

THE ECONOMIC ACTIVITIES OF OTTOMAN AND WESTERN COMMUNITIES IN EIGHTEENTH-CENTURY IZMIR

During the course of the 18th century the integration of the Ottoman empire, in particular its coastal areas, into the international market, advanced considerably setting the scene for its near-complete integration in the 19th century. As this integration was effected mainly through trade with the West, Izmir, a coastal port in the western part of the empire, emerged as the major port in this trade relationship with the West and became the principal vehicle for the empire's integration. It was a process that took most of the century to evolve.

Whilst in the first half of the 18th century Izmir averaged only a 19 percent share of the goods exported from all major Ottoman ports to France, the empire's principal western trading partner, and was surpassed by Alexandria and even more so by the islands of the Aegean Archipelago, from the late 1740s on its prominent position *vis-à-vis* the other Ottoman ports' trade with France, became increasingly apparent, and after 1754 Izmir's position in Ottoman-French trade was unrivaled. Beginning in the 1760s, Izmir's exports to France grew faster than the trade of the Ottoman empire as a whole: as a result, Izmir also captured an ever-increasing share of the empire's total trade. From 1745 to 1789, an average of 34 percent of the annual exports of the Ottoman empire passed through Izmir. Salonica and Kavala, which had emerged by the 1770s as the principal ports after Izmir, were still considerably behind. In the 1780s the export trade of the above ports, combined with that of Alexandria and Iskenderun, represented only 65 percent of Izmir's exports.¹ Izmir also dominated the empire's importation of French goods. From 1749 to 1789, an annual average of 30 per cent (four percentage points less than the exports) of all French imports to the empire entered through Izmir. Its greatest rival was Istanbul but Izmir actually surpassed it.² It was, in fact, Izmir's ability to export to the West raw materials necessary for the former's growing textile sectors, (such as silk, particularly in the earlier part of the century, cotton, cotton yarn, mohair yarn, various types of wool), and foodstuffs, (such as wheat and olive oil), and to import western manu-

1 – For a fuller exposé of the trade of Izmir in the 18th century and its place within the trade of the Ottoman empire see Frangakis-Syrett, Elena, *The Commerce of Smyrna in the Eighteenth Century, 1700-1820*, Athens, 1992, p. 119-130.

2 – *ibid.*, p. 119; see also Frangakis, Elena, "The Ottoman Port of Izmir in the Eighteenth and early Nineteenth Centuries, 1695-1820", in: *Revue de l'Occident Musulman et de la Méditerranée*, XXXIX/1 (1985), p. 149-152.

factured cloth, dyestuffs (also related to manufacture) and colonial goods of mass consumption (such as sugar and coffee), that laid the basis for the commercial growth of Izmir.

The marrying of good-quality cotton from the environs of Izmir to the needs of an expanding textile industry in Languedoc and the whole Provence region solidified the trading partnership between Izmir and Marseilles and accounts to a large extent for the considerable commercial success of the former. Whilst in the opening years of the century, 1700-1702, Izmir's share of the total value of the empire's cotton exports to Marseilles was around 10 percent, in 1750-1754 it was 44 percent surpassing the 70 percent mark in 1785-1789, peak years in French trade, resulting in an ever-increasing commercial growth of Izmir.³

Whilst French trade in the Levant peaked in the last quarter of the 18th century, most of which was handled by Izmir, the city's trade continued to grow at the turn of the century as it turned to other European trading partners, namely the Italian ports and subsequently Britain, benefiting from the expansionary phase of the world economy and other favourable conditions. The result was a spectacular commercial growth for Izmir in the late 18th and early 19th centuries which was, in many respects, the culmination of 18th century economic developments.

The competition that the European merchants faced when buying cotton from local purchasers, who intended it for consumption in the local manufacturing centres in Ankara or elsewhere in Anatolia, which catered to a domestic market, showed that there was also a lively internal trade.⁴ However, Izmir's exports surpassed its imports for most of the century and its external trade, it would appear, constituted the biggest sector in the city's economy, although it also commanded and was supported by an extensive internal trading network. In the absence of adequate data it is difficult to determine how much of the internal trade was linked to the international market and the external trade and how much of it was part of the internal economy. Perhaps the most telling example of local economic growth was the spectacular increase in the economic activities, such as trade, shipping and, to a lesser extent, marine insurance and local production of cloth of the local Ottoman communities, particularly in the latter part of the 18th century, which represented considerable capital accumulation. There was also an increase in Izmir's market, particularly in the city and its immediate environs, including islands in the Aegean Archipelago such as Chios.⁵ However, a large part of Izmir's imports was not consumed on the spot but distributed to its very extensive hinterland that included large areas of Anatolia and reached as far as Iran.

3 – Frangakis-Syrett, E., *The Commerce of Smyrna*, p. 233.

4 – Archives Nationales de France, Paris, AE Bi 1053, Consul Peyssonnel, Mémoire, Izmir, 22 November 1751. Hereafter this archive will be cited as ANF.

5 – *Ibid.*

At the same time, it collected and exported to the West an increasing amount of the agricultural production of large areas of Anatolia and of the islands in the Aegean Archipelago.

