

OTTOMAN TRADE RELATIONS IN THE 19th CENTURY

Anar Muradov¹

Received Date (Başvuru Tarihi): 6/11/2018

Accepted Date (Kabul Tarihi): 4/12/2018

Published Date (Yayın Tarihi): 17/12/2018

ABSTRACT

Keywords

Ottoman Empire,
Europe,
Trade,
19th century

Ottoman Empire's location and, especially Istanbul, was one of the important cities both for the Ottoman State and Europe due to trade routes and commercial transactions. The present study will focus on the trade relations between the Ottoman State and Europe in 19th century, and aimed to demonstrate the consequences of various trade transactions conducted by the state in the 19th century. While the Ottomans benefited from commercial transactions, the present paper claims that trade relations and contracts, especially, in the 19th century, created economic problems in the Empire. The negative consequences had adverse effects on the economic development of the Ottoman State in the 19th century. The aim of the present study is to demonstrate that Ottomans benefited from the reforms and commercial activities in the short term, however suffered negative consequences in 19th century as observed in history.

19. YÜZYILDA OSMANLI TİCARET İLİŞKİLERİ

ÖZ

Anahtar Kelimeler

Osmanlı İmparatorluğu,
Avrupa,
Ticaret,
19. yüzyıl

Osmanlı İmparatorluğu'nun konumu ve özellikle İstanbul, ticaret yolları ve ticari işlemlerden dolayı hem Osmanlı Devleti hem de Avrupa için önemli şehirlerden biriydi. Bu araştırma makalesi, 19. yüzyılda Osmanlı Devleti'nin Avrupa ile ticaret ilişkilerine odaklanacak ve bu makale, 19. yüzyılda devlet için çeşitli ticaret işlemlerinin sonuçlarını gösterecektir. Osmanlılar ticari işlemlerden yararlanırken, araştırma makalesi özellikle 19. yüzyılda ticari ilişkilerin ve sözleşmelerin İmparatorluk için ekonomik sorunlar yarattığını iddia ediyor. Olumsuz sonuçlar, 19. yüzyılda Osmanlı Devletinin ekonomik gelişimine engel oldu. Bu yazının amacı, Osmanlıların kısa vadede reformlardan ve ticari faaliyetlerden yarar sağladığını, ancak 19. yüzyılda bir tarihte gözlemlendiği gibi olumsuz sonuçlara yol açtığını göstermektir.

Citation: Muradov, A. (2018), Ottoman Trade Relations in the 19th Century., ARHUSS, (2018), 1(3): 120-129

¹ Researcher, Nagoya University, Nagoya, Japan

Lecturer, International School of Economics (ISE), Azerbaijan State University of Economics (UNEC), Baku, Azerbaijan

Lecturer, Department of Economics and Business, Azerbaijan University, Baku, Azerbaijan

anar.muradov1987@gmail.com, anar.muradov@kdis.ac.kr, muradov.anar@e.mbox.nagoya-u.ac.jp, <https://orcid.org/0000-0002-5259-4424>, +817039824667

1. INTRODUCTION

The Ottoman Empire's geographical location and the benefits of the state due to commercial transactions were under the attention of European countries because of the fact that its location and trade improved the economic and societal conditions in the Ottoman state during the 16th and 17th centuries. The Ottoman Empire was the ultimate patrimonial state due to the use of political and military power exclusively by the sultans. The trade routes in Black and Marmara seas were under the strict control of the state since these were great income sources for the treasury.

In late 18th century, the United Kingdom and France had huge impact on the economic development in the Ottoman Empire. The Ottomans faced negative consequences during the 19th century after increasing high government debt and fiscal deficit. There were several reasons for that kind of problems during that period such as England's growth after the industrial revolution, political and economic interests of the UK and France in Ottoman Empire, high volume of manufactured goods imports from Europe, and increasing debt, which flew from Europe to the Ottoman State. Consequently, the Empire became a European semi-colony, because the Ottomans were economically dependent on those countries. This dependency was behind the economic collapse of the Ottoman State during the 19th century.

