ANATOLIA AND EGYPT DURING THE NINETEENTH CENTURY: A COMPARISON OF FOREIGN TRADE AND FOREIGN INVESTMENT

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For the economies of the Middle East, the nineteenth century was a period of rapid integration into the world economy. Some of the forces behind this process came from Europe. In the aftermath of the Industrial Revolution, Great Britain and later the Continental economies began to turn towards areas beyond Europe in order to establish markets for their manufactures and also secure inexpensive sources of foodstuffs and raw materials. As a result, European commercial penetration into the Middle East gained new momentum in the 1820s after the end of the Napoleonic Wars. Later, starting around mid-century, commercial penetration began to be accompanied by European investments in the Middle East in the forms of lending to governments and direct investment in railways, ports, banks, trading companies, and even agricultural land. A large part of this investment served to increase the export orientation of the Middle Eastern economies.

The economic history of the Middle East during the nineteenth century, then, can be understood best in terms of the response of the local forces and structures to European penetration and challenge. Two aspects of this interaction might need special emphasis here. First, partly as a response to the growing military and political power of Europe, the central governments in the region undertook a series of reforms to increase their own power. These attempts were facilitated by the availability of new technology in warfare, communications and transport. Secondly, as the economies of the region came into contact with European capitalism, the economic transformation was accompanied by social change and the emergence of new classes.

By the beginning of the twentieth century, patterns of production in the Middle East had shifted considerably. Agriculture had become more commercialized, and a substantially larger part of the agrarian production was being directed towards export markets. Another important long-term trend was towards de-industrialization. In many instances, traditional handicrafts resisted but they were often forced to

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retreat in the face of competition from European manufactures.[1]

An examination of the patterns of foreign trade and foreign investment in this context will help establish the degree to which different parts of the Middle East were integrated into the world economy. Equally importantly, such a comparison might be helpful in evaluating the nature of the response by local structures. Anatolia and Egypt provide a good pair for comparison. In addition to size and population, the broad contours of foreign trade and foreign investment in the two areas were similar during the nineteenth century. These similarities have already been emphasized in the literature. A closer examination also reveals, however, considerable differences. The present article will examine some of these differences.[2]

Foreign Trade

Tables 1a, 1b and 1c provide a summary of the available estimates on the growth of exports and per capita exports from the Ottoman Empire, Anatolia, and Egypt during the nineteenth century. These tables focus only on exports since the volume of volume of exports. It should also be emphasized that neither the figures for trade nor those for population can be considered very precise due to the quality of the underlying data. Nonetheless, these estimates are sufficiently reliable for a comparison of the broad trends for Anatolia and Egypt, especially when they are used together with other evidence.

Even though estimates for the volume of trade before 1840 are less reliable, there is considerable evidence that the external trade of both Anatolia and Egypt began to expand in the 1820s, after the end of the Napoleonic Wars (Owen, 1981, Chapter 3).[3] The volume of this trade both in absolute terms and in relation to overall production was quite low in the early part of the century. As a result, high rates of export growth were not very difficult to attain. In addition, it appears that per capita export levels of the two areas were fairly close during this early period.

Since the expansion of the trade of both areas with western Europe can be traced back to the 1820s, it would be difficult to argue that the Free Trade Treaty of 1838 was responsible for this trend. Instead, the

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1 For the economic history of the Middle East during the nineteenth century, see Issawi (1982) and Owen (1981); also for Egypt, Owen (1969); for Turkey, Issawi (1981a) and Pamuk (1987).

2 For more general comparisons of the economies of Egypt, Turkey, and Iran during the nineteenth century, see Issawi (1970, 1981b).

3 Also for Anatolia, Issawi (1981, Chapter 3) and Pamuk (1984, Chapter 2); for Egypt, Owen (1969, Chapter 6).

Table 1a:
Estimates for Exports from the Ottoman Empire, 1840–1912

Year	Annual exports in millions of British Pounds	Population in millions	Exports per capita in £
1840–42	2.8	12.8	0.22
1880–82	15.2	20.0	0.76
1910–12	26.9	25.4	1.06

SOURCES: In order to maintain geographical unity, the export figures presented here refer to the area within the 1910 borders of the Empire, namely Macedonia, Anatolia, Syria, and Iraq but excluding Arabia. The estimates are based on Pamuk (1987, Appendix 1) and Pamuk (1990, Table 1). Population estimates are taken from Eldem (1970, pp. 52–62) and Issawi (1981, pp. 17–19).

