

Public Debt after a Defeat: Negotiating the French image of the Ottoman Empire as debtor in the aftermath of the Russo-Turkish War of 1877-78

Darina Martykánová¹
Universidad Autónoma de Madrid

ABSTRACT

The Ottoman Empire was integrated into European financial markets in the second half of the nineteenth century. During the Crimean War, the Ottoman government turned to foreign loans to fund its state-building policies and military reforms. Britain and France, its allies in that conflict, facilitated this effort, even going so far, exceptionally, as to act as guarantors of the Ottomans' 1854 bond issue. Accessing the international financial markets via the public debt meant that Ottoman officials had to learn to play by the rules, which were not set in stone but instead were being negotiated in a conflict-laden process. The Ottoman government also had to maintain its international credibility as debtor in the context of a pervasive orientalist discourse in the West that construed the Empire as inherently corrupt and unreliable. This article shows how the credibility of the Ottoman government was established and discussed in France, a great power of the day whose capital was a world financial center and home to many major holders of the Ottoman debt. Relations between the two governments were only one aspect of the question, however. The creditors communicated with one another across national borders, and French public opinion on the Ottoman government's creditworthiness was shaped by transnational circulation of discourses. There is also another transnational dimension: the fact that debt and international politics in-

¹ This article is the product of research carried out in the framework of DEUDEX; Foreign Debt as a Mechanism of Political, Social and Cultural Transformation: Iberian and Eastern Mediterranean World, 1814-1914 (HAR2015-66695-P) of the Spanish National Research+Development+Innovation Plan, directed by Juan Pan-Montojo.

evitably intersected, particularly in the context of warfare, while in the second half of the nineteenth century the rules of the global financial market were still in course of definition.

The Ottoman Empire, which in the classical era had had its own mechanisms of credit and investment, was integrated into the European financial market in the second half of the nineteenth century. During the Crimean War, the Ottoman government decided to turn to foreign loans to fund its state-building policies and military reforms. Britain and France, its allies in the war, facilitated this effort, even – exceptionally – acting as guarantors for the 1854 Ottoman bond issue. Accessing the international financial markets through the mechanism of public debt meant that Ottoman officials had to learn to play by rules that were still being defined, as well as managing the government's credibility as borrower.

The economic historiography on the last century of the Ottoman Empire has traditionally interpreted this transformation as increasing dependence of the Ottomans on the European powers and on Western and Central European capital.² Marxist and nationalist historians alike have expressed an underlying criticism of European imperialism, though the former have been less prone than the latter to identify the interests of the Ottoman government with those of the Sultan's subjects. In the last few decades, another interpretation has emerged: further developing Immanuel Wallerstein's theory of *world systems*, which built on Marxist theories of global economic change, this approach has acquired an air of liberal optimism. This thesis has it that the integration of the Ottoman Empire into the world economy was, in a way, an inevitable process that was handled by various actors with varying degrees of success. The enor-

² Halil Inalcık and Donald Quataert (eds.), *An Economic and Social History of the Ottoman Empire*, 2 vols., Cambridge, Cambridge University Press, 1997. Şevket Pamuk, *The Ottoman Empire and European Capitalism, 1820-1913. Trade, Investment and Production*, Cambridge and New York, Cambridge University Press, 1987.

mous imbalance of power that was produced and exacerbated by this process is acknowledged, albeit almost fatalistically.³

This article contributes to this fruitful debate from the margins, steering clear of the core issues of economic history. Its take on the Ottoman foreign debt could be called a sort of “cultural economic history.” The main aim is to show how the credibility of the Ottoman government was debated and established in France, a great power of the day whose capital was a world financial center. Many major holders of the Ottoman public debt, in fact, were French. Although this framework might seem to embody a classical history of international relations, it actually requires a multilayered analysis. In fact, the relations between the two governments are only one aspect of the issue. Creditors communicated across national borders, and French public opinion on the credibility of the Ottoman government was shaped by transnational circulation of discourse. Another transnational dimension of the issue lies in the inevitable intersection between debt and international politics, especially in the context of war, and in the second half of the nineteenth century the rules of the global financial market were still in course of definition.

Starting with its first major involvement in European financial markets in the mid-1850s, the Ottoman government became a frequent borrower. As Jacques Thobie has observed, “between 1854 and 1877, seventeen government or similar bonds were launched on the markets in London (60%) and Paris (40%). The real interest rate was about 10%, and commissions came to between 10% and 12% of the sums actually paid; 2.64 billion francs raised in this way were absorbed by military reform, the redemption of banknotes, the conversion of the external debt and the insurrection in Crete. This kind of

³ Zafer Toprak, “Modernization and Commercialization in the Tanzimat Period, 1838-1875”, in *New Perspectives on Turkey*, 7, 1992, pp. 57-70. Ethem Eldem: “Ottoman Financial Integration with Europe: Foreign loans, the Ottoman Bank and the Ottoman public debt”, in *European Review*, 13, 2005, pp. 431-445. Ali Coşkun Tuncer, *Sovereign Debt and International Financial Control: The Middle East and the Balkans, 1870-1914*, Houndsmill, Palgrave Macmillan, 2015.

management could not but lead to bankruptcy.”⁴ This occurred in 1875, when the Ottoman government officially defaulted and interest payments were suspended. In 1881, the Ottoman Public Debt Administration (OPDA) was established, an international organization run by the representatives of the European creditors, which would eventually collect and manage a great part of the revenues of the Ottoman government. Banks played an important role in establishing this organization, and the results had important consequences: according to Thobie, “the existence of these cosmopolitan institutions unquestionably represented a serious attack on the freedom of action of the [Ottoman government], but it also restored the confidence of international savers, thus permitting the issue of new bonds.”⁵