Although the Ottoman State was successful in its trade relations during 16th century due to custom duties and increased budget revenues induced by trade routes, its trade relations with Europe in the 19th century were a game played by the UK and France in order to weaken the economy of the empire. It was a type of international political game, which led to a huge budget deficit in the empire because of the imports and loans from the industrialized world.

Why did Ottoman economy suffer during the 19th century? It could be suggested that one of the answers was the industrialization and trade revenues of the UK and France. Furthermore, the Ottoman state experienced political and economic difficulties, which in turn led to a social, commercial and economical downturn.

Some other factors should also be considered in order to understand the total outlook of the problems. These factors may include the internal problems, increasing military costs, etc. Furthermore, it was also suggested that it would be possible to

understand these problems and make new efforts in order to scrutinize the economic stagnation in the 19th century.

2. LITERATURE REVIEW

Studies in the literature acknowledged that Ottoman Empire had advantages in the 15th and 16th centuries in international trade due to the fact that it controlled Black and Marmara seas. Most urban centers in Arabia, India and Europe traded through the Bosphorus and paid customs clearance fees to the Ottoman Empire. However, after the late 18th and early 19th century, Ottomans encountered significant problems and budget deficits because of the trade with industrialized England, France and also Germany. Furthermore, Russia's presence in the Caucasus, and political and economic developments in Russia affected Ottoman State's power in the region. These countries were politically and economically motivated to diminish the power of the Ottoman Empire in the region. The increasing Ottoman international debt made the nation dependent on the big industrialized European powers and it led to the slow collapse of the Ottoman Empire. The economy of the state started to stagnate after a long period of increasing debt obtained from foreign countries.

Sevket Pamuk (2004) reported that the Ottoman Empire was at the crossroads of the intercontinental trade that covered several geographical regions such as Balkans, Black Sea, North Africa, etc. He considered that Ottoman trade relations in 15th and 16th centuries were positive since the empire benefited greatly due to its commercial partners and custom duties. This geographical factor was a powerful advantage in order to benefit from international trade and boost its economic power via the high level of trade relations with other European and Middle Eastern countries. Trade was one of the factors that increased the monetization within the Ottoman state. Certain European states were uneasy about Russian expansionism, and, therefore, increased their commercial relations with the Ottoman Empire. Russian threat was one of the influential factors, which led Europeans to push Ottomans to create more stable monetary policies in order to boost the economic development in the Ottoman Empire. Later on, Ottoman Empire abandoned debasements and accepted coinage system in the 19th century. Ottoman Empire faced a significant financial crisis in the 19th century, and Ottoman Bank was forced to seek help from British and French banks. Author demonstrated that Ottoman policies regarding banking relations with Europeans negatively affected the economic system. The Ottoman

banking system's dependability on French and British banking systems started to increase, which in turn led to more government debts in the Ottoman state. Therefore, increasing debt to European nations adversely affected the Ottoman economy and the banking system, and other sections of the economy started to stagnate during the 19th century because of their dependency on European counterparts.

According to Mesud Kucukkalay and Numan Elibol (2006), Ottoman Empire started to face financial crises after the late 18th century, and trade policies were the factors for the deterioration of the economic system. Initially, the Ottomans supported imports to maintain steady supply of commodities. The exports were reduced, which in turn disturbed the Ottoman merchants. Additionally, contraband trade increased due to the discouragement of the exports during that period. Increasing military expenditures also affected the foreign trade relations from the 19th century. Ottomans also faced trade transformations during the 19th century. Expensive wars slowed down the economy and internal production and it led to an increasing demand for European goods. The imports from industrialized Europe also affected price stability and inflation was rampant during that period. Ottomans found new trading partners such as Austria and Russia in order to import cheaper products.