Industrial Revolution in Great Britain and later in Continental Europe should be considered as the primary cause behind the expansion of foreign trade. Nonetheless, the 1838 Treaty proved important in the longer term for both areas. It provided the necessary legal and institutional arrangements such as the abolition of monopolies and temporary restrictions on exports and the reduction in customs duties; and the Treaty made it very difficult for Ottoman governments later in the century to increase tariffs for fiscal or protectionist reasons. In contrast to the earlier period, the foreign trade of the two areas followed rather different paths during the half century following the American Civil War and especially after the 1870s. As shown in Table 1b, exports from Anatolia, measured in current British pounds, barely kept pace with population growth and per capita exports remained roughly unchanged during the three decades before World War I. Measured in volume terms or in constant British pounds, exports per capita from Anatolia show an increase of about 20 percent during the same period. The estimates in Table 1b also suggest that per capita exports measured in current British pounds increased more than threefold between the 1840s and World War I.

Exports from Egypt, on the other hand, continued to increase rapidly until World War I. Approximately speaking, they tripled during the 1860s; and, between the 1870s and World War I, they tripled again. As a result, per capita exports increased approximately tenfold between the 1840s and World War I, as shown in Table 1c. On the eve of the war, per capita exports or per capita foreign trade of Egypt was two-and-a-half times greater than that of Anatolia. It appears that levels of per capita production and income were also higher in Egypt.

Table 1b:
Estimates for Exports from Anatolia, 1840–1912

Year	Annual exports from the six largest ports in British pounds	Estimates for total exports	Population in millions	Exports per capita in £
1840–42	2.2	2.4	8.0	0.30
1880–82	9.5	10.0	11.0	0.91
1910–12	12.8	14.0	14.4	0.97

NOTES: The six largest ports of export are Izmir, Istanbul, Trabzon, Samsun, Mersin, and Iskenderun. Estimates for Istanbul are particularly difficult to obtain. The figures presented here should be treated as no more than crude estimates useful only for establishing the broad trends.
SOURCES: The first column is based on Issawi (1981, p. 82) and Pamuk (1984, p. 35) both of which rely on the Consular Commercial Reports of Great Britain and France. The estimates for total exports are derived from the first column by utilizing Cuinet (1891–94). According to the estimates by Cuinet, the five leading ports excluding Istanbul accounted for 86 percent of all exports from Anatolia in 1890. See Maliye Tetkik Kurulu (1970) based on Cuinet (1891–94). The population estimates are from Eldem (1970, pp. 52–62) and Issawi (1981, pp. 17-19).

Table 1c:
Exports from Egypt

Year	Annual exports in millions of British pounds	Population in millions	Exports per per capita in £
1840–42	1.6	5.0	0.32
1880–82	13.2	8.0	1.67
1910–12	31.5	12.0	2.63

SOURCES: For exports, Owen (1969, pp. 168, 304–7, 376–77) and Crouchley (1936, pp. 173–74). Population estimates are from Owen (1969, p. 35; 1981, p. 217).

However, the differences in per capita incomes were certainly not as large as differences in per capita foreign trade. It would be safe to conclude, therefore, that on the eve of the war, Egypt, in comparison with Anatolia, was distinctly more oriented towards the world markets.

Where do these trends put Anatolia and Egypt in relation to the rest of the world, and more specifically, in relation to what is known today as the Third World ? It appears that rate of growth in commodity exports from Anatolia lagged behind the rate of growth of commodity exports from medium-sized countries in the Third World, especially after the 1870s. On the eve of World War I, per capita exports from Anatolia lagged behind the average for medium-sized countries in Asia, Africa and Latin America. In contrast, and not surprisingly, both the level and rate of growth of per capita exports from Egypt far exceeded the averages for medium sized countries in these areas.[4]

A partial interpretation of these broad trends might now be attempted. For both Anatolia and Egypt, the expansion of exports starting in the 1820s and continuing until the 1870s can be viewed as the relatively easy first phase of export expansion. Since the share of exports in total agricultural production or the share of export crops in total land under cultivation remained rather low, exports could expand at high rates at this early stage. As the share of export crops in total agricultural production continued to increase, however, one would expect that it became increasingly more difficult to sustain high rates of export expansion without large amounts of infrastructure investment and/or changes in the patterns of land ownership, technology, and a reorganization of production process. Without attempting to provide an explanation until later, we would argue that these far-reaching changes did not occur in Anatolia, whereas such a transformation did take place in Egypt.

