

Fighting Contraband in the European Provinces of the Ottoman Empire (1881-1912):
European Bondholders vs Ottoman Smugglers and Peasants
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1. The establishing of the Ottoman Public Debt Administration and the *Régie*

The Ottoman Government, after receiving a series of loans from foreign Banks, seated in London and Paris, from 1854 and after, declared bankruptcy in October 1875. Domestic creditors, mainly Galata Bankers from Constantinople/Istanbul as well as the Ottoman Bank which was of British and French interests, came to an agreement with the Sultan in 1879 so as to meet their demands. That time the Administration of the Six Indirect Contributions has been established by the Decree of 10th November. The Administration collected the annuities from tobacco and salt monopolies in the empire, stamp tax, spirits tax, fish tax and silk tithe in certain provinces for the domestic creditors' behalf.

Foreign creditors, from the other side, managed, following long-term pressure, to convince the Sultan to issue on 20 December 1881 the Muharrem Decree which established the Ottoman Public Debt Administration (OPDA)¹. OPDA was run by an executive committee, the Council of Administration which was based at Istanbul and was constituted by seven representatives of the bondholders. One member represented the British, Dutch and Belgian bondholders, while five others represented the French, the German, the Austrian, the Italian and the Ottoman holders, respectively. The seventh member was assigned by the Ottoman Bank. The position of the President was occupied in turn by the British and French representative, who represented bondholders with larger amounts of Ottoman bonds. OPDA was responsible for the collection of revenues coming from the salt and tobacco monopolies as well as from the annuities of spirits (mainly wine and raki) and stamps. In addition, OPDA collected the silk tithe in specific provinces. Also, it collected the fishing tax initially at the region of the capital and afterwards at the whole empire. In essence, OPDA continued the work of the Administration of the Six Indirect Contributions with the same staff and branch offices that the said administration had already established in the Ottoman Empire².

The most important revenues of OPDA came from the salt and tobacco monopolies which were two products absolutely necessary for almost all the inhabitants of the empire. Salt was necessary for the inhabitants' nutrition, the preservation and processing of foods as well as various agricultural works. Tobacco was consumed by a large portion of the population, men and women in all provinces.

¹ Christopher Clay, *Gold for the Sultan. Western Bankers and Ottoman Finance 1856-1881: A Contribution to Ottoman and to International Financial History*, London & New York: I.B. Tauris, 2000, pp. 546-559.

² Donald C. Blaisdell, *European Financial Control in the Ottoman Empire. A Study of the Establishment, Activities, and Significance of the Administration of the Ottoman Public Debt*, New York: Columbia University Press, 1929, pp. 94-97.

On 27 May 1883, OPDA farmed the tobacco revenue to the *Société de la Régie cointéressée des tabacs de l'Empire Ottoman* (*Régie* hereafter) for an annual rental of £T 750,000 and profit share over a period of 30 years. Shareholders of *Régie* were the Ottoman Bank, the Viennese bank Credit-Anstalt of the Rothschild family and, the Berlin bank house Samuel Bleichröder run by Gerson von Bleichröder, close partner of Bismarck³.

The aim of this presentation is to study the development of smuggling related to tobacco and salt, products that were at the bondholders' direct sphere of interests, as well as the ways that OPDA, the *Régie* and the Ottoman Government dealt with smuggling at the European provinces of the Ottoman Empire.

2. The emergence of contraband in the European provinces as a response to the OPDA and the *Régie*.

Régie, seated in *Cahier des charges* that had agreed with the Ottoman government, was in charge of the monopoly for the tobacco process and sale in the whole Ottoman Empire⁴. In exchange, it undertook the obligation to buy the entire tobacco production by the producers, besides the quantities that producers were selling to merchants for exportation, mainly to Austria-Hungary, Egypt and the United States of America. This regulation could be seen as favourable for tobacco producers since they knew that they could dispose all the good quality tobacco to exporters, while *Régie*, was obliged to buy the remaining crop in a price defined in accordance of the two parties⁵. In addition, the production and the cultivated areas were not under any type of limitation and since *Régie* was obliged to buy the remaining production, it collected an annual stock of low quality tobacco at storehouses. Very often, tobacco producers protested since *Régie's* employees were unwilling to buy the entire tobacco crop. This was the case in 1892 in Xanthe when farmers protested and demanded the application of the *Cahier* conditions⁶. Tobacco producers had a third option in disposing their crop: they could sell tobacco to smugglers in prices two or three times higher than the prices of *Régie*⁷. In 1889 the French consul of Skoutari in Albania noticed that while the tobacco crop was bigger than the previous year, the quantities that had been officially exported by the region were 40% down⁸. The same period, according to the estimations made by Austrian diplomats the 50% of the tobacco production in Kosovo, and especially the best quality tobacco, was canalized to smugglers. The said percentage fell approximately to 35% (25,000£T) in 1905⁹. Tobacco was either smuggled for example to Greece, or was processed in illegal laboratories in order to

³ Fritz Stern, *Gold und Eisen. Bismarck und sein Bankier Bleichröder*, München: C.H. Beck, 2008, p. 582.