An active European commercial presence dominated Izmir's external trade, the biggest sector in the city's economy, for most of the century. The principal European mercantile communities were the French, British and Dutch, who had established themselves in the city from the early 17th century, and who enjoyed certain non-reciprocal trading advantages *vis-à-vis* the local merchants due to the prevalent system of the capitulations.⁶ Yet their trading activities were closely inter-linked with the local merchants in a number of ways. For instance, these Europeans set themselves up in the city and traded mainly through local merchants who acted as their brokers. They were themselves probably also active in the bazaar of the city, if not directly, by buying and selling from a stall, at least indirectly by negotiating deals regarding stocks which they might have had for sale in their warehouses or concerning goods that they wanted to purchase.

They certainly did not have a standing trading network or establishment of their own in the interior of western Anatolia. Given the level of capital resources that these merchants disposed of in the 18th century, they did not have the funds to venture inland on a scale that would have made them competitive *vis-à-vis* the local merchants. If they went themselves to the interior, which they might occasionally have done, they did so accompanied by their broker and, in this case, also their dragoman. The problem of the language and the lack of security in the interior were definite reasons also to deter them from making it a regular practice. Besides, for goods brought to Izmir from further afield, such as Persian or Bursa silk, Ankara mohair yarn or certain types of wool, it made sense for the European merchants to deal with these goods once they reached the city's bazaars. Moreover, Persian silk was transported exclusively by Armenian caravan merchants whilst Bursa silk or Ankara mohair yarn were, to a large extent, the monopolies of Jewish and Armenian and, to a lesser extent, Turkish merchants who brought the goods themselves to Izmir selling them to other local merchants. The latter, serving as intermediaries, would sell them to the European merchants through the latter's brokers.⁷ In fact, the extensive trading networks of Izmir inside the Ottoman empire, which meant that goods came from afar or were carried far, made use of intermediaries necessary. Intermediaries, like the brokers, were us-

6 - ANF, F/12, 549, *Réforme du tarif des douanes en Turquie*, Conseil Général du Commerce, 16 December 1804; see also Public Record Office, London, SP 105/129; British Factory, Izmir, 31 January 1804 to Levant Company, London. Hereafter this archive will be cited as PRO. See also Goffman, Daniel, *Izmir and the Levantine World, 1550-1650*, Seattle, 1990, *passim*.

7 - Matterson, Clarence, *English Trade in the Levant, 1693-1753*, unpublished Harvard University Ph.D. dissertation, 1936, p. 142.

ually non-Muslim local merchants, Armenians, Greeks or Jews. In some cases both the functions of the intermediary and the broker might be carried out by the same person. Indeed, even when European merchants bought olive oil directly from the producers, which was the case in the Aegean islands, paying cash for it usually through Izmir – which acted as a clearing house – western manufactured cloth, that was imported into Izmir by western merchants, was carried to the same Aegean islands by local merchants. No direct barter exchange of olive oil for cloth between the western merchants and the local producers seemed to have taken place.

The Turks were not only merchants but also land proprietors and, in some cases, large-scale producers as well as local administrators and customs officials. The Turks played their most important role in the commercial activities of Izmir as large landowners and producers of cotton and wheat, while, as *ayans*, as most large-scale landowners usually were, they had other responsibilities apart from trading. As merchants, their role in the economic life of Izmir had some of the characteristics of that of non-Muslim merchants. Some Turkish merchants traded with the Europeans in mohair yarn, cotton, cotton yarn and leather on credit through non-Muslim intermediaries.⁸ Most of them, however, were active in the inter-Ottoman trade linking Izmir with the rest of the Ottoman empire and did not act as intermediaries or brokers for the Europeans. As such they did not come into contact with the Europeans much and, hence, there are not many references to their commercial activities in the western sources which leads to an underestimation of their economic activities. Nevertheless they were active both in the internal caravan trade routes and in the coastal trade of the empire.⁹ As landowners and merchants they, of course, both lent to and borrowed money from non-Muslims and Europeans.

If the trading activities of the European merchants seemed to have been closely linked with the local merchants, particularly non-Muslims, the Europeans nevertheless enjoyed many special advantages. For instance, it was the more advanced western economies that set the tone for the trade exchanges between the West and the Ottoman empire, for it was the needs of the growing textile industries in western Europe which brought about the demand for the raw materials that became Izmir's principal exports. Nowhere was this more obvious than in the demand in Europe for Ottoman cotton that resulted in a surge of cotton exports from Izmir which accounts, to a large extent, for the commercial growth of the city. It is rather early to speak of a significant export orientation of the local economy, since it is difficult to quantify the amount exported *vis-à-vis* the amount produced in Izmir's environs, especially since many of its principal exports were produced in areas beyond its immediate hinter-

8 – ANF, AE Bi 1055, Consul Gilly, Izmir, 28 June 1755 to Minister, Paris.