As noted above, the initial entry of Ottoman bonds into the French and British markets in the mid-1850s had the exceptional support of the French and British governments, which acted as guarantors. This happened twice in the specific geopolitical context of the Crimean War, in which the Ottoman Empire was an ally of the western powers against Russia. After the war, this situation recurred only once more, in 1871. Throughout this period the Ottoman government had a hard time paying off the debt, and in fact in 1875 it had to declare bankruptcy. The worried European creditors explored various ways of compelling the Ottomans to honor their obligations, including engaging their governments in the enterprise. The fact that the French and British governments had backed the launch of Ottoman bonds on several occasions in the past played into the creditors' hands in making their case for intervention on their behalf. The creditors used modern tools of communication like the press to set common goals and actions, foster unity and put pressure on their governments. The Ottoman authorities, in turn, tried to face the complex situation, appeasing and dividing the creditors and keeping foreign intervention to a minimum. To this end they sought to influ-

⁴ Jacques Thobie, *Intérêts et impérialisme français dans l'Empire Ottoman (1895-1914)*, Paris, Publications de la Sorbonne-Imprimerie Nationale, 1977, p. 13.

⁵ *Ibid.*

ence public opinion in Europe, making use of the press as did the creditors. This article focuses on the French debate over the trustworthiness of the Ottoman Empire as debtor in a particular period: the months following Turkey's defeat in the war with Russia (1877-1878). At a time when international laws and credit rules were still in the making and hence open to fundamental questioning, peace conferences were understood as potential turning points at which debt could be renegotiated and governments more inclined to intervene on behalf of their creditors.

1. Preparing for the Congress of Berlin: the holders of the Ottoman debt address the French government (1878)

The question of the Ottoman debt was raised with particular urgency in May 1878 in the context of the peace talks following the Ottoman defeat in the war with Russia, and the past actions of all the parties involved were addressed. French creditors appealed to the French government to defend their interests at the Congress of Berlin, which was held later in 1878. They described themselves as "savers" quite distinct from "financial establishments seeking speculation."⁶ They contended that the French government was responsible for the French savers' investment in the Ottoman debt, arguing that "France and England, by guaranteeing the Turkish government bonds of 1854, 1855 and 1871, implicitly opened the door to other bonds of that nation and morally sanctioned its entry into the French market."⁷ Actions taken on a few special occasions for foreign policy reasons, i.e. to support an ally in war, were interpreted as the irrevocable extension of credibility to the Ottoman government and so prompted appeals to the French government to shoulder responsibility when the Ottomans' capacity or will to deliver was dubious.

⁶ *Mémoire adressé à Monsieur le Ministre des Affaires étrangères par le Comité des Porteurs français de la Dette turque*, Paris, Imprimerie Dubuisson et Cie, 1878 (Paris, 27 May 1878; le Président du Comité des Porteurs français de la Dette turque, Boisney).

⁷ *Ibid.*

Apart from the question of the Ottoman government's credibility, the defeat by Russia highlighted the shortcomings of international law on public debt. In the context of the imminent Berlin Congress at which the conditions of the peace were to be negotiated, French creditors wanted their government to defend their interests in the redistribution of the Ottoman debt. The Ottoman Empire had lost territory in the war, and the Ottoman government was forced to grant more autonomy to certain regions. In the creditors' eyes, war was simply a standard political event with codified rules. The rules had been developed in the past and acquired the status of international law, and one of them was provision for the redistribution of the loser's public debt. The victors that gained territory were expected to shoulder part of the loser's public debt.

"...The treaties of Lunéville in 1801, Paris in 1814, Vienna in 1815, Belgium in 1839-1840, Zurich in 1859, Savoy in 1860, Schleswig-Holstein in 1864, Greece in 1864, Italy in 1866-68, all speak clearly on establishing the principle that 'the debts for which a country is liable should be honored; that in case of an alienation, such debts should be accepted by the successors, and that in case of a separation, these debts should be split and shared.'"⁸

The creditors invoked the principle that victors with territorial gains, countries detached from an empire, and successor states had to endorse part of the debt of the conquered or partitioned country. Their argument was that since no country was safe from war and conquest, if this principle were not honored and enforced by the victors and by the international community, the very notion of national (i.e. public) debt would crumble. In this specific case, the creditors expected that Russia, Romania, Serbia and Montenegro, which would enlarge their territory at the Ottoman Empire's expense, would be obligated to accept a proportional part of the Ottoman debt.

We can see how the international treaties signed following military conflicts created jurisprudence regarding the handling of public

⁸ Ibid.

debt. This practice was common in the environment that twentieth-century political scientists came to call “international anarchy,” geopolitical settings in which there existed no formal authority above the sovereign states.⁹ The notion of public debt as such was deemed sustainable only if the international community endorsed and defended these principles and rules, which constituted the only way of creating and maintaining creditors’ confidence in the system, in a discursive framework in which war was understood to be a standard political event that had to be regulated accordingly.¹⁰

The creditors expressed constant concern over state actors’ willingness and capacity to “play by the rules.” This was the sign of an unstable environment in which the rules were still being defined and there was no clear external authority to guarantee their application or punish violations. There was a constant tension. On the one hand, the creditors were supposed to operate as individuals or private financial institutions that in buying a nation’s bonds freely decided to enter into a commercial relationship with a foreign government. On the other hand, national governments were often urged to defend their citizens’ interests vis-à-vis foreign governments and to enforce the rules and principles on public debt as these were developing in international law. The two appeals were not always in harmony.