An important part of this story and a large part of the contrast between the two areas lie, of course, in the commodity composition of exports. In Anatolia, commodity composition of exports remained diversified and relatively unchanged throughout the century. Tobacco, raisins, figs, mohair, raw silk, cotton, and even wheat and barley were the leading export commodities. Only very rarely did the share of any one of these commodities in any given year exceeded 12 percent of the total.[5]

The Egyptian case stands in sharp contrast. In Egypt the importance of cotton increased steadily throughout the century. Until the 1860s, share of cotton in Egypt's total exports averaged about 30 percent. During the 1860s, the so-called Cotton Famine, caused by the American Civil War, gave a new impetus to cotton production and exports. After the 1860s, share of cotton in Egypt's total exports rose to more than half and ultimately to more than 90 percent after the turn of the century. Egypt's specialization in cotton exports was so extreme that while total exports tripled between the 1870s and World

[4] Per capita exports from medium sized countries in Asia, the Middle East, Africa, and Latin America during the years 1860–62 and 1910–12 are compared in Pamuk (1987, pp. 140–41).

[5] Based on Pamuk (1987, Appendix 1 and p. 146); although this figure refers to the commodity composition of export from the Ottoman Empire as a whole, there is considerable evidence suggesting that exports from Anatolia were also quite diversified. See, for example, Issawi (1981, Chapter 3) and Kasaba (1988, Appendix).

War I, exports of commodities other than cotton and cotton seed, such as wheat, beans, and others actually declined after the 1870s. Clearly, the export boom in Egypt was a boom, above all, in the production and exportation of cotton (Issawi, 1961; Owen, 1969).

Foreign Investment in Public Debt

Egypt and the Ottoman Empire attracted considerable amounts of foreign capital during the nineteenth century. In both cases, the state debt absorbed a large part of the inflow. Approximately half of the total foreign investment in Egypt and about two-thirds of all foreign investment in the Ottoman Empire before World War I went to the state debt. In per capita terms, Egypt and the Ottoman Empire were among the most heavily indebted countries in the world between the 1870s and World War I. These two well-known episodes of external debt were also important for their political overtones and consequences. The inability of the Ottoman government to continue payments on the outstanding debt in the 1870s led to the establishment of European financial control over Ottoman finances. In the Egyptian case, a similar moratorium on debt payments triggered a series of events that culminated in the British occupation of the country in 1882.[6]

The Ottoman and Egyptian governments began to seek funds in the European financial markets during the third quarter of the nineteenth century, the Ottoman Empire in the 1850s and Egypt in the following decade. Both governments borrowed large sums under very unfavorable terms in a short period of time. There was an important difference between the two cases, however. The Ottoman government used most of the borrowed funds to finance military expenditures and other current spending. Only a small fraction went into infrastructure investment such as railroads or irrigation schemes. The governments of Britain and France viewed such lending as an important instrument for gaining further influence in the Ottoman domains. They often encouraged their bankers and financial markets to continue lending even when the condition of Ottoman finances made it highly unlikely that the borrowed funds would be paid back.

In the Egyptian case, on the other hand, a large part of the borrowed funds actually entering the Treasury were directed towards large-

[6] There is a large literature on the external borrowing experiences of the two countries before World War I. Most importantly for Egypt, Crouchley (1936), Hamza (1944), Landes (1958), and more recently Owen (1981 Chapter 5); for the Ottoman case, Blaisdell (1929) and Issawi (1966, Part II, Chapter 11) amongst others; also see Ducruet (1964). The following account relies on a recent paper which compares the two cases, Pamuk (1989).

Table 2a:
Public Debt of the Ottoman Empire

Year	Public debt in millions of British pounds	Public debt per capita in British pounds
1876	210.0	7.78
1914	142.2	6.77

SOURCES: Wynne (1951, p. 452) and Pamuk (1987, p. 75).