9 – ANF, AE Biii 242, Consul Fourcade, Mémoire, Izmir, c. 1812. See also PRO, SP 105/188, Ambassador Sir Robert Ainslie, Istanbul, 1782, 1783, 1786.

land. Yet by the end of the 18th century, at least part of its economy was becoming export oriented, propelled principally by the needs of the western economies, whose representatives the western merchants were.¹⁰ Moreover, for the greater part of the century western merchants, based in the Levantine port, were the ones who mostly imported goods to Izmir from the West or exported Izmir's goods to the international market. It was not till 1798 that the first Ottoman ships, freighted by local merchants in Izmir, officially reached the port of London, with local merchants' goods on board.¹¹ Similarly, it was not till the last two decades of the century that the French, intermittently, allowed the local merchants to import goods from Izmir directly to Marseilles without paying the foreigners' 20 per cent import duty. This duty was finally abolished only in the early 19th century. Western merchants enjoyed further advantages. They virtually monopolized the insurance sector, mainly marine insurance. In addition, most of the carrying trade between Izmir and western Europe, and even Izmir and other Ottoman ports in the eastern Mediterranean, apart from the lighterage sector, was in the hands of western shippers for most of the century, except during times of European maritime conflict.¹²

The advanced western economies, dictating the nature of the trade exchange, stood to influence the local economy as a whole. Yet, on the level of the individual merchant or the daily practice of trade, the westerner, although enjoying many advantages, was not all powerful, as the following example well illustrates. The Ottoman economy suffered from a chronic lack of specie coupled with a devaluatory trend in its currency which became progressively more acute in the second half of the century and which resulted in a lucrative trade in money. Apart from benefiting from this lucrative trade – in which the local merchants were also active although only in the closing decades of the century – the westerners also enjoyed the advantage of seeing their currencies circulate side-by-side with the local currency and even being preferred to the Ottoman.¹³ At the same time, however, the western economies, particularly

¹⁰ – *Ibid.*; see also Cunningham, A.B. (ed.), "The Journal of Christophe Aubin: A Report on the Levant Trade in 1812", in: *Archivum Ottomanicum*, VIII (1983), p. 43.

¹¹ – PRO, SP 105/122, Levant Company, London, 30 January 1798 to Consul Werry, Izmir.

¹² – E.g., ANF, AE Bi 271, États des batiments, 1756-1763; see also Échinard, Pierre, *Grecs et Philhellènes à Marseille (de la Révolution Française à l'Indépendance de la Grèce)*, Marseilles, 1973, p. 65, 82-85; Raymond, André, *Artisans et commerçants au Caire du XVIIIe siècle*, Damas, 1974, II, p. 168, and Efthymiou-Hadzilakou, Maria, *Rhodes et sa région élargie au XVIIIe siècle: les activités portuaires*, Athens, 1988, p. 282-286.

¹³ – Carrière, Charles, "Réflexions sur le problème des monnaies et des métaux précieux en Méditerranée orientale au XVIIIe siècle", in: *Commerce de Gros, Commerce de Détail dans les Pays Méditerranéens, XVIe-XIXe Siècles*, Nice, 1976, p. 1-20.

the French, suffered too from a periodic lack of specie.¹⁴

Indeed, the French merchant was often in need of cash, a situation exacerbated by the slow rhythm of the Levant trade where it could take up to two years for a merchant to realize any returns on his capital outlay. Pressed to buy Ottoman goods, to take advantage of a shipping opportunity or a propitious market, but not having the cash to buy them with, or a shipment of cloth to barter them with, the French merchant while waiting for his shipment of cloth, or a bill of exchange or cash, turned to the local merchant who advanced him the desired Ottoman goods. It was a kind of credit, only instead of advancing him money, the local merchant was advancing him goods.¹⁵ Since the French merchant was not only bartering or buying for cash but was frequently making purchases on credit, he tended to stay with the local merchant, who could accommodate him at all times, rather than going directly to the Ottoman purchasers or sellers. In this way the local merchant was securing an important place for himself in the organisation of trade in Izmir. There was another way in which the local merchant profited from the above transaction. This was by carefully manipulating the profit margins in cash, barter and credit sales. By reselling the Frenchman's cloth at a lower price, but for cash, when cash was available in the market of Izmir, the local merchant was able to use this cash to buy cotton, cotton yarn, wool, etc. at a *lower* price than that which he had sold the goods to the Frenchman for, as the latter was either bartering or purchasing on credit. The French merchant usually reserved his cash for olive oil or wax purchases, two goods which were always sold for cash in Izmir.¹⁶

Since cash was *also* scarce in the Ottoman empire, European merchants were forced very frequently to *sell on credit* with a 12 or a 24 month repayment period being the usual practice. Although, after a residence of some time the European merchant would know the credit worthiness of the various local merchants, at least initially, it was advantageous for him to have a trustworthy local merchant as a broker or as an intermediary in such dealings. It would also appear that the local merchants' expert knowledge of the Ottoman market and their many contacts in the region gave them a versatility that the European merchants could not always match. For instance, in the early 19th century, when they acquired greater direct access to the international market, they were able, given a propitious opening in the market, to exploit the credit system and knowledge of the market quite well. Having bought goods, such as cloth, on credit from the European merchants, they then sold them for cash. With this money they bought, for instance, a supply of wheat which they then sold for cash, and with the proceeds bought yet more wheat, which

14 - E.g., ANF, AE Bi 600, Consul Raulin, Genoa, 14 January 1793 to Minister, Paris.

15 - ANF, AE Bi 1052, Consul Peyssonnel, Izmir, 29 January 1749 to Minister, Paris.

