the provinces the railroads went through had been set aside for guarantee payments—agreed-upon sums for every kilometer built and minimum profit guarantees after lines were opened to traffic. Although burdensome for the state treasury, these obligations helped develop a vast railway network that would have been impossible otherwise. In the long run, the railways would benefit the country more than they profited investors. However, their home countries’ producers and providers of steel parts, engines, and other materials also benefited significantly.

Just after the Constitutional Revolution in 1908, the political risk for foreign firms increased. At the end of that year, the Bulgarian Principality declared complete independence, the Austro-Hungarian Empire announced the annexation of Bosnia and Herzegovina, and the Great Powers arranged the annexation of Crete by Greece, creating border changes, population displacements, and numerous inconveniences for railways operating in the Balkans. A greater upheaval struck with Italy’s sudden attack on the Ottoman province of Tripolitania in 1911. While this war continued, the Balkan states, using this opportunity and with Russian backing, declared war against the Ottomans in 1912. These wars led to the closure of lighthouses on all shores, even those of the Red Sea, and mine laying in the Dardanelles and the Gulf of Izmir. In spite of such growing political risks, the French, like other foreigners, kept trying to enhance their investments in the Empire. It seems that during this period, political motives outweighed economic considerations. The loss of Ottoman territory created new host countries for the firms operating in these lands. Yet, a great majority of French investments remained in lands controlled by the Turks until the end of World War I.

Appendix

Map 1. Railways in the Ottoman Empire (1914)

Map 2. Territorial Change of the Ottoman Empire



Maps prepared by the author.

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