Table 2b:
Public Debt of Egypt

Year	Public debt in millions of British pounds	Public debt per capita in British pounds
1878	98.7	13.16
1914	96.6	7.87

SOURCES: Crouchley (1936, pp. 18–26).
NOTES: The figures in Tables 2a and 2b refer to total state debt. In 1914 more than 95 percent of the Ottoman debt and more than 90 percent of the Egyptian debt was being held abroad. See Pamuk (1987, p. 75) and Crouchley (1936, p. 128).

scale agricultural and irrigation schemes. These projects failed, however, to provide the expected returns in terms of production and tax revenue. It might also be noted that Egypt began borrowing abroad during the American Civil War when cotton prices were rising sharply. Their subsequent decline made it all the more difficult for the Egyptian economy and Treasury to maintain payments on the rapidly rising debt. The involvement of European governments in the lending process appears more limited in the case of Egypt, at least in the earlier period. After the British government acquired the Egyptian government's shares in the Suez Canal Company in 1875, however, the external debt of Egypt gained considerable political importance (Owen, 1981, pp. 122–30).

In view of the unfavorable terms with which borrowing was undertaken and the difficulties associated with increasing fiscal revenues, it is not surprising that both governments soon found themselves in a position where only additional borrowing could enable them to meet payments on the outstanding debt. When the crisis of 1873 rocked European financial markets and overseas lending stopped, so did the debt payments. The Ottoman government declared a partial moratorium on debt payments in late 1875. It stopped payments altogether in 1876. The government of Egypt followed in early 1876.[7]

The inability to continue payments on the outstanding debt led to European financial control in both countries. In the Ottoman case, the outstanding debt was reduced by about 40 percent but the Ottoman Public Debt Administration (OPDA), as the representative of European creditors, obtained control over major revenue sources of the Ottoman Treasury. Until the turn of the century, new borrowing remained limited and regular payments on the outstanding debt continued thanks to the control exercised by the OPDA. Especially after 1903, however, the Ottoman governments started once again to borrow large sums in the European financial markets as state finances deteriorated in the face of increasing military pressures.[8] In this latter period as well, the governments of France and Germany used lending as a weapon in their ongoing rivalry to gain greater influence over the Ottoman government. New loans to the Ottoman government often were linked to political concessions, and also to the awarding of major economic projects such as large railway projects in Anatolia and Syria to the investors of the lending countries.

In the case of Egypt, the moratorium on the debt payments was the starting point of a series of events that led to the British occupation of the country. With little or no bargaining power left, the terms of the debt resettlement were much more severe for Egypt. Most importantly, the nominal value of the outstanding debt was not reduced. After the occupation, the British colonial administration came to regard the maintenance of regular payments on the external debt, which was owed mostly to British and French creditors, as a matter of the highest priority. Unlike the Ottoman government, the colonial administration of Egypt did not return to the European financial markets for additional borrowing until World War I, with the exception of several bond issues in the late 1880s (Issawi, 1966, Chapter 10; Crouchley, 1936, pp. 22–25).

In the longer term, these external borrowing experiences proved to be important for another reason. The establishment of varying degrees of European control in the two countries—the Ottoman Public Debt Administration and the colonial administration in Egypt—provided considerable security to the European investors. In turn, this

[7] The Ottoman Empire and Egypt were hardly alone in this respect. The financial crises of 1873 led to similar outcomes for many indebted countries. At least eleven countries in Latin America, Africa and Europe defaulted or obtained reschedulings between 1872 and 1875. See Borchard (1951, pp. xx–xxi).

[8] This periodization is based on Pamuk (1987, Chapter 4).

control encouraged the investment of substantial amounts of European capital in the two areas after 1880. As will be discussed below, foreign investment outside the public debt played an important role in increasing the export orientation of both areas until World War I.

Foreign Direct Investment

The other component of European capital inflows into the Middle East took the form of direct investment, or investment in enterprises controlled by European capital. During the nineteenth century and until World War I, a large part of European direct investment in the region was concentrated in infrastructure such as railways, canals, and ports. Additional amounts were invested in trade and finance. In contrast, European investment in agriculture, industry, or mining remained limited. This broad sectoral distribution suggests that until World War I, foreign capital in the two areas did not play a significant role in the transformation of production. Instead it tended to promote trade, especially foreign trade. As such, foreign direct investment in Anatolia and Egypt played an important role in increasing the export orientation of the two areas.