16 - *Ibid.*

they again sold for cash. Thus, they were able to reap profits from two sales of wheat before they had to repay their European creditors.¹⁷

There were other factors which resulted in the business activities of the western communities becoming closely inter-linked with those of the Ottomans. The scarcity of specie both in Izmir and, at times, in the markets in Europe, referred to above, caused both European and Ottoman merchants to lend money extensively at high interest rates when they had capital available and, when they were short of capital, to borrow, at times quite heavily. There was the risk, however, that if a merchant defaulted on his loans, his creditors might be unable to pay their debts which could start a chain reaction of bankruptcies.¹⁸ Even more than the westerners, it was the local merchants, as money-lenders, independent merchants or brokers, who borrowed most heavily and speculated the most. A downturn in the market or an extraneous event, such as a major epidemic which could bring trade to a standstill, could result in widespread insolvency amongst them, which could totally disrupt the city's money market and overall economy, especially if there had been an excessive number of promissory notes in circulation and interest and exchange rates were very high. As brokers, their insolvency could also affect their European principals' fortunes. For it was usual practice for the brokers sometimes to use not only their own capital but also that of their principals in their own ventures, losing not only their but also their principals' money if the venture floundered. In such a case the European merchant apparently preferred to keep the broker in his employ and try to recover his capital from the broker's salary rather than take him to court and risk never recovering his money.¹⁹ Although a really fraudulent broker could be boycotted by the entire European community, the relations between broker and principal were usually amicable.²⁰

The dynamics between the western and local mercantile communities were constantly changing. One important factor, for example, which made the western mercantile communities potentially vulnerable *vis-à-vis* the local merchants was intense inter-western competition, as well as competition within a community: thus, one French merchant might undersell another Frenchman in order to attract business in a soft indigo or cloth market. Although western merchants, by acting as a united body, did periodically attempt to refuse demands of local merchants, such as an in-

17 - ANF, AE Biii 242, Miège, Renseignements sur le commerce du Levant, Livorno, 13 May 1825.

18 - ANF, AE Bi 1063, Consul Peyssonnel, Izmir, 9 June 1777 to Minister, Paris.

19 - ANF, AE Bi 1059, Consul Peyssonnel, Izmir, 9 June 1769 to Minister, Paris. These were, apparently, current practices in the Levant. See also, Frangakis-Syrett, Elena, "Trade Practices in Aleppo in the Middle of the 18th Century: the Case of a British Merchant", in: *Revue du Monde Musulman et de la Méditerranée*, LXII (1991-4), p. 124.

20 - ANF, AE Bi 1052, Consul Peyssonnel, Izmir, 5 March 1749 to Minister, Paris.

crease in the rates of commission, such unity did not usually last long. Of course, the local merchants or brokers, too, competed against each other but competition seemed to be more intense amongst the Europeans. Such competition could also result in the underestimation of the prices of imports in the Izmir market and the overestimation of the exports' prices at levels higher than that which they fetched abroad.²¹ Moreover, at periods of acute monetary shortage, in particular, competing European merchants were willing to extend credit, anywhere from 93 days to 54 months, as a way of attracting a sale.²² Furthermore, if a major European community decided to give an incentive to its local creditors to pay their debts, say in European currency, by giving them a discount of two to three per cent, the other communities had to follow suit if they did not want their payments made in increasingly weaker Ottoman currency.²³

The French state authorities and the British Levant Company tried to lessen this competition by decrees that aimed at regulating not only the westerners' trading practices but also supply and demand in the market of Izmir. During the first half of the 18th century, in particular, the Governors of the Levant Company in Britain tried to regulate the number of ships that were allowed to reach the Levantine port annually,²⁴ whilst the French authorities attempted to set limits on the amount of goods their merchants could sell within a certain period of time and fix the minimum sale price.²⁵ Such measures failed to control the market, which remained highly competitive, and only rendered uncompetitive the community on which they were imposed. For many reasons, such restrictive measures were abandoned in the second half of the 18th century although both authorities continued to uphold the monopolistic privileges granted to their merchants through the capitulations.

Wars gave the local merchants their best chance of upsetting this monopolistic system and gaining greater direct access to the international market. Maritime conflicts that involved Britain and France, the major economic powers in the area, caused the domination of these warring powers over Izmir's trading networks with the West to weaken while the

21 – ANF, AE Bi 1045, Consul Peleran, Izmir, 28 February 1732 to Minister, Paris.

22 – This was a practice current in the Levant; see also, Frangakis-Syrett, E., "Trade Practices in Aleppo", p. 127-129.

23 – Archives du Ministère des Affaires Étrangères, Paris, CCC, Vol.36, Consul David, Izmir, 3 January 1821 to Minister, Paris. Hereafter this archive will be cited as AMAE.

24 – E.g., PRO, SP 105/116, Levant Company, London 13 August 1719 to Consul Cooke, Izmir; SP 105/117, Levant Company, London, 1 September 1730 to Consul Boddington, Izmir; *ibid.*, Levant Company, London, 13 March 1739 to Treasurer Tooke, Izmir.

25 – E.g., ANF, AE Bi 1045, Consul Peleran, Izmir, 6 September, 7 October and 7 November 1732 to Minister, Paris; AE Bi 1053, Consul Peyssonnel, Izmir, 22 September 1751 to Minister, Paris.