Biltekin Ozdemir (2009) argued that Ottoman Empire was well developed not only in terms of trade, but also in other section of the government such as politics. Ottoman Empire was even quite competitive with other European states between the 16th and 18th centuries. Ozdemir mentioned that this continued mainly until the 19th century. The Ottomans started to face various commercial, economic, military and political downturns. In order to prevent economic stagnation, the Ottomans signed free trade agreements with European powers for reducing the budget deficit and boosting the economy. One of the famous agreements was signed in 1838 (Treaty of Balta Limani) with England. Later on, similar agreements were signed with France, Norway, Belgium, etc. These agreements aimed to reduce the tariffs on imported goods in order to decrease prices in the Ottoman State. Nevertheless, these agreements had adverse effects on the Ottoman Empire. Ottomans did not have foreign debt when they signed the agreements. The public debt started to increase after the enactment of these agreements due to several reasons such as problems in the banking system, Crimean war, etc. The author demonstrated that trade agreements led to Ottoman dependency on Europeans, and, additionally, increased the

government debt, which turned the Ottoman Empire into a market for industrialized European goods.

Abdunnur Yildiz (2007) had negative perspective on the trade agreements signed during the 19th century. These agreements improved the economic and political interests of the European states on the Ottoman Empire in order to increase their own economic profit. The political influence of the Europeans on the state increased since they had the financial power to influence the internal political and economic processes in the state. Industrialization of European states improved their economic and political power. The Ottomans' development lagged behind and could not compete with the above-mentioned states. The reasons were Crimean war, increasing military expenses and the expenses of the palace. As a result, the Ottoman Empire sought ways to boost the economy, which ultimately led to the signature of trade agreements with the European states. Government debt increased, the economy stagnated further, and all domains in the Ottoman Empire were affected adversely.

The trade agreements, signed in the 19th century, were detrimental to the state and increased government debt continuously. Hence, the economic and political system of the Ottoman state stagnated gradually as a result of the agreements. It was considered that the contracts and agreements signed with European states would increase the exports and decrease the prices. These agreements had negative results and impeded the development of the Ottoman Empire.

3. DISCUSSION

Ottoman Empire experienced trade benefits due to the fact that Istanbul was central to most trade operations at the time. These operations included Mediterranean, North African, and Arabian trade. Thus, Ottoman financial resources improved and the economy grew via commercial taxes and customs clearance duties during the 16th and 18th centuries. However, expensive wars, increasing expenses, internal problems, suppressing the exports and favoring the imports and traditionalism led to more economic difficulties in the Ottoman State from the late 18th century. Furthermore, European influence was also rampant during the 19th century due to their interest to turn the Ottoman State into a European marketplace. This was due to the fact that England, France and other European nations were more technologically and economically

advanced. They desired to have a political influence on internal and external policies in the Ottoman State.

A vital issue that should be raised is how the European countries were successful in gaining advantage via the 19th century trade agreements. More specifically, what were the disadvantages of the trade agreements signed with European nations for the Ottomans during the 19th century?

The industrial revolution provided advantages for European states to develop their economy and technology, which were used to take control over other parts of the world. Primarily, England and France gained economic and political powers. European countries became the largest exporters, importers and influential investors in the global market during the 19th century. Later on, the Ottoman Empire was their main target in order to develop their economic and political presence in the Middle East.

Ottoman State was the perfect market for England because certain European states already had other alternatives in order to cope with the fierce competition with England. Due to this fact, England increased its influence on the Ottoman market. Ottoman Empire produced several commodities, which were required by the West such as cotton, wool and other industrial raw materials. The Ottomans could not compete with the West economically. Thus, the trade agreement signed with England in 1838 (Treaty of Balta Limani) was one of the main starting points for the Ottoman economical dependency on Europe, because Ottomans were the losing party in trade and did not possess the power to compete with England. The Ottomans planned that the agreement would boost the economy and increase the competitiveness in its market. The result was negative, and the public debt increased periodically. The government was expected to control the illegal trade, which was rampant during that period. Again, this one did not work in favor of the Ottomans. One of the main reasons was that the state did not produce any policies and power to protect itself against foreign economic and political intervention. The dependence of the Ottoman Empire on industrialized Europe had already started. The state did not produce alternative methods to increase financial resources, and the Ottomans wanted to reduce the budget deficit with western loans, which led to more debt. In order to solve the financial problems, the European financial market was the easiest option. The state needed more cash and loans from industrialized foreign competitors. In

short, long term loans were more attractive for the government to solve the economic problems and cover the expenditures.