The timing of direct foreign investment was broadly similar in the two areas. It already has been emphasized that until the 1880s most European capital flows into the Ottoman Empire and Egypt went into the state debt, with the important exception of the Suez Canal. The volume of foreign direct investment began to increase in the late 1880s. In Anatolia, the most intensive wave of foreign direct investment before World War I took the form of railroad construction by German and French companies between 1888 and 1896. Foreign direct investment in Anatolia surged again after 1905 lasting until the war (Pamuk, 1987, pp. 62–72).[9] In Egypt, the most important wave of foreign direct investment accompanied the land and cotton boom starting around 1893 and gaining momentum around the turn of the century. The crisis of 1907 brought this period of heavy foreign investment to a close (Crouchley, 1936, Chapters 3 and 4; Owen, 1969, Chapter 10).[10]

Tables 3a and 3b summarize the available estimates on the amounts of foreign direct investment in the two areas. They show that

9 At the end of 1913, French investors held approximately 50 percent of the directly invested foreign capital in the Ottoman Empire. The shares in the total of German and British investors were 28 and 15 percent, respectively (Pamuk, 1987, p. 66).

10 In 1914 British and French investors each held approximately 43 percent of all directly invested foreign capital in Egypt. Belgian investors held most of the rest with 13 percent of the total. These figures include The Suez Canal Company (Crouchley, 1936, p. 72-73).

Table 3a:
Foreign Direct Investment in the Ottoman Empire

Year	Foreign direct investment in millions of British pounds	Foreign direct investment per capita in in British pounds
1888	15.8	0.75
1914	74.3	3.52

SOURCE: Pamuk (1987, pp. 65–66).

Table 3b:
Foreign Direct Investment in Egypt

Year	Foreign direct investment in millions of £	Foreign direct investment per capita in £
1888	23.4	2.85
1914	111.0	9.02

SOURCE: Crouchley (1936, pp. 72–73, 145–59). The figures above include the Suez Canal Company whose stocks were held entirely abroad in 1914.
NOTES: The estimates in Tables 3a and 3b refer to the paid-up capital and debentures of joint-stock companies which were controlled by foreign capital. In the case of Egypt, somewhere between 75 and 80 percent of the paid-up capital and debentures of these companies was being held abroad in 1914. Crouchley estimates further that the sum of paid-up capital and debentures of all Egyptian companies including the Suez Canal Company being held abroad was around 90 million British pounds in 1914. Little information is available on similar details in the Ottoman case.

in 1914, per capita foreign direct investment in Egypt was two-and-a-half times higher than in the Ottoman Empire as a whole. Although separate estimates for foreign direct investment in Anatolia are more difficult to obtain, one available estimate provides a figure consistent with the broad picture drawn here. According to Eldem, foreign direct investment within the present borders of Turkey amounted to 51.9 million British pounds around 1909 to 12, or approximately three British pounds per capita; these figures are consistent with the estimates presented in Table 3a for the Ottoman Empire as a whole. They indicate that per capita foreign direct investment in Anatolia and the Istanbul region was close to the average for the empire and lagged substantially behind those for Egypt (Eldem, 1970, pp. 190–91).[11] This comparison of the levels of per capita foreign direct investment in the two areas parallels closely an earlier conclusion of this paper, that on the eve of World War I, per capita exports from Egypt were two-and-a-half times

[11] Eldem's estimate of foreign investment within the present-day borders of Turkey and for the empire as a whole including a sectoral distribution are also presented in Issawi (1981, p. 324).

Table 4a:
Sectoral Distribution of Foreign Direct Investment in the Ottoman Empire in 1914

Sector	Percent Share
Railroads	63.1
Banking	12.0
Commerce	5.8
Industry	5.3
Utilities	5.1
Ports	4.3
Mining	3.7
Insurance	0.7
Total	100.0

SOURCE: Pamuk (1987, p. 66).

Table 4b:
Sectoral Distribution of Foreign Direct Investment in Egypt in 1914

Sector	Percent Share
Mortgage Companies	50.4
Canals and Transport	20.3
Agricultural and Urban Land	11.4
Banks and Other Financial	5.5
Manufacturing, Commerce, and Mining	12.4
Total	100.0

SOURCE: Crouchley (1936, pp. 72–73). These figures include the Suez Canal.
NOTES: Tables 4a and 4b are based on the paid-up capital and debentures of joint-stock companies controlled by foreign capital. See also note to Tables 3a and 3b.

as high as those from Anatolia and the Ottoman Empire in general.