In this specific case, however, the problems were not deemed to stem solely from the Ottoman military defeat and territorial losses. French bondholders depicted the Ottoman government as lacking both the capacity for efficient financial management and commitment to the rules. As to mismanagement, the Ottomans were accused of squandering the money they borrowed. As to obedience to

⁹ See Kenneth Waltz, *Theory of International Politics*, New York, McGraw-Hill, 1979.

¹⁰ On the French visions of international law and the references to the Ottoman Empire as a “semi-civilized” country that could be included in international law, see M. Koskenniemi, *The Gentle Civilizer of Nations. The Rise and Fall of International Law, 1870-1960*, Cambridge, UK, and New York: Cambridge University Press, 2002. See also A. Anghie, *Imperialism, Sovereignty and the Making of International Law* (Cambridge Studies in International and Comparative Law), Cambridge: Cambridge University Press, 2005.

the rules, the lack of capacity and commitment were ascribed to cultural factors, what we may call an undesirable “political culture” that was attributed specifically to the Ottoman central government. In fact the French creditors’ arguments in this period made few general statements about the character of “the Turks” as such; this type of critique only arose in the decades that followed.¹¹ In the 1870s the creditors’ worried statements and criticisms focused mostly on the Ottoman court and the ruling elites. The rot was supposed to be at the very top: it was the court that threatened the institutions’ capacity to manage the country efficiently and honor obligations to creditors. The court’s sin was its indulgence in excessive and unproductive spending: “Experience has shown us that the Ottoman Bank, which was created to serve as a brake on the appetites of the *sérail* and the harem, was a powerless instrument, unable to resist certain demands of the Palace.”¹² Such indulgence was enabled by another undesirable feature attributed to different levels of the Ottoman government, namely arbitrariness. The creditors understood that the Ottoman way of government allowed for haphazard decisions by the powerful, which created instability and propitious conditions for overspending.

Another accusation against the Ottoman ruling elites was that they were prejudiced against Europeans and did not hesitate to discriminate against them: “The concession granted yesterday to some Galata bankers of the toll revenues that had already been mortgaged for the benefit of the bondholders is testimony to the persistent disdain of Turkish rulers for the rights of the Europeans, all the more so in that this scandalous concession, against which we have just protested extra-judicially, has served only to consolidate an old floating debt, in great part a fictitious one.”¹³ This type of accusation was often accompanied by the argument that the Ottomans’ disdain for

¹¹ See, for instance, V. Marac, *La Question de Turquie. La liquidation de la Dette Publique Ottomane*, Paris, Éditions de L’Orient Illustré (no date, after World War I).

¹² *Mémoire adressé à Monsieur le Ministre des Affaires étrangères*, cit.

¹³ *Ibid.*

and mistrust of the Europeans damaged not only the latter but the Ottomans themselves, insofar as they failed to understand how to manage their finances and deliberately deprived themselves of useful European advice and help.

Pointing to the Ottoman rulers' lack of virtue and capability, resorting among other things to the popular Western image of "the harem" to evoke excessive and unproductive indulgences, was a step towards a systematic argument for European intervention in the government of the Ottoman Empire. While promoting their own economic interests and legitimizing their own choices, the creditors also helped to build a case for their governments' surveillance of the Ottoman government and intervention in its internal affairs. They pointed to the Ottomans' inability to govern themselves efficiently, to abide by the rules and to invest their borrowings in productive enterprise. Of course, anyone could counter that in this case no loan should have been granted to such a government in the first place, that any such investment was risky and stupid, and that those who had bought the Turkish bonds should be left to suffer the consequences. Against this individualist-capitalist logic of *laissez-faire*, the creditors cited the French government's past blessing and legitimation of the Ottoman entry into European financial markets. What is more, they developed a complex justification, contending that European supervision of the Ottoman integration into the Western markets was a necessity and in the medium term would improve the way the Ottoman government exercised power.

Vis-à-vis so many obvious excesses, Europe, which guarantees Turkey's existence, has a direct interest in making the Ottoman government understand that from now on international control of its financial management is indispensable, in its own interest as well as in that of the bondholders of all nations who entrusted their savings to its probity.

The prodigious results obtained in China by the Anglo-French commission, whose work and supervision have led, in just a few years, to a fivefold increase in the tax and tariff revenues placed

under its control, and the hopes stirred by the Egyptian commission, are decisive encouragements that Europe, anxious to eliminate any cause of new decadence in Turkey, cannot neglect: indeed, the Sublime Porte will find such resolution to be the most tangible proof of the sympathies that the signatory powers feel for it, which the Porte should handle carefully in the future.¹⁴

By this logic, European government action in the interest of creditors would ultimately be for the good of the Ottomans, Egyptians or Chinese themselves. Supervised integration into the international financial system would refine their ways, teach them to respect the rules and manage money better, which was the only way for a country to participate in the global financial market and access credit on a regular basis.¹⁵

This argument is an excellent example of non-state actors helping to develop an interventionist discourse, fueling colonialist or quasi-colonialist actions. Their interest in reaping the profit from their investments, or at least getting their money back, was framed in the discourse of Europe's *mission civilisatrice*. The European powers were called on to intervene in the debtor countries' government, even to take over the management of their finances and their sources of revenue. This was described as helping to civilize and socialize decadent and benighted countries, inculcating the rational and moral ways of the civilized global community.

The Treaty of San Stefano on 3 March 1878 established that the Ottoman Empire would pay huge war reparations to Russia. During the Berlin Congress, the precise terms of these payments were stipulated and Serbia, Bulgaria and Montenegro agreed to shoulder part

¹⁴ Ibid. While the French creditors cited China as an exemplary case in which Europeans put local tax and tariff revenue collection in order, the Chinese actually played an active role in the Chinese Maritime Customs Service, and local accounting methods were used. See Blaïse Truong-Loï, "A debt-collection agency for foreign bondholders: how international credit relations reshaped the Chinese Maritime Customs Service", paper presented at the *World Economic History Conference*, Boston, 30 July-3 August 2018.

