Chapter 5 A:
Defensive Developmentalism

Part 2: The Question of Modernity
notes by Denis Basic
Situation in Western Europe

- Due to the Atlantic economy, Britain, the Netherlands and France underwent a radical economic transformation that enabled them to eclipse states such as Spain and the Mediterranean merchant republics.
Situation in Eastern Europe

- The so-called “second serfdom”
- Second serfdom appeared in the Middle East, too
- The expression SECOND SERFDOM refers to the attempt by the East European nobles to extend the control over land and the peasantry, including binding that peasantry to the land.
Second serfdom

- From the 16th century on, in the world market, Eastern Europe became a periphery. It was a breadbasket of Western Europe, focused on the production of grain and other agricultural products, which were cheap thanks to the institution of **Second Serfdom** that lasted in Russia until 1861.

- The legal and economic status of European peasants under feudalism went as follows. Serfs could not be sold like slaves, but they were not free to leave their master's estate without his permission. They had to work the lord's land without pay for a number of days every week and pay a percentage of their produce to the lord every year. They also served as soldiers in the event of conflict. Serfs also had to perform extra labour at harvest time and other busy seasons; in return they were allowed to cultivate a portion of the estate for their own benefit.
Second serfdom (cont’d)

Serfs could purchase their freedom, and in England a serf who evaded recapture for a year and a day obtained his freedom. In England serfdom died out between the 14th and 17th centuries, but it lasted in France until 1789.

In many East & Central European countries (Prussia, Austria, Hungary, Polish-Lithuanian Commonwealth, Russian Empire), serfdom was abolished during the Napoleonic invasions of the early 19th century (1803-1815). However, after Napoleon’s debacle, serfdom was then again reinstated, therefore, the Second Serfdom.

Second Serfdom officially lasted in Austro-Hungarian Empire until 1848 and in Russia until 1861.
Situation in the Middle East

- Financial crisis of the 17th century affected the Middle East profoundly, like the rest of the world
- Warlords asserted themselves against the weakened government
- By the end of 18th century, even before the arrival of Mehmet Ali (?1770-1849) on the scene, the Ottomans had lost effective control of Egypt.
Officially, Egypt was a part of the Ottoman Empire until 1914. However, its status was very special.

Persia was also weakened by tribal insurrections. Safavids collapsed under the attack of Qajars from Afghanistan. The Qajar dynasty ruled the area from 1726-1925.

Historians agree that Qajars’ rule was efficient in Tehran only. Qajars were also at the mercy of the British and the Russians.
New goals of Middle Eastern states

- to strengthen their states in the face of internal and external threat and to make their governments more proficient in managing their populations and their resources.
- this process is known under the name DEFENSIVE DEVELOPMENTALISM
DEFENSIVE DEVELOPMENTALISM

- 1. military reform
- 2. to expend the sources of revenues cultivate cash crops (silk, cotton, tobacco)
- 3. eliminate TAX FARMERS and other intermediaries
4. educate new administration
5. promulgate new legal code
6. centralize economic planning
Important legal changes

- Ottoman constitution granted in 1876 (short-lived until 1878) and restored in 1908
- Persian constitution in 1905
Important economic changes

- **1858 Ottoman Land Code**
- the code gave peasants the right to register the lands they were working in their own names as private property.
- the goal of the Ottoman government was to increase the accountability for taxation, expand agricultural production, and end tax farming.
- the peasants, however, mistrusted the government and feared that the government made this “gift” merely to increase their tax burden and that the regulation may eventually lead to the conscription of their sons into the Ottoman army.
Industry in the Middle East

- Middle Eastern government wanted to pay for their new armies by fostering industry

- Western governments opposed two key components of that industrial development:
  1. government monopoly and
  2. protective tariffs
STATE MONOPOLY in their territories would have allowed Middle Eastern governments to directly and set prices for raw materials used in government factories without the fear that the competition from Europe would drive prices up or deplete their supply.
PROTECTIVE TARIFFS would have allowed Middle Eastern governments to prevent European manufacturers from destroying local industry by dumping cheaper European products on their markets.
In 1828 the Russians forced the Persians to agree to a ridiculously low 5% tariff on goods imported from Russia. At the dawn of the 20th century, while Russians were still paying 5% on Russian exports to Persia, Persian merchants were paying upward of 20% on select commodities.
What actually happened?

- Likewise, in 1838, the British forced the Ottomans to sign a treaty abolishing monopolies in their territories and setting the same low 5% tariffs on British imports.

- This was a result of the Treaty of Balta Liman (1838), which the Ottomans had to sign in exchange for the British support to regain control over Syria, which was conquered by the Egyptian governor, Ibrahim Pasha (1789-1848), Mehmet Ali’s son.
Mehmet Ali of Egypt

The most striking defensive developmentalism took place in Egypt under Mehmet Ali, aka Muhammad Ali, (?1770-1849)
Mehmet Ali sent his armies South into Sudan to obtain gold, slaves, and control of the West bank of the Red Sea.