⁴ Régie cointéressée des tabacs de l'Empire Ottoman, *Cahier des Charges*, Constantinople: Imprimerie Osmanié, 1884.

⁵ Régie, *Cahier des Charges*, art. XVIII.

⁶ *Parliamentary Papers, Accounts and Papers (P.P.A.P.)*, 1893-94, vol. XCVII, 241.

⁷ Murat Birdal, *The Political Economy of Ottoman Public Debt. Insolvency and European Financial Control in the Late Nineteenth Century*, London & New York: I.B. Tauris, 2010, p. 148.

⁸ Ministère du Commerce, de l'Industrie et des Colonies, *Bulletin Consulaire Français. Recueil des Rapports Commerciaux*, vol. XX, 2e Semestre 1890, p.195.

⁹ *Commerzielle Berichte der kais. und kön. österreichisch-ungarischen Consular-Ämter. Beilage zur Wochenschrift "Das Handels-Museum"*, 5.5.1892, 274 and *Berichte der k. und k. österr.-ung. Consular-Ämter*, "Ueskub", 1906, 4.

be disposed for consumption in the domestic market. Cigarettes produced by *Régie* in its factories, such as the one in Thessaloniki, came from low quality tobacco while their sale price was (in 1908/09) approximately nine times higher the price it was buying unprocessed tobacco by the producers¹⁰. On the contrary, cigarettes sold by smugglers were much cheaper and had the same, if not better, quality.

Thus, it came to no surprise that, according to the estimations of OPDA, the consumption of smuggled cigarettes at the end of 19th century in the Ottoman Empire, was approximately the same with the consumption of *Régie's* cigarettes¹¹. Indeed later, at the beginning of 20th century, the situation was worse since, according to estimations, only 1,5 million inhabitants out of the 30 or 40 millions were smoking *Régie's* cigarettes¹². This was due to the fact that besides producers and farmers who participated in the trading and distribution of smuggled tobacco, servicemen as well as ottoman civil servants and officers took also part¹³. For servicemen and civil servants who did not regularly receive their salaries, the participation in tobacco smuggling constituted a welcome source of wealth.

In addition, as Adam Block, the representative of British bondholders, mentioned to his report to the aforesaid “the monopoly is not popular... The Government is much to blame for their indifference, but as in England smugglers have the sympathy of the people, and the Government cannot but act with leniency”¹⁴.

The participation of a big part of the population in tobacco smuggling contributed to its expansion and development. According to *Régie*, however, there were two additional causes: a) the tobacco quantities were produced under no limitations whatsoever, and b) the obligation of *Régie* to buy the entire indisposed production of tobacco producers¹⁵. As for these two causes, *Régie* and OPDA often exercised pressure on the Ottoman Government, even before the 1890s, to modify the corresponding *Cahier* terms and conditions so as to limit the tobacco production and end *Régie's* obligation to buy the entire tobacco crop of the Empire. The Ottoman Government refused to consent to the modification of the *Cahier* terms and conditions because it did not want to displease farmers¹⁶. Thus, the expansion of tobacco cultivations was uncontrollably boosted mainly after 1901 when American Tobacco came into the market and bought large quantities of Turkish tobacco for the American market.

Régie, in order to deal with the tobacco smuggling, made efforts to control the production and consumption of processed tobacco. The said efforts made by the

¹⁰ Adam Block, *Special Report on the Ottoman Public Debt. Followed by the Translation of the Annual Report of the Council of Administration for the Twenty-Seventh Financial Period (14th March, 1908, to the 13th March, 1909)*, n.p., 1909, pp. 44-46.

¹¹ Vincent Caillard, *Rapport Spécial sur la Dette Publique Ottomane pour la troisième période quinquennale (1892-1893 à 1896-1897 inclusivement)*, n.p., 1897, p. 28.

¹² Adam Block, *Special Report on the Ottoman Public Debt, Followed by the Translation of the Council of Administration for the Twenty-Fourth Financial Period (14th March, 1905, to the 13th March, 1906)*, n.p., 1906, p. 83.

¹³ Caillard, *Rapport Spécial (1892/93 à 1896/97)*, p. 28.

¹⁴ Block, *Special Report 1905/06*, p. 83.

¹⁵ Caillard, *Rapport Spécial (1892/93 à 1896/97)*, p. 23.