¹⁵ On this issue, see also M. Koskenniemi, *The Gentle Civilizer*, cit.

of the Ottoman public debt, creating another precedent for the growing corpus of international law on foreign loans and their management in the event of territorial disintegration. Spokesmen for the holders of the Ottoman government bonds attended the conference and pushed for a pre-emption clause and an Ottoman government commitment to honor its obligations to them. Faced with the Ottomans' reluctance to accept these conditions, the powers suggested forming an international committee to take control of the Ottoman finances.¹⁶ The arguments of the creditors, in short, were now finding their way into international diplomatic practice.

2. 1880-1881: Negotiating the credibility of the Ottoman Empire for French public opinion

After the Congress of Berlin, the Ottoman Empire's capacity and willingness to discharge its international obligations continued to be a matter of public discussion in France. People claiming expertise on "Turkey" and its finances put their knowledge at the service of the creditors, who were faced with important decisions, notably how to respond to the Ottoman government's effort to engage them in direct negotiations. On 4 October 1880, the Ottoman Embassy in Paris issued a note to the creditors and a press communiqué, and Ottoman representatives in Belgium took similar steps. Nicolas Sartinski, the Embassy's *chargé d'affaires* in Paris, published a "Note" to the effect that the Sublime Porte would invite representatives of the bondholders to Constantinople for an interview with the imperial government, "without any interference by the powers, about the debt service, as well as about the issue of Russian compensation, and to discuss the terms of an equitable arrangement."¹⁷

¹⁶ Ahmet Rıza, *Batının Doğu Politikasının Ahlaken İflası*, edited by Z.Ebuzziya Üçdal Nes, Istanbul 1982 (first published in French in 1922); W.N. Medlicott (1938), *The Congress of Berlin and After: A Diplomatic History of the Near Eastern Settlement, 1878-1880*, Methuen & Co., London.

¹⁷ "La Note turque et la Dette turque". Extrait du *Portefeuille Diplomatique, Consulaire et Financier*, no. 22, Paris, Société générale d'imprimerie et de librairie, 1880.

“The Imperial embassy,” the Note stated, “informally informs all the holders of the Ottoman public debt that the Sublime Porte, wishing without further delay to come to a direct understanding with them in order to find an equitable and practical solution for the resumption of interest payments and the paying off of the above-mentioned debt, invites the bondholders to choose among them several delegates who, duly endowed with full powers, should go as soon as possible to Constantinople, in order to establish a direct contact with the Imperial government....”¹⁸ In proposing direct negotiations to reach a practical solution, the Ottoman authorities were attempting to manipulate the creditors, to separate them from their respective governments and use them to reaffirm Ottoman sovereignty. This did not go unnoticed by the bondholders, although many found the offer tempting.

Apparently, Ottoman government officials’ strategy had been successful in the past, and at the Berlin Congress itself, as one of the more critical French bondholders pointed out: “Nowadays, the Turkish government wants to settle its financial obligations in the same way as it has settled its political ones, and it can trust in the success of such enterprise, as it has observed since 1875, and at the Berlin Congress, and since this Treaty was signed, how the bondholders split into clans and sects, each praying to its own saint, and demanding to be taken into consideration and treated better than their companions in misfortune. [The Ottoman government] knows how the English bondholders argue with one another, how [the holders of the] 1858 and 1862 bond issues keep to themselves; it knows that the English trample on the locals and receive snuffboxes [the typical gift of Ottoman officials to foreign dignitaries]; it knows that the English committees and the French committees act like brothers until the moment when an apparent success sets them to quarrelling openly and denouncing one another; it is expected that justice cannot not be established among so many rivals. Yet, the Sublime Porte only

¹⁸ Ibid.

seeks justice: for lack of a sentence, she awards herself the object of dispute.”

Some of the bondholders insisted that the national governments should act on behalf of the creditors of a foreign government considered both incapable and untrustworthy and whose pretension to sovereignty was undercut precisely by its inability to pay the interest on its public debt. “What [an impact] blindness [has], when coupled with foolishness! No more meddling of foreign powers in our internal affairs, exclaims the Note in all its parts and in all tunes; for financial issues, no one but the bondholders’ delegates! So be it, the Emperor of Russia could say, my ambassador will be my delegate! He probably won’t say that, he will respect the declarations of the plenipotentiaries at the Berlin Congress. But unlike the Tsar, who will not come even when directly invited, France and England will come, even though directly turned away: France and England guaranteed the 1855 issue; they have been paying the coupons since the Turkish government cannot borrow anymore. The budgets of France and England are creditors of Turkey’s, how could the parliaments of these two countries not send delegates to collaborate in this affair that [the Ottoman government] intends to call financial arrangement?”¹⁹

Taking this strong stance against the Ottoman government’s strategy for dealing with its creditors following the Berlin Congress, the French journal *Portefeuille Diplomatique, Consulaire et Financier* used this occasion to establish itself as a valuable source of information and an expert advisor to its subscribers and to the public at large. It published the Ottoman “Note,” but it also gave readers a clear interpretation of the issue, advising creditors not to accept the Porte’s invitation and urging the French government to act on the creditors’ behalf. This journal constitutes the demonstration that the public debate on the Ottoman debt was part and parcel of the reorientation of diplomacy towards a more democratic involvement of

¹⁹ Ibid.