relentless privateering that they unleashed upon each other harmed their merchant marine and maritime trade even more. As it became dangerous and onerous, due to high insurance costs, to carry goods in British or French ships, and sometimes impossible to reach a blockaded port, such as Marseilles during the Seven Years' War (1756-1763), neutral countries' carriers, such as the Dutch, emerged to fill the gap. At the same time, at least part of Izmir's trade with the West was redirected to other outlets, such as the Italian port of Livorno.²⁶ This was particularly significant for the Ottoman merchants since the *porto franco* status of Livorno and the liberal economic policies of the Dutch state meant that Ottoman merchants were allowed to participate in Izmir's external trade that went through those channels. Of course, there had always been contraband trade between London, Livorno and Izmir during peacetime, despite the efforts of the British Levant Company to curb it, in which both Ottoman and British merchants participated illegally. However, the rise to prominence of Livorno during wartime as an entrepôt in the Ottoman-European trade gave new opportunities to Ottoman merchants established there to participate in Izmir's trade with the West. Similarly, the Seven Years' War greatly boosted the participation of Jewish, Greek and Armenian merchants in the trade of Izmir with western Europe alongside western merchants and using Dutch carriers.²⁷ It was during this period that Ottoman-Greek commercial houses, in particular, established themselves in the Dutch ports to trade with Izmir, no longer as intermediaries but as independent merchants, and continued to do so long after peace had been re-established.²⁸

As privateers, Ottoman entrepreneurs also turned wars to their advantage by operating under letters of marque from powers on both sides of a conflict. It was not only European wars that resulted in advantageous situations for the Ottomans. Wars where the Ottoman empire was involved could also present economic opportunities, such as that of privateering in the eastern Mediterranean during the Russo-Ottoman War (1768-1774) and thus accumulate capital. It also afforded them the opportunity to purchase ships at low prices from Russian privateers, at the end of the war, which made this war and its aftermath a formative period

26 – Carrière, Charles and Courdurié, Marcel, "Grandes heures de Livourne au XVIIIe siècle", in: *Revue Historique*, CCLIV (1975), p. 40-41.

27 – Algemeen Rijksarschieff Consulaatsarschieff Smirna, 2dd; De Scheepvaart en de Handel op Smirna, 1762, in: *Bronnen tot de Geschiedenis van den Levantschen Handel. Derde deel: 1727-1765*, Nanninga, J.G. (ed.), Gravenhage, 1952, p. 715-763.

28 – ANF, F/12, 1850A, *État général des maisons de commerce...*, Izmir, 1820; see also Slot, B.J., "Commercial Activities of Korais in Amsterdam", in: *O Eranistis*, XVI (1980), p. 69, 71, and Zolotas, I., *Ιστορία της Χίου* [History of Chios], Athens, 1926, III, pt. 1, p. 301, 312, 366-367 and Frangakis-Syrett, Elena, *Οι Χιώτες έμποροι στις διεθνείς συναλλαγές, 1750-1850* [Chiot Merchants in International Trade, 1750-1850], Athens, 1995, *passim*.

for the Greeks' subsequent prominence in the carrying trade in the area.²⁹

It was in the last quarter of the 18th and in the early 19th centuries, however, that propitious economic and political conditions came together eventually to end the exclusivity of the British and French merchants in their countries' trade with Izmir. The Ottomans, who continued in their role as intermediaries and brokers to the westerners, now also took an active role in the port's external trade with the West as the frequent and large-scale wars, which diminished the western warring powers' commercial competitiveness, were combined with an expansionary phase in the world economy. This led to an increase in the volume of international trade and called for an end to the hitherto monopolistic trading privileges of the French and British merchants. Moreover, the intensity of the political and military upheaval brought about by the French Revolution and the French Revolutionary (1792-1801) and Napoleonic (1803-1815) Wars that followed it, caused the major economic power in the eastern Mediterranean, France, to lose its dominance and greatly decrease its commercial activities in the area.³⁰

The intermittent blockading of Marseilles by the British meant that after 1792 and until 1815 the French port was not able, as hitherto, to dominate Izmir's trade with the West; Genoa, Livorno, Ancona and Trieste temporarily took over that role, benefiting, in particular, Izmir's non-Muslim merchants (Greeks and Jews especially) who had established branches in these ports and who took control of a considerable amount of Izmir's trade with the West.³¹ It was not only Marseilles that was affected, however. In 1781-1782, the last years of the American War of Independence, the Dutch were forced, as their ports were blockaded by the British Navy, to turn to a land route for their cloth exports to the Levant, taking them through Europe to Trieste and then on to Izmir by sea, thus abandoning part of their lucrative carrying trade and making Trieste a nucleus for at least some of their trade. They did the same for their Ottoman imports from Izmir. The fact that Izmir's Dutch trade did not decrease to any noticeable extent in those years shows the efficacy of the alternative trading networks that Ottoman merchants had by then set up. Ottoman merchants, particularly Greeks, established in the Italian port once again greatly benefited from the increasing flow of trade that was directed

29 – ANF, AE Bi 861, Consul du Mensil, Mitylène, 25 March 1777 to Minister, Paris. For more information on Greek shipping activities in the late 18th and early 19th centuries see also Frangakis-Syrett, Elena, "Greek Mercantile Activities in the Eastern Mediterranean, 1780-1820", in: *Balkan Studies*, XXVIII/1 (1987), p. 73-86.

30 – Archives de la Chambre de Commerce de Marseille, Marseilles, MQ, 5.1., Mémoire présenté à M. le Consul Général de France à Smyrne par les députés du commerce français, Izmir, 22 July 1820. Hereafter this archive will be cited as ACCM.