Furthermore, the Empire attempted to enact new reforms during the 19th century in order to boost the economy and endure the competition in trade. Ottomans started to build new factories in early 19th century. However, these were not successful since the European products still had comparative advantage over the Ottoman products.

Before the 19th century, the Ottomans imposed high taxes on exports and promoted imports to meet the internal demand. However, in the 19th century, Ottomans started to promote exports due to new reforms. The import duties were raised to protect domestic factories and industries. Although the reforms had advantages such as evading traditionalism and creating a better economic environment, the Ottomans could not compete with industrialized European nations in trade.

The trade agreement signed with England and France in the 19th century did not help the Ottoman State to control the illegal trade and evade economic pressures. In fact, the government debt increased, and the Ottoman market brought significant profits for industrialized Western states. In summary, the Ottomans lost in trade, and the Europeans acquired both political and economic control as a result of the trade agreements during the 19th century.

The political and economic influence of England and France lasted until late 19th century. The Ottomans signed further contracts with and improved economic relations with Germany. Germans acquired further economic power due to the new projects they were awarded by the Ottomans. The economic relations with Germany brought more economic achievements for the Ottoman State when compared to the relations with England and France. Thus, increasing Ottoman-German relations created a better environment for the internal market due to several railway, banking and other investments starting from the late 19th century.

Although the Ottomans signed the agreement with Germans in mid-19th century, its impacts were felt until the late 19th century. German industry was developing, and the Ottoman Empire was the next target in exploring new markets. Furthermore, the next agreement signed between the Ottoman State and Germany in 1890 was a new opportunity for both sides, because it was beneficial for Germany in extending its

economic influence in Balkans and Middle East. It was a better chance for the Ottomans to reduce the economic dependency on England and France.

The trade agreements mainly worked in favor of industrialized western nations. It is not accurate to argue that Ottomans only suffered due to these agreements since they introduced new reforms to develop the tax system and the state infrastructure. Although the government debt increased, new changes were introduced in the economic and political system, which in turn made the empire to endure until the World War I.

4. CONCLUSION

The author realized that 19th century trade agreements signed between the Ottoman Empire and European nations were mainly beneficial to the West due to the industrial advantages of these nations and their political influence empowered the Europeans continuously. Even though Ottomans attempted to reduce the economic problems during the 19th century, trade agreements signed with the West were one of the factors that increased the Ottoman dependency on Europe, especially, on England and France.

As it is observed in history, trade agreements among countries are usually beneficial to trading countries due to reductions in tariffs and other trade barriers. The outlook was different in the Ottoman case. The industrialized countries such as England and France were mainly interested in increasing both political and economic dependency of Ottomans. These countries acquired a significant market share in the Ottoman Empire. They could manufacture better products for less expensive prices, which could enter the market easily. They were also politically motivated to reduce the Ottoman influence in the Middle East. The Ottoman Empire was under economic pressure during the 19th century. After the trade agreements, the Ottoman State encountered a higher debt due to the increasing loans flow from the developed West. For Ottomans, this was the easiest way to reduce the recent budget deficit. Ottoman Empire required financial resources to solve economic problems. European loans had a negative effect on the Ottoman Empire since this influx did not help maintain the Ottoman economic power via the newly established factories. They required more loans to pay back the previous debt, which in turn created more debt in the long term.