public opinion, showing how the self-interest of the creditors drove this process independently of their intentions. The *Portefeuille* was owned and managed by Benoît Brunswik, a journalist and historian, born in 1830, who had served as French diplomat in Constantinople and written prolifically on the Ottoman Empire, including several treatises on financial issues.²⁰ The journal needed to consolidate its reputation, as its inaugural issue had only been published in summer 1880. It claimed to steer clear of French domestic politics and to shun partisanship, while at the same time “knowing no geographic borders,” the aim being to “serve the political, commercial and financial interests of our country.”²¹ The journal published and interpreted all kinds of diplomatic documents, seeking to make them more accessible, literally and figuratively, to the French public. The “*consulaire*” in the title referred to the journal’s aim of putting all diplomatic and expert knowledge, from French and foreign sources alike, at the service of French entrepreneurs who engaged or wished to engage in international commerce, import, export, shipping, or investment in industrial and agricultural activities abroad. To add “*financier*” to “*diplomatique*” and “*consulaire*” was a well-considered and significant decision, informed by the growing importance of the international financial markets and the involvement of growing numbers of actors in them, including small savers. The statement of principles in the first issue of the journal posits that an understanding of financial affairs is intrinsically linked to commerce and diplomacy. In fact, the Ottoman Empire was cited as the prime example – or, rather, cautionary tale – demonstrating the need for precisely such an interlinked approach (although this may be due to Brunswik’s personal experience with Ottoman affairs): “Does anyone believe that Turkey, for instance, would have swamped our market had the government at the Tuilleries made public the Report

²⁰ Benoît Brunswik, *La Turquie: ses créanciers et la diplomatie*, Paris: [s.n.], 1875; *La banqueroute turque*, Paris: [s.n.], 1875.

²¹ “Notre programme”, *Portefeuille diplomatique, consulaire et financier*, 1 (1, 5 June 1880), p. 1.

which it had received in October 1860 from its ambassador in Constantinople? Does anyone believe that the savers would have hastened to acquire the Turkish emissions, if the French government had broken its silence, and if the correspondence between Lord John Russell and the Queen ... between 1858 and 1860, published in 1861 according to diplomatic practice, had been known to everyone? Is it possible to calculate how many creditors of Turkey and the Ottoman Empire would have felt more at ease if the reports of 1867, 1870 and 1872, deposited at the Parliament, had gotten a less restricted publicity, and warned or scared off large and small capitalists?"²²

The debate on the Ottoman public debt was thus intertwined with a discussion of how international politics should be handled. In the second half of the nineteenth century, many argued that cabinet diplomacy was old-fashioned and undesirable, and that not only Parliament but public opinion at large should be informed and actively involved. Some were convinced that the secrecy of diplomatic negotiations and the fact that the national agendas regarding international politics were set in extremely narrow government circles fueled international conflict and war.²³ Thus, for example, David Urquhart, a Scottish diplomat and politician known for his support of exiled reformist Ottoman intellectuals during the Tanzimat period, published a *Diplomatic Review* and took other initiatives to engage the working classes in international politics and defend the law of nations, in contrast to what he and his followers denounced as the elitist and secretive diplomacy of the day.²⁴

Examining the debate on the Ottoman public debt in Brunswik's journal, however, it is plain that lofty arguments on the virtues of

²² *Ibid.*, p. 7.

²³ This thesis was adopted and developed by the early practitioners of liberalism as a theory of international relations, most famous among them being Woodrow Wilson (U.S. President from 1913 to 1921), who argued that it was the undemocratic nature of international politics that fueled war and that the solution was "open covenants... openly arrived at."

²⁴ Nazan Çiçek, *The Young Ottomans: Turkish Critics of the Eastern Question in the Late Nineteenth Century*, London/New York, I.B Tauris, 2010.

transparency and an agenda based on public debate did not preclude the acknowledgement that people's desire to engage with international affairs may well be motivated not by the public good but by private interests, such as creditors' intention to get their money back. Yet the contradiction is only apparent: when honest business and investment is at stake, the interests of Frenchmen singly are understood as the interest of France as a nation. Brunswik's *Portefeuille* argued that the French government was responsible in several ways: it should defend the interests of the French bondholders vis-à-vis the Ottoman government, because it had acted as guarantor of Ottoman bond issues on several specific occasions. Also, as the constitutional government of a free nation, it was called on to provide all the available information for the benefit of its citizens. The editor contended that it was not enough for representatives to be informed; the information should circulate widely. And he took it as his journal's task to adapt the dry reports of embassies and consulates to make them more accessible to non-expert readers, for the sake of transparency and good business.²⁵

The problem of the Ottoman public debt thus played an important role in reshaping European public opinion during this period. It focused discussion on the nature and duties of a constitutional government and served as a powerful argument for a public administration at the service of citizens. At the same time, the Ottoman debt became a field for constructing one's public image as a "regional expert." Similar dynamics had already been in action decades earlier, as Andrés Vicent has shown with respect to such Britons as William Walton, self-made experts on Spain and the Spanish debt, who offered their knowledge and services to the British public but also acted as intermediaries for Spanish and Latin American politicians and businessmen.²⁶ A recurrent feature of their careers was connection with their country's diplomatic service, attesting to the

²⁵ "Notre programme", *Portefeuille diplomatique, consulaire et financier*, 1 (1, 5 June 1880).