¹⁶ *Dette Publique Ottomane, Rapport par M. Vincent Caillard sur les opérations de l'exercice (1895-1896)*, Paris: Imprimerie Chaix, 1896, pp. 11-12.

numerous staff of *Régie* were based on two poles: a) the establishment of a registry for cultivators where tobacco producers were registered each year, and cultivated areas were recorded, and b) the ruthless persecution of smugglers. Given the terms and conditions of Cahier, *Régie* was the sole responsible for dealing with smuggling and thus, it established numerous surveillance units (koldji) which were persecuting smugglers. The number of men who were employed in the said surveillance units increased from 3.617 in 1887 to 6.700 in ten years¹⁷. In 1892 *Régie* employed in Macedonia 480 koldji¹⁸. The role of the Ottoman Government was mainly subsidiary: for example it could dispose military units or gendarmes in order to chase, in co-operation with koldji, smugglers¹⁹. In practice, however, the Ottoman Government as well as various local officials rarely corresponded to *Régie's* requests. The main reason was that the Government did not want to excite the armed population of not so fertile regions such as Kosovo and Albania. This position of the Ottoman Government changed only during the Young Turk period from 1908 to 1912 when it decided to cooperate with *Régie* in order to fight smugglers. It is one of the reasons that the declared tobacco quantities were doubled from 34.734.716 kgs in 1909-10 to 63.496.575 kgs in 1911-12²⁰.

Thus, the koldji of *Régie* were practically alone in the battle against the fully armed smugglers. Very often they were surprised as it had happened in September 1897 when, in a region outside Monastir (Bitola), a koldji unit with some gendarmes clashed with smugglers. In the said clash, one of the smugglers was killed and later it was proved that he was a sergeant of the Ottoman army while out of the seven arrested smugglers three were also soldiers. There were also cases where soldiers that participated in tobacco smuggling were never caught or arrested. This was the case in November 1897 in Thessaloniki when koldji seized smuggled tobacco owned by three soldiers. These soldiers, however, with the companion of six of their co-soldiers, entered *Régie's* offices, and at gunpoint, took the seized tobacco back²¹. It is estimated that koldji had killed thousands of tobacco smugglers in the entire empire, while the seized quantities of smuggled tobacco came to 200.000 kgs annually from 1883 to 1912 and the illegal machinery for the tobacco processing that was detected varied from 400 to 1.000²².

As far as the salt production is concerned, it should be stressed that OPDA leased in private individuals almost all the 120 Salt pans and Salt mines in the Ottoman Empire²³. In the European provinces of the Ottoman Empire, the most important salt pans were located near Thessaloniki (Karaburnu and Kitros), Komotene, Mytilene

¹⁷ Donald Quataert, *Social Disintegration and Popular Resistance in the Ottoman Empire, 1881-1908. Reactions to European Economic Penetration*, New York & London: New York University Press, 1983, p. 22.

¹⁸ PPAP, 1893-94, vol. XCVII, 219.

¹⁹ Conseil d'Administration de la Dette Publique Ottomane, *Procès-Verbal du Conseil*, 150§34 /2.5.1904.

²⁰ Société de la Régie cointéressée des tabacs de l'Empire Ottoman, *Rapport du Conseil d'Administration à l'Assemblée Générale ordinaire du 15/28 Septembre 1910 (XXVIe Exercice 1909-1910)*, Constantinople: E. Pallamary, 1910, p. 9 and Société de la Régie cointéressée des tabacs de l'Empire Ottoman, *Rapport du Conseil d'Administration à l'Assemblée Générale ordinaire du 19/2 Octobre 1912 (XXVIIIe Exercice 1911-1912)*, Constantinople: Le Soleil, 1912, p. 9.

²¹ Caillard, *Rapport Spécial (1892/93 à 1896/97)*, pp. 29-31.

²² Birdal, *op. cit.*, p. 149, *Régie, Rapports, 1909/10-1912/13* and Caillard, *Rapport Spécial (1892/93 à 1896/97)*, p. 26.

²³ Block, *Special Report 1905/06*, p. 44.

(where OPDA directed alone the salt pans) and Dyrrachium in Albania. Salt was also smuggled since it was a necessary element for the nutrition of the population of the countryside and cities. However its price was high for the said populations since they did not have enough cash. Only when the crops of various agricultural products were profitable (such as in the vilayet of Adrianopol/Edirne at the mid 1890s) farmers had money and thus the sales for the salt that came from the OPDA storehouses were increased²⁴. Otherwise, farmers and some middle-class persons, preferred to buy the cheaper salt that was sold by smugglers. In 1880 the inhabitants of Lesvos and Aivali were buying their salt from smugglers in a price that was 40% lower than the sale price of the salt that was coming from the salt pans (12 paras/oka the smuggled salt and 20 paras/oka the other)²⁵.