The western investment and loans led to the resource flow from Ottoman Empire to Europe. Furthermore, Europeans started to control the internal and external Ottoman

politics during the 19th century. Thus, the trade agreements were the main tools for the Europeans to compete in the Ottoman market and access the Middle East to gain control over the resources in this region.

The agreements signed with Germany in late 19th century increased the competition among the European countries in the Ottoman market. Hence, the Ottoman industry experienced a downturn during that time, resources were mainly explored by the foreign companies, and commercial activities provided more opportunities for the foreigners to boost their profits.

It is true that the Ottoman State was unable to improve the economy using internal sources, because they experienced several military, political, and internal pressures during the 18th and 19th centuries. They needed to remove the trade barriers and introduce more reforms to boost the economy. In fact, this was a better decision during that time, which was one of the reasons why the Ottomans survived until the World War I. The main argument in the present article was that it was difficult for the Ottoman Empire to concentrate on all problems experienced in the 19th century and to balance the economy in the outset of the trade relations with industrialized Europe; furthermore, increasing debt and European competition in the Ottoman market deteriorated the economic system gradually due to western political and economic interests.

Finally, the trade agreements Ottoman State signed with the West were beneficial for the empire for a short term due to increasing debt. The long term consequences were quite negative since western loans and investments decreased the economic and political power of the Empire, and this led to the increasing European influence on the Ottoman Empire and the Middle East.

REFERENCES

- Abdunnur, Y. (2007). "Osmanlı İmparatorluğunun Borçlanmasında Yabancı Sermayenin Etkisi", I.Ü. Siyasal Bilgiler Fakültesi Dergisi, No:37.
- Faroqi, S. (1999). *Approaching Ottoman History: An Introduction to the Sources*. Cambridge University Press.
- Inalcik, H., & Quataert, D. (1994). *An Economic and Social History of the Ottoman Empire, 1300-1914*, Cambridge: Cambridge University Press.
- Issawi, C. (1980). *The Economic History of Turkey, 1800-1914*. University of Chicago Press.
- Ismail, C. (1974), *Türkiye'de Geri Kalmışlığın Tarihi*, İstanbul: Cem Yayınevi.
- Kasaba, R. (1985). Osmanlı İmparatorluğunun Çözülmesi ve Dünya Ekonomisi. *Yapıt*, sayı 10, s. 37-50.
- Kucukkalay, M., & Elibol, N. (2006). "Ottoman Imports in the Eighteenth Century", *Middle Eastern Studies*, Vol. 42, No. 5, 723 – 740.
- Luxemburg, R. (2003), *Social Democracy and the National Struggles in Turkey (October 1896)*. Dresden.
- Masters, B. (1988). *The Origins of Western Economic Dominance in the Middle East*, 1st ed.: New York University Press.
- Onder, D., & Imamoğlu, V. (2014). "Qualitative Analysis of Ottoman-German Commercial Affairs: Before and After the 1890 Trade Treaty", *The Journal of Academic Social Science Studies*.
- Onsoy, R. (1982). *Türk-Alman İktisadi Münasebetleri*. İstanbul.
- Ozdemir, B. (2010). *Osmanlı Devleti Dış Borçları*. 2nd ed. Ankara: T.C. Maliye Bakanlığı Strateji Geliştirme Başkanlığı.
- Pamuk, S. (1978), *Osmanlı İmparatorluğunda Yabancı Sermaye: Sektörlere ve Sermayeyi İhraç Eden Ülkelere Göre Dağılımı (1854-1914)*. Ankara.
- Pamuk, S. (1987). *The Ottoman Empire and European Capitalism 1820-1913: Trade, Investment and Production*. Cambridge.
- Pamuk, S. (1988). *150 Yılında Balta Limanı Ticaret Antlaşması. Tarih ve Toplum*.
- Pamuk, S. (2003). *Ottoman Foreign Trade in the 19th Century*. Ankara: State Institute of Statistics.
- Pamuk, S. (2004). *The Evolution of Financial Institutions in the Ottoman Empire, 1600-1914*. Cambridge.