²⁶ Andrés Vicent, *The Ubiquitous William Walton: the crisis of the Iberian Atlantic and the English Language (1807-1840)*, in course of publication.

phenomenon known as “*pantouflage*”: the use of social and cultural capital acquired in public service for a parallel or subsequent career as public intellectuals and/or private entrepreneurs. Benoît Brunswik used the heated debates on the Ottoman public debt to build his reputation and eventually make a career as an expert on the Ottoman Empire and on international politics.²⁷ Whenever the Ottoman debt made news, he wrote about it for the French public: in 1875 when the Empire declared bankruptcy, he published a treatise on the question, and he returned to Ottoman finances in his commentary on the Treaty of Berlin, and then again in the years leading up to the establishment of the Ottoman Public Debt Administration.²⁸ Finally, he made financial matters one of the three major areas of interest in the short-lived journal he launched in 1880 (it ceased publication the next year).

Men like Brunswik in France and Urquhart in Britain presented themselves as interpreters of Turkey for their national public and aspired to shape government policies. They acted as international mediators, circulating documents across national and imperial borders, but at the same time they were firmly rooted in their national contexts. Their level of engagement with the Ottomans and the symbolic framing of their initiatives varied. Urquhart was involved in an active exchange and acted as a go-between: in his *Diplomatic Review* he translated and published articles penned by Ottoman intellectuals. In turn, Young Ottoman exile newspapers such as *Muhbir* and *Hürriyet* publicized Urquhart’s ideas on international politics and on the Eastern Question and published letters from him and other British turcophiles who fashioned themselves experts on the Ottoman Empire.²⁹ Thus, each of these groups helped to publicize and

²⁷ On the intertwined world of diplomacy and business, a systematic, thought-provoking exploration of one specific case is Houssine Alloul, “Belgium and the Ottoman Empire: Diplomacy, Capital, and Transnational Loyalties, 1865-1914,” Ph.D. Thesis, University of Antwerp, 2017.

²⁸ *Le Traité de Berlin* (notes and comments by Benoît Brunswik), Paris: E. Plon, 1878; Benoît Brunswik, *La Turquie: ses créanciers et la diplomatie*, Paris: Ernest Laroux, 1878 (adding a comment to the new edition of his 1875 book).

²⁹ Nazan Çiçek, *The Young Ottomans*, cit., pp. 59-63.

legitimize the others as relevant, knowledgeable and well-connected in the eyes of their imperial publics, possibly also in the eyes of government officials, as well as transnationally. Urquhart clearly sought to transform international politics, and his initiatives went beyond the interests of the British Empire and its subjects to embrace more universal concerns (including specific ideas on the future of the Ottoman Empire and its peoples). Brunswik and others focused mostly on courting their own national public, presenting themselves as dispassionate expert voices on international and regional issues, independent of the French government but with the interests of Frenchmen in mind.

Not everyone was as pessimistic as Brunswik about the state of Ottoman affairs after the Congress of Berlin or as suspicious of the intentions of the Ottoman officials. One anonymous self-proclaimed expert dedicated a booklet to the “victims of the suspension of payments” by the Ottoman government, whose purpose was clearly not only “to explain their current situation, the nature of the negotiations that will take place in their name, and the real value of their bonds, on the eve of a financial restoration impatiently awaited for so long” but also to reassure the creditors that whatever might happen, their interests would be taken care of. The author said that he had made no effort to disguise his aim of “bringing a bit of confidence to the hearts of the unfortunate creditors, making them see that their situation is not as bad as has been described, and to prove to them that it is dangerous to be taken in by appearances, which may be discouraging but are at the same time full of promise.”³⁰ The argument of the booklet was set out in question-and-answer style, hypothetical bondholders posing questions and the author responding extensively. While he wrote in French for a French public, he stressed the interests and worries that all the European creditors had in common: “I have decided to publish this simple note to attract the attention of the public in general and of people who are interested (involved)

³⁰ *La Turquie et sa dette*, Paris, E. Dentu, 1881.

in particular, to that country in which we, the Europeans (English and French above all), have sunk billions; to its current state, from both the political and the economic point of view; and, eventually, to the fate of the Ottoman assets."³¹

The author was writing in 1881, against the background of the negotiations between foreign creditors and the Ottoman government. Within the narrow room for maneuver allowed by the Berlin Congress, Ottoman diplomacy scored a few points when it achieved its goal of engaging directly with the creditors, who in fact agreed to send representatives to Constantinople to negotiate with a committee appointed by the Ottoman authorities, without the mediation of the Western powers as such. At the same time, the creditors had managed to establish smooth channels of communication with their respective governments, while experts and pundits exerted pressure through public opinion and where the latter was shaped, namely the press, Parliament, even the stock exchange and the cafés and pubs in its vicinity. The anonymous French author interpreted the negotiations as a "high-level event" that was "at the same time political and financial", and that "should concern both diplomacy and the business [world]."³²

He claimed in his brochure that while it was true that "Turkey" had emerged from the war with Russia diminished, this could actually work to its benefit: "With regard to its continuity as European and Asian power, Turkey is healthier and more vigorous and, therefore, more viable than it was before the terrible crisis from which it is emerging. Accepting and suffering a partial dismemberment, it has seen detached from its territory only those provinces that in any case it could not have kept for more than a limited period of time and at the cost of bloody struggles and sacrifices that would have brought its ruin and sped up its dissolution." This expert, claiming to have inside knowledge, actually argued that "the hardship has rejuvenated and regenerated her, and important reforms are about

³¹ Ibid.

³² Ibid.

to be launched and liberties granted soon.”³³ The author also praised the autocratic Sultan Abdülhamid II (1876-1909) as perspicacious and extraordinarily intelligent, as well as committed to reform and to fulfilling Ottoman commitments.