31 – Frangakis-Syrett, *The Commerce of Smyrna*, p. 172-174; see also Frangakis, Elena, "Izmir – an International Port in the Eastern Mediterranean, 1695-1820", in: *Actes du IIe Colloque International d'Histoire*, Athens, 1985, I, p. 118-119.

there.³² Whereas in the past British merchants preferred to send their cloth to Izmir directly, rather than through entrepôts in the Mediterranean, Britain's military involvements and the existence of the Continental System forced them to accept the sale of their cloth, already a very popular product in the Izmir market, conducted in trading outposts in the Mediterranean, such as Malta or Corfu, rather than London. Once again, Ottoman merchants established there were able to take a growing share of this prospering business and thus take advantage of the special conditions for international trade that war had created.³³

It was not only in commerce but also in the carrying trade that the Ottomans met with considerable success, in the last three decades of the 18th century, as a large part of Izmir's carrying trade in the eastern Mediterranean passed into their hands at the expense mainly of the French.³⁴ For the first three quarters of the 18th century, the French had the largest share of Izmir's freight: French ships not only carried goods of French merchants between Izmir and Marseilles, sometimes via an Italian port, but also carried goods of Ottoman merchants, Muslim and non-Muslim, between Izmir and other Ottoman ports in the eastern Mediterranean. Local capital accumulation from trade, piracy and privateering, which were all activities that intensified during the course of the second half of the 18th century, allowed the emergence of local entrepreneurs, particularly Greeks, in the coastal trade of Izmir. Having successfully invested in short-distance shipping, they moved into the long-distance carrying trade: by the turn of the century they were carrying goods between Izmir and the Italian ports as well as Marseilles, or between the Italian ports themselves. Chiots, based primarily in Izmir, provided the capital to finance such shipping expeditions and purchased the cargo, whilst Hydriots, Spetsiots, and Psariots furnished the ships and crew.³⁵ The abnormal condi-

32 – ANF, Marine B/7, 446, Bertrand, 19 Oct. 1782; see also Katsiardi-Herring, Olga, *Η ελληνική παροικία της Τεργέστης* [The Greek Community of Trieste (1751-1830)], Athens, 1986, II, p. 547-558; for more information on Greek commercial networks, see also Kremmydas, V., *Εμποροι και εμπορικά δίκτυα στα χρόνια του Εικοσιένα (1820-1835)*, [Merchants and Trading Networks during the Greek War of Independence (1820-1835)], Athens, 1996, p. 56-66, 176-184 and Pepelasis-Minoglou, I., "The Greek Merchant House of the Russian Black Sea: A Nineteenth-Century Example of a Traders' Coalition", in: *International Journal of Maritime History*, X/1 (1998), p. 65-72.

33 – ANF, AE Biii 242, Jumelin, Commerce du Levant en général, c. Sept. 1812; see also PRO, SP 105/133, The Treasurer, Izmir, 25 Aug. 1812 to Levant Company, London, and Frangakis-Syrett, Elena, "The Greek Mercantile Community of Izmir in the first half of the Nineteenth Century", in: *Les Villes dans l'Empire Ottoman: Activités et Sociétés*, Daniel Panzac (ed.), Paris, 1991, I, p. 395.

34 – Frangakis-Syrett, "Greek Mercantile Activities", p. 73-86; see also ANF, AE Bi 168, Consul Benincasa, Ancona, 13 February 1784 to Minister, Paris and AE Bi 859, Consul L'Allement, Messina, 14 January and 4 February 1786 to Minister, Paris.

35 – AMAE, CCC, Vol.8, Consul David, Mémoire, Chios, 1823; for more details on

tions of the French Revolutionary and Napoleonic Wars greatly strengthened Ottoman shipping activities and their ships increased in number, although, compared to western ships, they remained small in tonnage.

Apart from the above sectors, the Ottoman communities were active in monetary speculative activities in which western merchants, French as well as British and Dutch, were also particularly active in the second half of the 18th century. The reasons for such activities have largely to do with the problems of the Ottoman economy: its chronic lack of specie and the devaluatory trend of its already weak currency, *vis-à-vis* the European currencies, as already referred to, which resulted in greater inflation rather than in greater capital liquidity. These problems were accentuated by the wars which, depleting the Ottoman treasury, increased the Porte's need for specie, forcing it to turn to another source of precious metals for its mint: imported foreign currency. Such economic conditions adversely affected the activities of all merchants, both western and Ottoman, but they also presented them with opportunities for profit. Such an opportunity was trade in money.

Since the 17th century there had always been a lucrative trade in money with specie imported into Izmir from the West.³⁶ In the 18th century, this was a trade which the westerners were particularly active in, the French and Dutch more so than the British since, for the greater part of that century, the latter could only operate in this trade clandestinely.³⁷ Silver Spanish piastres, and especially Austrian thalers, were imported into Izmir from Marseilles and elsewhere in the West as a commodity to be traded in. The Italian ports, serving as entrepôts for other European markets, exported specie to Izmir in return for Ottoman goods.³⁸ Although specie could go from Izmir back to Europe, the flow of silver was usually in the reverse direction, particularly in the last two decades of the century.³⁹ Yet it did not remain in Izmir either: some of it was sent to the Far

Ottoman Greeks' participation in the local carrying trade see, Triantafyllidou-Baladić, Y., "Transports maritimes et concurrence en Méditerranée orientale au XVII^e siècle: l'exemple de la Crète", in: *Actes du II^e Colloque International d'Histoire*, Athens, 1985, I, p. 23-24.

36 – ANF, AE Biii 235, Commerce du Levant, Mémoire sur les sequins, 1686.

37 – PRO, SP 105/118, Levant Company, London, 27 April 1750 to Consul Crawley, Izmir; see also Davis, Ralph, *Aleppo and Devonshire Square. English Traders in the Levant in the Eighteenth Century*, London, 1967, p. 242.