On the Ottoman request, he gladly sent his troops to Arabia to put down a revolt. This was supposed to help him control the East bank of the Red Sea.

Finally, as mentioned before, his son led an expedition into Syria. (aim: to control Eastern Mediterranean ports)
Mehmet Ali believed that his family was entitled to rule Syria since he supported the Ottomans during the Greek war of independence though he lost the war. The Sultan disagreed.
MEHMET ALI further encouraged cotton cultivation and integrated Egypt into world economy

- In 1800, 50% of Egypt's trade was with the rest of the Ottoman empire and 14% with Europe.
- By 1823, these figures were reversed.
The Suez Canal

- The Suez Canal was opened in 1869.
- It was built by Mehmet Ali’s successors in an attempt to further improve the Egyptian economy.
- The Egyptian cotton industry was flourishing during the American Civil War (1861-1865), for the American cotton was not coming to Europe during that time.
- The Canal was built through the heavy loans from the West.
- When the American civil war ended in 1865, and the American cotton went on the market, the prices plummeted.
- Egyptian economy received the second shock in 1873 during the international depression.

- By 1876 the Egyptian debts were higher than 90 million British pounds, most of which was owed to foreigners, and Egypt had to declare bankruptcy.

- Europeans organized a commission the task of which was to supervise the Egyptian budget and oversee the repayment of Egyptian debt.
Thus, ironically, the policy of defensive developmentalism had the opposite effect.

The British cut the military spending.

The colonel Ahmad ‘Urabi (1841-1911) started a rebellion against the British.

This jeopardized the British position in the Eastern Mediterranean and therefore the British route to India.

As a result, the British occupied Egypt in 1882.

The occupation lasted, in one form or another, until 1956.
Tanzimat Reforms

“tanzimat” = reforms, regulations

- Usually dated from 1839 when Sultan Abdülmecid I (Abd-ul-Mejid) passed the Hatt-i Sharif of Gülhane (see Gelvin, pp. 159-161)
- The Hatt-i Sharif of Gülhane (Noble Edict of the Rose Chamber)
- The proclamation was issued at the behest of reformist Grand Vizier Rashid Pasha.
The Hatt-i Sharif of Gülhane
(Noble Edict of the Rose Chamber)

promised reforms such as the abolition of tax farming, reform of conscription, and greater equality of religion. The goal of the decree was to help modernize the empire militarily and socially so that it could compete with the Great Powers of Europe. It also was hoped the reforms would win over the disaffected parts of the empire, especially in the Ottoman controlled parts of Europe, which were largely Christian.
TANZIMAT REFORMS

Started with The Hatt-i Sharif of Gülhane in 1839 introduced by the Sultan Abdülmecid I (b. 1823 - d. 1861)
Tanzimat Reforms

- Culminated with the Ottoman constitution in 1876, which was promulgated by the Sultan Abdülhamit II (1842-1918)
- The constitution was suspended in 1878 by the same Sultan
Ottoman Military Reforms actually started with Sultan Selim III (lived 1761-1807) (ruled 1789-1807).
Sultan Selim III established the nizam-i jedid (new order) troops that adopted Western forms of drill and armament.

by 1806 the corps included about 24,000 soldiers

Selim III was forced to abdicate by those opposed to his policies, including a jealous janissary corps.
Auspicious incident (1826)

Sultan Mahmud II (lived 1785-1839) (ruled 1808-1839), the successor of Selim III continued the reforms.
In 1806 the Janissaries, with support of the ulema and the provincial governors revolted against the Sultan and his new forces and replaced him with Mustafa IV. In 1808 he was replaced by Mahmud II with martial law of Alemdar Mustafa Pasha who restarted the reform efforts.

His first actions was to ally with the Janissaries to break the power of the provincial governors.

He then turned on the Janissaries, massacring them in their barracks in Istanbul and the provincial capitals in 1826.
Achievements of the Ottoman government during the 19th century

- legislated against tax farming
- restructured the central bureaucracy along the European lines
- established provincial councils based on representative principles
- codified law and extended the authority of secular law - first constitution (1876)
- built schools to train new bureaucracy, “civilize” children of tribal leaders, and train military
In all, by the beginning of the 20th century more than a half a million Ottoman civil servants managed activities commonly associated with modern nation-states, from administration of hospitals to the construction and maintenance of essential infrastructure.

In the 19th century, the Ottoman Empire included Anatolia, the Balkans parts of North Africa, and the Arab Middle East.

The Empire was so widespread that it was difficult for the central government to radiate out through the provinces even with the use of 19th century technologies such as TELEGRAPHS and RAILROADS.
Ottoman dependence on variety of cash crops was hardly an effective economic strategy.