However, he did not want his readers to rely exclusively on his own optimistic assessment. He argued that even if these predictions did not come true and the Ottoman Empire failed to flourish once again, international law would be there to save the day. The governments of France and Britain, where most of the creditors came from, were expected not only to uphold international law, but also to enforce it upon the less willing: “If need be, the fate of the creditors is fixed and settled in advance by the most recent precedents applied precisely to Turkey, and according to them any existing state that gets a part of the Empire, or any new state created from its ruins, will have to bear a proportional part of the Ottoman public debt. This principle of equity and international morality – given that it is part of the *droit des gens* – was not created by the Treaty of Berlin, but it was proclaimed and sanctioned by it. One need not worry that the governments concerned, particularly France and England, could allow this rule to be ignored to the detriment of their nationals, were the Ottoman empire to be dismembered once again or dissolved and shared out [among the victors] once and for all.”³⁴

In fact, the argument went, “the prospect for the creditors of the Ottoman Empire to see their debtor, so long insolvent and always suspect, replaced by a new debtor or debtors whose power and vitality would be proven by the very fact of their conquest or acquisition,” was nothing to worry about. In the last decades of the nineteenth century, social Darwinist imagery painting the world as the arena of a fierce, never-ending struggle between nations for their place in the sun became popular in many parts of the world, fueling anxiety among the ruling elites and the patriotic public of empires and nation-states. This struggle was depicted as part of the constant,

³³ Ibid.

³⁴ Ibid.

inevitable progress of civilization. For any nation even a brief pause or detour in the civilizing effort could imply a decline in comparison to other countries. Such a *Weltanschauung* fueled unending reciprocal observation and a frenetic race to identify the obstacles to progress and devise efficient solutions. Unwillingness or inability to evolve would lead to decadence and eventual collapse. Since the eighteenth century, commerce and industry had been praised as new, more civilized forms of competition among empires, but success on the battlefield never ceased to count as proof of a country's vigor. This discourse circulated globally in the final decades of the nineteenth century, but this should not be understood in terms of the simple diffusion of a concept. Rather, it was the product of a conflictual, violent and creative worldwide dialogue, enabled by the circulation of knowledge and practices, but also, as noted, by anxious comparison with others, fed by the fear of losing control and being dominated. In France, this kind of discourse gained increasing popularity following the country's defeat in the Franco-Prussian War.³⁵

War and conquest were not, however, the only possible fate of the weak and decadent. Modern civilization allowed for an alternative approach: tutelage; or, as the French often put it, the civilizing mission (*mission civilisatrice*). In theory, this consisted of imposing control on those incapable of moving into the community of civilized nations and helping them to acquire the skills and habits necessary for successful participation in modern civilization in a more or less distant future. Tutelage was understood not as a lesser evil but as a positive benefit, a gift to those who were to be controlled and dominated, certainly preferable to letting them rot and collapse owing to their irresponsibility and/or lack of capability and will.

³⁵ W. Koenraad, *The Sense of Decadence in Nineteenth-Century France*, Den Haag: Martinus Nijhoff, 1964. Daniel Pick, *Faces of Degeneration. A European Disorder, c. 1848-c. 1918*, Cambridge, Cambridge University Press, 1996; Arthur Herman, *The Idea of Decline in Western History*, New York: The Free Press, 1997; Darina Martykánová, "Los pueblos viriles y el yugo del caballero español. La virilidad como problema nacional en el regeneracionismo español (1890s-1910s)", in *Cuadernos de Historia Contemporánea*, 39, 2017, pp. 19-37.

Once again, the Ottoman public debt was an important topic in regard to which this discourse and the corresponding practices were articulated and subsequently legitimized.

The Treaty of Berlin included clauses and tools that can be interpreted as deriving from this discourse, which is precisely why our anonymous author could suppose that after the Berlin Congress, creditors' risks were relatively modest and they had good reason to be optimistic:

"If the representatives fail in their mission, if there is no agreement between them and the Ottoman government, they will report back to the committees that had granted them their power. There will be deliberations, and one does not need to be a great prophet to predict that all of Turkey's creditors, whatever their nationality, will concur in demanding that the signatory powers to the Treaty of Berlin support them effectively before the Ottoman Porte, to guarantee their rights and protect their interests. They will invoke the will of Europe expressed in such an official way at the Congress of Berlin. Their voice will surely be heard. The powers will appoint official political representatives and the Ottoman government will be invited to proceed with them, overseen by Europe, to settle its debt."³⁶

War and the international financial markets thus appear as engines of the expansion of international law, but also as the means of creating "Europe," an entity defined against the militarily weak and the financially unreliable or untrustworthy. As war had been for millennia, international financial markets were fast becoming an effective means of domination, which was legitimized by references to honesty, reliability and the sanctity of contracts.

"Today, after the Treaty of Berlin, after the Porte's spontaneous appeal to her creditors, after the appointment of the delegates and the beginning of the negotiations, Turkey, financially speaking, does not belong to herself anymore." Willing or not, the Ottoman Empire

³⁶ *La Turquie et sa dette*, Paris, E. Dentu, 1881 (25 August 1881).

would have to reform its financial services and its system of direct and indirect concessions, putting foreign experts (*spécialistes*) in charge, who would serve the country and the State as well as the European financiers had served Egypt. "One marvels to see what has become of Egyptian finances in their able and energetic hands," argued the author "...and nothing more was needed to achieve such astonishing results originally, but the good will and fortunate intervention of a financial power."³⁷

For many, the direct intervention of foreign governments was not necessary, and perhaps not even desirable, for the creditors to be able to rely completely on their respective governments. They preferred that the European powers should throw their weight behind international law, rules and business practices that were being defined, and compel everyone to comply with these if necessary. On the ground, they preferred apparently "technocratic" solutions, although as we may observe, these technicians were not abstract figures and the "energetic and able hands" seem to have been the exclusive appurtenance of European men.