38 – ANF, AE Bi 168, Consul Benincasa, Ancona, 24 Feb. 1785 to Minister, Paris; see also Svoronos, Nicolas, *Le Commerce de Salonique au XVIII^e siècle*, Paris, 1957, p. 337-339.

39 – For more details, see Frangakis, Elena, "The Balance of Trade and Balance of Payments between Izmir and France, 1700-1789", in: *Communications grecques présentées au Ve Congrès international des Études du Sud-Est Européen*, Athens, 1985, p. 134-137 and table 1. See also Carrière, Charles and Courdurié, Marcel, "Un sophisme économique. Marseille s'enrichit en achetant plus qu'elle ne vend. Réflexions sur les mécanismes commerciaux levantins au XVIII^e siècle", in: *Histoire, Économie et*

East and India for the purchase of goods such as Indian cloth; specie was also sent, through Malta, to London for the purchase of British cloth; a large part of it, fluctuating in amount according to the needs of the treasury, was sent to the Ottoman capital for minting into Ottoman currency and part of it was sent to the West in the form of repatriated profits of western merchants.⁴⁰

Specie was also imported into Izmir for another reason and that was speculation.⁴¹ As French cloth faced the relentless competition of the British textile industry, French merchants turned to specie as an alternative export to Izmir. They imported specie to Izmir in return either for cotton or some other Ottoman good, although the transaction was not a direct exchange; in the latter part of the century, specie was imported increasingly in return for bills of exchange.⁴² These practices are best illustrated by the activities of the Izmir correspondents of the house of Roux Frères, the latter based in Marseilles and operating world-wide, who imported specie into Izmir sent to them by other agents of the house of Roux and which they sold, making their profits from the rate of exchange. These profits they sent back to Roux in the form of bills of exchange, which they purchased in Izmir in the most advantageous currency, and drawn upon any economic centre in Europe that would give them the highest return, the funds finally making their way back to Roux in Marseilles.⁴³ Although handsome profits could thus be made, these were also highly speculative activities for, at any point, there could be a flood of specie in the market of Izmir lowering their exchange rate *vis-à-vis* the Ottoman currency. There could also be a dearth of suitable bills of exchange to remit the profits to Europe with, causing the bills to become expensive and thus cutting away at the profits from the first part of the

Société, (1984), p. 38.

40 – ANF, AE Bi 1057, Consul Peyssonnel, Précis du mémoire... en faveur de l'agio sur les espèces, Izmir, 29 April 1769.

41 – For relevant secondary literature on this complex subject, see e.g. Rebuffat, F. and Courdurié, M., *Marseille et le négoce monétaire international, 1785-1790*, Marseilles, 1966; see also Carrière, C., Courdurié, M., Gusatz, M. and Squarzone, R., *Banque et capitalisme commercial (La lettre de change au XVIIIe siècle)*, Marseilles, 1976, and Eldem, Edhem, *Le commerce français d'Istanbul au XVIIIe siècle*, unpublished University of Provence Ph.D. thesis, 1988, especially chapter 2 and *idem*, "La circulation de la lettre de change entre la France et Constantinople au XVIIIe siècle", in: *L'Empire Ottoman, la République de Turquie et la France*, Batu, H. and Bacqué-Grammont, J.-L. (eds.), Istanbul-Paris, 1986, p. 87-97.

42 – E.g., ACCM, LIX/735, R. Franchetti, Izmir, 13 August 1788 to Roux frères, Marseilles; LIX/750, Denis Rolland et Cie, Izmir, 19 March 1790 to Roux frères, Marseilles.

43 – E.g., ACCM, LIX/750, Denis Rolland et Cie, Izmir, 13 December 1788 and 5 January 1789 to Roux frères, Marseilles; LIX/735, R. Franchetti, Izmir, 8 January 1790 to Roux frères, Marseilles.

operation.⁴⁴ It was as difficult to predict the best time for one's shipment of specie to arrive in Izmir as it was to wait for a long time for the bills to become abundant, for thus capital remained idle when it could have been used for money-lending, if not for commerce.⁴⁵

Arbitrage was also practised whereby bills of exchange were bought and sold for speculative purposes. Speculators manipulated successfully the fluctuations in the prices of these bills which reflected the relative dearth or abundance of such bills in the market of Izmir. As Amsterdam was a major financial market – indeed a large number of bills from Izmir were drawn upon Amsterdam – the Dutch were also very active in these speculative activities which, by the end of the century, were even surpassing their commercial activities.⁴⁶ It was not only the westerners who practised arbitrage. A very large number of bills of exchange, which the Europeans purchased in Izmir, were underwritten by Ottoman, mostly non-Muslim merchants, whose credit worthiness the European merchants constantly monitored.⁴⁷ Moreover, these bills were often drawn upon the associates of the Izmir merchants who were themselves established in various places in Europe – Amsterdam, Vienna, Livorno, Trieste, Ancona. All these activities allowed the local communities an important share in the speculative monetary practices as well as bringing to them a considerable level of capital accumulation.⁴⁸ All communities, both western and local, also dealt, to varying degrees, in money-lending.