In addition, there were important differences between the Ottoman Empire and Anatolia on the one hand, and Egypt on the other, regarding the sectoral distribution of foreign direct investment. As shown in Table 4a, two-thirds of total foreign direct investment in the Ottoman Empire concentrated in railroads and ports which served to expand agricultural exports. The rest went to mining, trading companies, banking, and insurance. Tokin's estimates for the sectoral distribution of foreign investment in Anatolia and the Istanbul region before World War I provides a similar picture. According to his figures, railroads accounted for 59 percent of all foreign direct investment within the present borders of Turkey; the share of ports in the total was about 5 percent (Eldem, 1970, pp. 190–91).

In Egypt as well, there was a considerable amount of direct foreign investment in infrastructure such as railways and ports. In addition, the Suez Canal Company constituted the largest single enterprise owned by European capital, accounting for almost 18 percent of all directly invested foreign capital in Egypt on the eve of World War I. Nonetheless, Table 4b reveals an important difference in the sectoral distribution of foreign direct investment between the two areas. In Egypt, the largest part of foreign direct investment was closely related to the cotton boom and the spectacular rise in land prices. Mortgage companies, whose primary activity was the financing of investment in agricultural land accounted for one-half of all the stock of directly invested foreign capital in 1914. Since the European investors had taken over the Suez Canal before 1880, these figures imply that mortgage companies accounted for more than 60 percent of all foreign direct investment after 1880. Together with the 11 percent share of agricultural and urban land, they suggest that close to three-fourths of all foreign direct investment in Egypt between 1880 and World War I was related to the boom in agricultural land, primarily cotton land. A large part of these funds was directed at the purchase and reclamation of rural land, irrigation, drainage, and even speculative purchases of agricultural land.[12]

How to Explain the Differences?

These patterns of foreign trade and foreign investment in Anatolia and Egypt demonstrate a number of similarities in the experiences of the two areas. For both areas, the century before World War I was a period of rapid integration to the world economy. The expansion in foreign trade was followed by European financial penetration and finally by waves of European direct investment in enterprises which reinforced the external orientation of the two economies. There were, however, at least two very important differences in the experiences of the two areas. First, the degree of export orientation, as evidenced by the levels of foreign trade and foreign direct investment, were substantially higher for Egypt. Secondly, Egypt exhibited a high degree of specialization in the production and exportation of one crop, whereas agricultural production and exports were quite diversified in Anatolia.

It is not a simple task to attempt to explain these differences.

12 Crouchley (1936) Chapters 3 and 4, and Owen (1969) Chapters 9 and 10.

Clearly, a wide range of factors needs to be taken into account, from geographical conditions and resource endowments to social and political structure and the potential impact of world market conditions. Without going into quantitative detail, we will examine these factors in two groups, as demand side and supply side factors.[13]

On the demand side, a quick review of the available evidence indicates that world market demand for cotton expanded much faster than world market demand for most of the leading commodity exports from Anatolia, such as tobacco, raisins, figs, hazelnuts, and raw silk. In this sense, the different rates of growth of world market demand provide one of the explanations for the different export experiences of the two countries.[14]

It should be immediately emphasized, however, that demand cannot account for the entire difference between the two cases. A comparison of the export experiences of the two countries with world market conditions suggests that factors on the supply side were also responsible for the very divergent outcomes. In the case of Anatolia, until the 1870s, world market demand for the bundle of commodities being exported from Anatolia expanded at relatively high rates, but exports expanded at even higher rates. In other words, in the earlier part of the century, Anatolia increased its share in the world trade of the commodities it exported at the expense of other exporters of the same commodities. After the 1870s, however, these trends were reversed. World market demand for the commodities being exported from Anatolia expanded more slowly. Equally importantly, Anatolia's share in this slowly growing segment of the world market began to decline. Significantly, despite the relatively unfavorable trends in world market demand for its traditional exports, commodity composition of exports from Anatolia did not change appreciably between 1880 and World War I. Agricultural production in Anatolia did not shift towards a different mix of commodities whose demand was growing more rapidly in the world markets.[15] Clearly, the answer to these broad trends needs to be sought on the supply side, in the specific circumstances of Anatolia.