Conclusions

The European holders of the Ottoman bonds had been worried about their once profitable investment for many years. First of all, there were the concerns stoked by the Ottoman Empire's military defeats and losses of territory. Then, in 1875 the government defaulted on its obligations and declared bankruptcy. In the years that followed, foreign creditors, including major banks, lobbied their governments to intervene on their behalf, while the Ottoman government, hungry for new loans but unwilling to accept direct intervention by the European powers, tried to maneuver, pitting one group of creditors against another and doing everything it could to prevent European governments from adopting the official role of de-

³⁷ Ibid.

fenders of the bondholders. As we have observed here, the Ottomans' room for maneuver narrowed dangerously after the defeat in the Russo-Turkish War of 1877-78. The subsequent negotiations at the Berlin Congress and the treaty that it produced created legal guidelines for possible future intervention in the Ottoman finances. Soon the Ottoman government saw no way of ensuring its access to foreign loans except agreement not only to foreign oversight of its finances but also to foreign management of several of its most lucrative monopolies. The Decree of Muharrem created an autonomous Council of Foreign Debt, made up of two members from France, one from the Ottoman government, one each from Austria, Germany and Italy and one from Britain, who was also assigned to share information with Dutch and Belgian bondholders. For the Ottomans, this dark cloud did have a silver lining: namely, the foreign members of the Council were not government representatives, but were designated by the bondholders or banks.³⁸ The Council created, directed and oversaw a complex institution, the Ottoman Public Debt Administration (OPDA), which would handle all phases in the extraction and encashment of many kinds of taxes, revenues and tithes, especially the most lucrative ones, and transfer the proceeds to the European creditors. This organization was staffed by foreigners and Ottomans, and most of the delegates on the Council were named by the major creditors (foreign banks and bondholders' associations). The OPDA did not limit itself to tax collection, though. It soon took a more active role, managing the money of the European investors who wished to do business in the Ottoman domains and selectively developing specific industries, promoting profitable export-oriented agriculture and building infrastructures.³⁹

It is striking to see how many of the arrangements featured in

³⁸ Murat Birdal, *The Political Economy of Ottoman Public Debt: Insolvency and European Financial Control in the Late Nineteenth Century*, London and New York, I.B. Tauris, 2010.

³⁹ Birdal, 2010; Şevket Pamuk, *The Ottoman Empire and European Capitalism, 1820-1913. Trade, Investment and Production*, Cambridge and New York, Cambridge University Press, 1987; Necla Geyikdağı, *Foreign Investment in the Ottoman Empire: International Trade and Relations 1854-1914*, London, I.B. Tauris, 2011.

the creditors' requests from the years before OPDA were actually incorporated in this autonomous administrative structure. One feature in particular was staffing the institutions with foreigners or putting foreigners in charge of mixed or Ottoman teams of clerks and technicians. Another was the indirect, mediated role of the European powers, insofar as management was mainly in the hands of the representatives of the large creditors, namely banks, and not government agents.

As we have seen, in analyzing the Ottoman default before OPDA was formed, the European creditors held local employees and governmental officials to be part of the problem. Several causes of the unreliability of local bureaucrats were posited. First and foremost was one of the traditional *topoi* in European discourse on the Ottoman Empire: Oriental despotism. The Ottoman officials supposedly lived in fear and awe of the Sultan and succumbed to the severe pressure to fund the Court's lavish spending. This attitude apparently flowed from top to bottom and infected all branches of the administration. Obviously foreigners, particularly when running an autonomous body itself composed of foreigners, would not succumb easily to such pressure. Second, the Europeans argued that financial cooperation and economic development were hindered by the Ottomans' mistrust and more or less hidden negative attitudes towards Europeans as such. Third, most Ottoman government officials and public employees allegedly lacked the knowledge and skills needed to extract taxes efficiently and promote commerce and specific industries. Such reasoning led European authors and politicians to contend that foreign management would actually improve the Ottoman imperial administration and thus be a benefit for the Empire. We may observe that although these arguments neglect a number of important aspects, such as conflicts of interest and agenda setting, they are not "essentialist." That is, they do not attribute immutable racial defects to the Turks (though it can be noted that if the French generally avoided such attitudes, the British press sometimes did appear to adopt such interpretations of the actions of "Oriental governments"). At this stage foreign intervention was construed and

justified as temporary, one of its presumed collateral benefits being, in fact, the transformation of the Turks themselves. While this was clearly a self-serving assertion to justify intervention in the affairs of a sovereign government on behalf of financial interests, similar arguments – in a more sophisticated version, to be sure, cloaked in more analytical, neutral-sounding academic language – are still found in current historical debates.

What is particularly striking is the role of non-state actors in shaping the great powers' policies towards the Ottoman Empire and other, lesser powers. Although a great deal has been written about the colonizing drive of the European governments, the integration of the Ottoman Empire into the global financial system in a subordinated, semi-colonial position (embodied by the OPDA) was the result of a multifaceted process in which the pressure of non-state actors such as banks and creditor associations was decisive. Nor was this pressure exerted only behind a veil, in cabinets; rather, public pressure too was brought to bear. Self-styled experts on Turkey shaped and mobilized public opinion, while at the same time creating and reaffirming their status. A further side effect was that creditors and experts helped to promote the notion of foreign policy as the outcome of national public debate. Ultimately, the question of the Ottoman public debt was instrumental in institutional change and in the expansion and consolidation of international law. The Ottoman Empire ended up more closely integrated into the emerging global community, albeit on unequal terms, under the control and oversight of the European powers.