As in the case of Egypt, the cost of defensive developmentalism combined with the international depression of 1873 eventually led to bankruptcy and European supervision of the Ottoman finances.
They objected that the reforms threaten Muslim predominance and that they are in essence of European inspiration.

Islahat Fermani (see Gelvin pp. 161-164) was in deed dictated by the British ambassador to Istanbul, Stratford Canning.

Many Christians were not pleased that the notion of equality was applied in such areas as military conscription.
GREAT GAME
PERSIANS, RUSSIANS, AND THE BRITISH
CHAPTER 5 B: NOTES BY DENIS BAŠIC
The Qajars were a Turkmen tribe that held ancestral lands in present-day Azerbaijan, which then was part of Persia. In 1779, following the death of Mohammad Karim Khan Zand, the Zand Dynasty ruler of southern Persia, Agha Mohammad Khan, a leader of the Qajar tribe, set out to reunify the country. Agha Mohammad Khan defeated numerous rivals and brought all of Persia under his rule, establishing the Qajar dynasty. By 1794 he had eliminated all his rivals, including Lotf 'Ali Khan, the last of the Zand dynasty, and had reasserted Persian sovereignty over the former Persian territories in Georgia and the Caucasus. Agha Mohammad established his capital at Tehran, a village near the ruins of the ancient city of Ray (now Shahr-e Rey). In 1796 he was formally crowned as shah. Agha Mohammad was assassinated in 1797 and was succeeded by his nephew, Fath Ali Shah.
The Results of The Qajar Conquest of Persia

- about 20% of the population of the Safavid Empire died
- Persian cities lost upward of 2/3 of their population
Persia in the 19th century

- Persia occasionally profited from the presence of the two rival imperialist powers on its borders - Britain and Russia.

- During the mid 1860's, Britain introduced the first telegraph line in Persia, because it needed fast communication between India and London.

- In 1891, three years after the British established their first modern bank in Persia, the Russian opened theirs, too.

- However, for the most part, the “Great Game” blocked the introduction of 19th century technologies and institutions into Persia.
Negative Effects of Imperialist Rivalries on Persia

• Both Russia and Britain discouraged Persians from asking for technical assistance or loans from its rival.

• Neither power was enthusiastic about the other building a North-South railroad in Persia for obvious reasons so that the project had to wait until 1927.

• For all its evils, in most of the world imperialism fostered institutions and infrastructure, if only to expend the reach of the imperialist power and integrate the colonized into the world economy. In Persia it all too often had the opposite effect.
Qajar Rule

- **Qajar rule was minimalist.** Unlike the Safavids, the Qajars only intervened in the economy to prevent urban insurrections when prices rose too high or shortage threatened.

- **They auctioned off governorship** to the highest bidders, who then subfarmmed out tax collections in districts and cities.

- **They also auctioned off the right to collect customs and even the mint** to the highest bidder.

- By 1850, the Qajars even lost control over the land that had been granted as *tiyul*. This land became a virtual private property of merchants, ulema, and high officials.
Defensive Developmentalism in Persia

• In spite of all weaknesses of the Qajar central power, this does not mean that they did not take a stab at defensive developmentalism. They actually tried twice; first time in the mid 19th century and then again in 1870s.

• The government attempted to
  • build state-run factories,
  • reform the budget,
  • build a modern military based on conscription rather than tribal levies, and
  • build modern educational facilities.
Dar Al-Funun - A Successful Project

• All Qajar efforts in defensive developmentalism failed, except for two.

• One of them is the school **Dar al-Funun** founded in 1851 in which they trained military officers and bureaucrats.

• The school admitted roughly 250 students each year.

• Many of the graduates chafed at what they considered Qajar despotism and inefficiency.

• These graduates later participated in the **Constitutional Revolution of 1905**.
The Cossack Brigade - the Second Successful Effort

• The second successful institution formed during the brief Persian experiment with the defensive developmentalism was the Cossack Brigade, an elite military force led by Russian officers.

• The brigade, under the leadership of Reza Khan, would overthrow the Qajar dynasty after WWI.

• Ironically, the two institutions with lasting impact that were founded during the defensive developmentalist periods were two institutions that weakened, then eventually overthrew the Qajars.
Qajars’ Concessions To Europeans

• Because of their limited control over the country, the Qajars attempted to generate revenues and hasten development by granting concessions to European financiers and adventurers.

• That is, the Qajars attempted to encourage “modernization,” raise quick cash, or do both by selling select Europeans the right to produce, market, and export a commodity or commodities found in Persia.
Reuter Concession

• In 1872 the Persian Shah granted to Baron Julius Reuter, a British subject, the exclusive rights to build streetcars and railroads, extract minerals, establish a national bank, and exploit the national forests in exchange for a modest down-payment and the promise of future royalties.