The development of a wide network of salt smuggling was boosted by the lack of a fixed selling price. The salt price was fixed only when it was directly sold by the saltpans and the salt mines of OPDA. When it had to be sold in areas where there were no saltpans, the price was burdened with high transportation expenses and thus, farmers could not buy it. Thus, they were buying from the salt smugglers who offered it in much lower prices. Smugglers were either stealing salt from the salt pans or imported it from abroad, i.e. Russia, Montenegro or even Cyprus²⁶. In June 1893, Ottoman soldiers and gendarmes seized a large quantity of salt in the borders with Montenegro²⁷.

The difficulty of smuggled handling of salt was even worse due to the unwillingness of the Ottoman authorities to fight it. Local officials were unwilling to fight smugglers who were farmers with very low incomes and were trying, through salt smuggling, to meet their financial needs. A district commander justified the said unwillingness by saying that: “for these people are very good people, but they are poor, and their land is wild, and they must do something. If they did not smuggle, they might do worse”²⁸. Initially OPDA tried to deal with smuggling with the employment of armed guards for the protection of saltpans. At the same time, in co-operation with the Ottoman army and the gendarmerie, OPDA tried to deal with foreign salt smugglers. To this end, at the beginning of 20th century it bought two boats which were patrolling the Black Sea in order to prevent the illegal import of salt from Russia. Until the end of the 1890s, another source of the illegal import of salt was the Principality of Samos. The salt that came from the saltpans of Samos was illegally canalized to Lesvos and Smyrna / Izmir. It is estimated that only from the market of Lesvos, 1.000 tons of salt were annually channelled from Samos. OPDA, in an effort to deal with the problem, was in 1895 entitled, following a negotiation period of six years with the island’s government, to exploit the saltpans of Samos for five years²⁹.

²⁴ Caillard, *Rapport Special (1892/93 à 1896/97)*, pp. 34, 39.

²⁵ Administration des VI Contributions Indirectes, Direction Générale, *Rapport sur les Revenus Bruts de 1880*, Istanbul, 1881, p. 288.

²⁶ Administration de la Dette Publique Ottomane, *Compte-Rendu du Conseil d’Administration, Exercice 1885-86*, Constantinople, 1886, p. 16.

²⁷ Conseil d’Administration de la Dette Publique Ottomane, *Procès-Verbal du Conseil*, 84§2/15.6.1903

²⁸ Vincent Caillard, *The Ottoman Public Debt. Special Report on the Ottoman Public Debt for the Twelfth Financial Period (13th March, 1893, to 12th March, 1894). Followed by the Translation of the Annual Report of the Council of Administration*, London, 1894, p. 24.

²⁹ *Rapport par M. Vincent Caillard (1895-1896)*, p. 15-16.

The main care of OPDA however, was to offer salt in lower prices to farmers that lived far from the salt pans. So, it increased the number of salt storehouses in various districts in order to sell cheaper salt. In 1891/92 OPDA owned 136 storehouses and the following six years it created another 62³⁰. In essence, OPDA took advantage of the railroad network expansion by entering in contracts with rail companies for the creation of salt storehouses in railroad stations. In 1896 (?) OPDA closed relevant deals with *Oriental Railways* and the *Companie de Chemin de fer Ottoman, Jonction Salonique-Constantinople* for the creation of salt storehouses in Macedonia and Thrace³¹. In 1893/94 in regions of Anatolia where the salt was transported with trains, its price was 17% reduced (from 62,33 piasters/100 kgs in 51,95 piasters)³².

In addition, OPDA avoided, during the said period, to excessively increase the sale price of salt in an effort to avoid smuggling. Thus, when in 1905 the Ottoman government wanted to increase the crystallized salt price per 33% (from 15 paras/kg to 20 paras/kg), OPDA disagreed and thus the price increased only 6,6%, namely 16paras/kg³³.

Under the said measures, OPDA managed to notably reduce salt smuggling until the mid 1890s, especially in the European provinces of the Empire. The smuggling problem was however intense in regions of the eastern Asia Minor, Bagdad, in regions of Arabia and mainly in Yemen where salt pans were looted by nomads.

³⁰ Caillard, *Special Report 1893/94*, pp. 34-35 and Caillard, *Rapport Spécial (1892-1893 à 1896-1897)*, p. 35.

³¹ *Rapport par M. Vincent Caillard (1895-1896)*, p. 17.

³² Caillard, *Special Report 1893/94*, p. 36.

³³ Block, *Special Report 1905/06*, p. 45.