In the case of Egypt, the available evidence suggests that world market demand for cotton expanded more rapidly than the demand for

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13 The analytical framework adopted here broadly follows that used by Alfred Maizels (1969) and other in examining the long-term export performance of different countries.

14 Our calculations based on Hanson (1980), Chapter 2 and Appendices B and D.

15 Based on the published foreign trade statistics of the United Kingdom and France and the commodity composition of Ottoman exports; for a more detailed discussion, see Pamuk (1987, pp. 36–40 and Appendix I).

most other commodities exported by Third World countries between 1840 and World War I.[16] More strikingly, exports of cotton from Egypt expanded much more rapidly than world market demand during this period. In other words, Egypt steadily raised its share of world cotton exports during the nineteenth century at the expense of other exporters. In fact, after appropriate adjustments are made for the growth of world market demand, Egypt emerges as one of the most striking examples of export orientation of an economy anywhere in the Third World.[17]

It is clear that while world market demand can provide a partial explanation, it cannot account for the entire difference in the rate of growth of exports from the two areas. It is necessary, therefore, to turn to factors specific to the two areas. One obvious candidate here would be geography and resource endowments. It might be argued that the Nile Valley in Lower Egypt, which included a large part of the population and cultivated area of the country, represented a much more compact and homogenous area. It was easier and less costly to link this fertile area to the ports of export and world markets. In Anatolia, on the other hand, labor and cultivable land were more evenly distributed among its agronomically diverse regions. In addition, it was quite costly to build the transportation network to link large parts of Anatolia to the ports of export. For most of the nineteenth century, only western Anatolia, and to a lesser extent the Black Sea coast, was integrated to the world markets. The dry-farming, cereal-growing areas of central Anatolia remained insulated from foreign trade until the construction of the Anatolian Railway late in the nineteenth century. The eastern third of Anatolia where close to a quarter of its population lived remained mostly unaffected by the growing trade with Europe until World War I.

There were important differences in social and political structures as well. One of the more important characteristics of nineteenth-century Ottoman society was the relative strength of the central government vis-à-vis other social classes, such as large landowners and merchants. Starting in the 1810s and continuing with the administrative and institutional reforms of the Tanzimat period, the power of the *ayan* in the provinces was checked. The technological developments of the nineteenth century that enabled the central government to establish a more effective army and improve the transportation and communi-

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16 Hanson (1980), Table 3.1 on p. 36 and Appendix D.

17 See Hanson (1980), Chapter 6 and especially Table 6.2. Hanson attempts to separate demand and supply side factors by developing "world market" and "own performance" for each of the twelve less developed countries in his sample. His calculations show that Egypt's "own performance" index was higher than all the other countries on the sample.

cations network undoubtedly reinforced the trend towards increasing centralization.

In addition, partly because of this strength of the central government and partly because of the inter-imperialist rivalry in this region of the world, the empire was not colonized until World War I. While balances between Great Britain, France, and Germany changed throughout the century, none of them could eliminate the influence of others. This environment of Great-Power rivalry provided some maneuvering room for the Ottoman governments. In order to resist external pressures, the Ottoman governments often attempted to play one European power against another.

The governments' strength vis-à-vis domestic forces and its maneuvering room against external pressures were perhaps most evident in the attempts to maintain an agrarian structure based mostly on small and medium-sized holdings. The central government had always favored such an agrarian structure since it represented the most favorable conditions for maximizing fiscal revenues and political power. From this perspective, however, increasing commercialization and export orientation of agriculture was viewed with caution. On the one hand, commercialization of agriculture was supported since it would increase production and expand the tax base. At the same time, there was concern that as the economy opened to foreign trade and foreign capital, the government might lose its control over tax revenues. For this reason, the central government supported the small peasantry against the encroachment of large landlords and, also, against foreign investors. For example, the government often issued decrees prohibiting creditors from taking over the land of defaulting peasant owners. In a very telling episode during the 1860s and 1870s, when British investors attempted to establish large-scale farms in western Anatolia, these attempts were resisted by Istanbul which was concerned about losing its traditional fiscal base (Kurmuş, 1974, pp. 95–122).