• Lord Curzon called what came to be known as Reuter Concession “the most complete and extraordinary surrender of the entire industry of a kingdom into foreign hands that has probably been ever dreamed of, much less accomplished, in history.”
• Because the **Reuter Concession** met opposition in Persia and was hardly pleasing to the Russians, the shah had to cancel it.

• Reuter retained the right to build the state bank of Persia, which financed the government, and received a **40,000-British-pound indemnity** from the Persian government.
Baron Paul Julius De Reuter  
(1821-1899)

founder of Reuter’s news agency (telegraph company). Reuter was born in Kassel, Germany. His original name was Israel Beer Josaphat. First a bank clerk, he started in 1849 a pigeon post service, which bridged a gap in the telegraph line between Aachen, Germany and Verviers, Belgium. In 1851 he went to England, where he was later naturalized, and soon opened a news office in London. In 1858 he persuaded English newspapers to publish his foreign telegrams. He then extended his influence and soon had worldwide cable connections. In 1865 he converted the Reuters agency into a joint stock company, and he was governing director until 1878. He was named a baron by the duke of Saxe-Coburg-Gotha in 1871.
**Tobacco Concession**

- In 1890, after bribing the right state officials, a British adventurer acquired from the shah the right to control the cultivation, sale, distribution, and export of all Persian tobacco products for 50 years.

- The concession was paid **15,000 British pounds** and with the promise of **25% of anticipated profits**.

- Soon afterwards, he sold this right to the Imperial Tobacco Company of Britain.

- Persian merchants and ulema organized protests. Boycott of tobacco.
• Once again the shah had to cancel the contract.

• The indemnity this time was **340,000 British pounds**.

• To pay the indemnity, the shah had to take the first foreign loan ever contracted by a shah of Persia.

• The loan was in the amount of **500,000 British pounds**.

• This, of course, created huge deficits for the Persian government, which necessitated more foreign borrowing.
• From the tobacco revolts, all future successful mobilizations would be built on alliances of various social classes united by the broad and vague ideology that often used religious symbols.

• However, none of these mobilizations were religious per se, nor were they actually led by clerics, until clerics seized control over the Iranian Revolution of 1979.

• Like most other revolts, the causes were social and economic, nevertheless, Shi‘ism provided a unifying language and set of symbols.
D’Arcy Concession

- Perhaps the most significant concession for the future of Persia was granted to an Anglo-Australian adventurer, William Knox d’Arcy.

- In 1901, the Qajar Shah Mozaffer al-Din granted d’Arcy the right to “obtain, exploit, develop, render suitable for trade, carry away and sell” petroleum and petroleum products from all of Persia in exchange for 40,000 pounds in cash and stock and 16% of its annual profits.

- In 1905, after failing to find oil and having spent most of his capital, D'Arcy assigned his concession rights to Burma Oil, in return for 170,000 barrels of petroleum. Oil was discovered in commercial quantity at Masjed-e Soleyman in 1908, and Burma was reincorporated the following year as the Anglo-Persian Oil Company (APOC, later, the Anglo-Iranian Oil Company, then British Petroleum).

- In 1914, the British admiralty, seeking to convert its navy from coal to oil, saw a strategic value in this concession. To prevent d’Arcy from selling this concession to the French, the British government bought the concession and became the major in the Anglo-Persian Oil Company.
In the beginning, the idea of the British navy switching from coal to oil was not quite readily accepted in the British Parliament. The vice lord of admiralty of the time, Winston Churchill, who promoted this idea, was heavily criticized for “acting against traditions of the British navy.”

Churchill reportedly responded to this criticism by stating that the only traditions of the British navy were “rum, sodomy, and the lash.”

Winston Churchill (1874-1965)
D’Arcy Concession’s Importance

• This was the first oil concession granted in the Middle East and provided the model for all others that followed.

• The length of concession was determined to be 60 years.

• In 1923, Winston Churchill claimed that the concession had earned Great Britain 40 million British pounds. In this year, the concession earned Persia a mere 2 million. (Persia should have earned at least 6.72 million if the clause of the concession, which grants 16% of the annual profits to the Persians, was respected.)

• “APOCH did not consistently follow the terms of the agreement. For example, during World War I from 1914 to 1920, oil output had increased from 274,000 to 1,385,000 tons (250,000 to 1,255,000 t) annually; by 1933, the company had made a profit of 200 million pounds sterling. By contrast, Persia had received only some 10 million of the 32 million pounds sterling due contractually—less than one-third of the share to which it was entitled by the concession.” [source: Anglo–Iranian Oil Company. Encyclopedia of the Modern Middle East and North Africa. Encyclopedia.com. (October 20, 2016)]