In conclusion, the 18th century was, in many respects, a formative period for Izmir. The integration of Izmir's hinterland into the international market progressed significantly during the course of the century, resulting in the emergence of Izmir, in the second half of the 18th century, as the principal port of Ottoman trade with the West, as well as in the take-off in Izmir's economy in the last quarter of the 18th and in the early 19th centuries. Although it took the whole of the 19th and early 20th centuries for Izmir and its western Anatolian-cum-Aegean islands hinterland to be fully integrated into the world economy, the process, which proved irreversible, had begun in the previous century and the export-orientation pattern for a large part of its agricultural produce had already been established.

The obvious beneficiaries of such an integration were, since they were also the principal agents, the western mercantile communities in Izmir as

44 – *E.g.*, ACCM, LIX/735, R. Franchetti, Izmir, 20 October 1790 to Roux frères, Marseilles.

45 – *E.g.*, ACCM, LIX/735, R. Franchetti, Izmir, 10 March 1790 to Roux frères, Marseilles.

46 – ANF, F/12, 549-550, *Mémoire sur le commerce du Levant*, 1777.

47 – *E.g.*, ACCM, LIX/750, Denis Rolland et Cie, Izmir, 18 December 1788, 24 March and 13 July 1789 to Roux frères, Marseilles.

48 – *E.g.*, ACCM, LIX/750, Denis Rolland et Cie, Izmir, 10 August and 27 November 1790 to Roux frères, Marseilles.

well as the western economies, whose needs were met by the western merchants, and the local mercantile sector as a whole. Izmir's commercial growth reflected an increase in the westerners' commercial activities too – including activities complementary to trade, such as, shipping and insurance – with the western economies gaining not only from the repatriation of profits but also from the nature of the goods exchanged which aided particularly the growing textile industries of the West. When the French and British merchants' monopolistic rights in Izmir's trade with the West came to an end, under a conjuncture of international economic and political developments in the final decades of the 18th and early 19th centuries, re-enforced by the special wartime conditions in the Mediterranean at the time, their commercial dominance was for the first time seriously challenged, and even temporarily overtaken, by the local communities. However, as the opening-up of the western economies, particularly the British and the French, was itself the result of the needs of those economies for more raw materials and markets for their goods, and was initiated by them, this development also stood to benefit the western economies. Therefore, western merchants also stood to benefit in the long term, as shown by the expansion of their commercial and other economic activities in the 19th century, although, by then, they had, once more, to contend, at times, with strong local competition which differed, due to different economic conditions, from that in the previous century and touched upon every aspect of Izmir's trade and economy.

Local merchants also benefited from the commercial growth of Izmir in the 18th century, even when the westerners dominated Izmir's external trade, for a number of reasons: partly, because the westerners were either unwilling or unable, due to the level of capitalist development of their economies, to commit large capital resources or enlarge significantly their scale of operations, thus allowing the local merchants to maintain their dominance in the trading networks of the Ottoman interior and thus to compete with them; partly, because the wars gave the locals the opportunity to overcome the trading monopolies of the westerners and, finally, partly because the locals were able to participate in lucrative sectors of international trade and thus in the process of integration of Izmir's economy into the international market. Jewish merchants, for instance, became brokers of the western merchants, thus reaping a profit from the westerners' transactions, whilst they were, at the same time, active in the trade of Izmir with its hinterland, that is, the trading networks that brought the goods from the interior to Izmir for purchase by the Europeans. Further, the ability of the Armenians, and even more of the Greeks, to gain control of the cloth trade – cloth being the most sought-after European import into Izmir, the 'centrepiece', one could say, in the trade exchange – was important in a number of ways: its increasing importation led to increasing profits and contributed to the local merchants' capital accumulation whilst their knowledge of the Ottoman market, as far as this

commodity was concerned, must have facilitated their successful establishment in the western European ports, at the turn of the century, from where they sent cloth to Izmir in return for Ottoman raw materials.

At the same time, the fact that a Ralli, a member of the successful Greek entrepreneurial family, was the *sarraf* of the powerful Karaosmanoğlu at the end of the 18th century shows that the local merchants were also active in traditional areas of the Ottoman economy, such as merchant banking, moneylending and other monetary activities, re-enforcing their capital accumulation. Their successful participation in the carrying trade in the Mediterranean showed that they were also able to diversify their economic activities in order to take advantage of new economic opportunities as these arose. Their success, here, was partly due to the fact that shipping was still interconnected with their basic activity - trade; partly due to the fact that their international networks of commercial establishments and kinship worked to their advantage and were even re-enforced through shipping and, partly due to the fact that they were more willing than the westerners to risk the war-ridden Mediterranean waters, in the late 18th and early 19th centuries, even while manipulating the system by getting licenses to navigate from both the French and the British.

Thus, by the end of the 18th century, Ottoman merchants were able to participate in all sectors of Izmir's economy, including external trade, formerly almost totally a European preserve. Despite this however, they also displayed extreme fragility in their businesses with a high rate of bankruptcy which occurred after a few years of over- hectic, over-speculative economic activity. Yet, overall, Ottoman merchants emerged as credible competitors of the Europeans, not necessarily able to shut the westerners out from trading or carrying out any other economic activity in Izmir, but rather, able to act as serious rivals. As for the western Europeans, although they had, by the end of the 18th century, lost their exclusive rights in the external trade of Izmir they were by no means displaced. They continued to be a very strong commercial force in the area branching into other sectors of the region's economy in the course of the 19th and early 20th centuries century as their capital resources were strengthened and their commitment and need to invest such resources in the region's economy increased.

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