Under these circumstances, export orientation of Anatolian agriculture proceeded slowly. Small peasant holdings certainly could produce for both the domestic and export markets but they were slow to undertake investments that would improve land productivity. Agricultural technology and organization of production changed very little until World War I. After the relatively easy first round, which lasted until the 1870s, export expansion in Anatolia slowed down. This was particularly evident in western Anatolia where export growth had started earlier than other regions. Exports from Izmir measured in current British pounds remained roughly unchanged between the early 1870s and the early 1910s (Kasaba, 1988, Appendix Table A.1).

In Egypt, on the other hand, export orientation of agriculture took place under a different social matrix. One of the important differences was the more unequal distribution of land and the greater economic and political power of the landlords. Even though a large part of cotton production remained in the hands of small and medium-sized peasant holdings, it appears that large estates, including those of the Royal Family, were instrumental in the inflow of capital into agriculture, including investment in irrigation schemes, thereby raising agricultural productivity in lower Egypt.[18]

In addition, government policy towards development and export orientation of agriculture was quite different in Egypt. The political power of the large landlords and the fact that the Royal Family itself owned large estates was at least partly responsible for this emphasis. Starting with Mohammad Ali and continuing with his successors, government policy actively supported investment in irrigation, distribution of seeds, transport, and other infrastructure designed to promote agricultural development. A large part of these resources went towards the promotion of cotton and the mono-crop model. Such investment in agriculture was in fact one of the primary reasons why the Egyptian government started to borrow in European financial markets during the 1860s. As discussed earlier, only a negligible fraction of the funds borrowed by the Ottoman governments before the 1880s was directed to agricultural development. After the British occupation of Egypt, the contrasts between the two areas became more pronounced. The colonial administration began to emphasize cotton production and exports with large-scale irrigation projects financed not so much by European capital but by domestic funds. From the 1880s until the first decade of the twentieth century, land under cultivation, agricultural productivity, and agricultural incomes rose steadily as the cotton-for-export model assumed new momentum. An important beneficiary of this policy, of course, was the economy of Great Britain which enjoyed increased supplies of an important raw material. In short, it is clear that Egyptian agriculture underwent a more far-reaching transformation than its Anatolian counterpart during the nineteenth century.

Finally, we might entertain another important but difficult question which follows from the basic issues discussed in this paper: Did the growth of foreign trade have an impact on economic growth and on the standards of living? Unfortunately, the evidence regarding changes

18 For more details, see Owen (1981b, 1986).

in per capita levels of income is limited for both areas. Even more difficult to establish would be the causal links between the growth of foreign trade and economic growth. There is also the important question regarding the distributional impact of the expansion of foreign trade for which little evidence is available. Under the circumstances, we will limit ourselves to one observation which underlines further the differences between the two areas.

In the case of Anatolia, the foreign trade sector remained quite small in relation to the rest of the economy for most of the nineteenth century. There were, of course, substantial regional variations regarding the degree of export orientation. Coastal regions, and most prominently western Anatolia, were more integrated into the world markets than central and eastern Anatolia. For Anatolia as a whole, however, it appears that the share of exports in total production remained below 10 percent at least until the 1880s. Moreover, in this earlier period there was also the long-term trend towards the decline of local manufacturing activities caused by the expansion of imports of textiles (Pamuk, 1987, pp. 12–17). Under the circumstances, it would be inappropriate to link export growth to economic growth until late in the century except for western Anatolia. During the decades before World War I, there was some modest rate of growth in per capita production and income levels in Anatolia and more generally in the Ottoman Empire (Eldem, 1970, pp. 307–9). Because of the limited size of the export sector in relation to the rest of the economy, however, it would be best to conclude that for Anatolia as a whole exports were only one of a number of potential factors contributing to economic growth. In the case of Egypt, however, exports increased more rapidly. Equally importantly, the export sector was distinctly larger in relation to the rest of the economy. As a result, one would expect that foreign trade had a more substantial impact on the rest of the economy and on overall economic growth. Agricultural incomes showed substantial increases after 1880, and levels of per capita production and per capita income in Egypt were rising in the decades preceding World War I (Owen, 1969, Chapter IX). However, there is also considerable evidence that by the first decade of the twentieth century, the cotton boom in Egypt had indeed reached its peak. By the first decade of the century, the large irrigation projects favored by the colonial administration were beginning to face major problems as the area under cultivation reached its limits and cotton yields began to decline. These adverse developments can perhaps be taken as early signs of things to come in the twentieth century, but that is a different story altogether.

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