

Capitalism in the Near East

By J. T. WALTON NEWBOLD

FOREWORD.

[With this issue we publish the first of a series of highly important articles which have been specially prepared for the COMMUNIST REVIEW by J. T. Walton Newbold. Each article, while complete in itself, will deal with a special phase in the operation of international finance-capital. Comrade Newbold will unmask the foreign policy and actions of the various imperialist States, and will show how these were dictated by the clique of money lords who now run the capitalist world. Newbold's analysis of pre-war international finances, which he embodied in his book, "How Europe Armed for War,"—the most brilliant study yet written of the economic origins of the 1914 war—will be continued in the articles which he has been commissioned to write for the COMMUNIST REVIEW. These articles, however, will be written with a greater and riper knowledge gained as a result of several years of additional industrious research work, reinforced during a period of unparalleled historical development.—Editor.]

EVENTS at Athens since the Armistice, particularly the exile of Venizelos the Cretan, and the triumphant restoration of King Constantine and the resumption by the latter in an even more dramatic manner of the policy of the former, have drawn attention to the fact that in the Mediterranean generally and in the Levant in particular, there is a strong divergence of opinion and of policy between the British and the French Governments.

During the war, and as long as the influence of the German Emperor continued paramount at Constantinople and the Greek Court, the interests of Britain and France remained in apparent unison. Both Powers supported Premier Venizelos in the establishment and maintenance of what was, in reality, a republic and, in name only, a constitutional monarchy. When, however, the war was over, and the military might and diplomatic intrigue of Germany were eradicated from the East, there came into view once again the centuries old antagonism of the Mediterranean Powers, Britain and France.

The latter had yielded, with an ill grace and tacit reservations against a day yet to come when circumstances might be more favourable, the political and economic position which she had occupied in the Near East. Only her preoccupation with the Prussian menace had prevented France, during forty years, pressing her historic claims to Egypt and other outlying provinces of the decaying Ottoman Empire.

The Genesis of the Eastern Question

FROM the 17th century onwards, from the days of the great Colbert to those of Napoleon the Little, France had contested, and with considerable success, the endeavours of the Turkey and old Levant Companies and the London merchants who fell heir to their commerce, to engross the trade of Constanti-

nople and Smyrna. Long forgotten enmities, the quarrels of the Bourbons of France and the Hapsburgs of Austria-Hungary, had made for an entente between the Ottoman Turks and the French Government. In the traditional rivalry of France and Austria was born the diplomatic orientation of French policy towards Poland on the one hand, and Turkey on the other. This was the determining factor in French statecraft in the East from the time of Louis XIV. to the fall of Napoleon I. During the next half century, the Empire of the Czars, which had suffered least of the States on the Continent from the ravages of the Napoleonic campaigns, made continuous onslaughts, diplomatic or military, upon the northern provinces of the Ottoman Empire. France made her contribution to the cause of Turkish defence in the form of loans which were readily forthcoming from the bankers of Paris and Lyons. Jewish finance was markedly friendly towards the Ottoman Empire, an element which reflected itself in the subsequent policy of Benjamin Disraeli. Britain and France, their statesmen joining forces to check the advance towards the Mediterranean of Russia, the enemy of the bourgeois whether as republican apostle or as Indian merchant, their bankers and men of commerce lending money to the spend-thrift and corrupt autocracy at Constantinople, stood together against Russia. Britain was pre-occupied at this time in enlarging her dominions in India and her trade with China. Her merchant ships still went to the East round the Cape of Good Hope and not by way of the Mediterranean. The Suez Canal had not yet cut across the friendship of the two Mediterranean Powers.

The Bondholders Enter Turkey

THIS was the period when the Turkish Government issued the firman of 1863, establishing the *Imperial Ottoman Bank*, which was "authorised to issue notes which are legal tender throughout the Ottoman Empire, and to receive the revenues of the Government, to manage the debt and to carry on a general banking business." (*Statist*, International Banking Section, October, 1919).

It was in its inception, and is to this day, a Franco-British institution. It was formed to administer the debt which Turkey incurred to her gallant allies of the Crimean War.

At the present time, it has upon its London Board two representatives of the old London banking firm of *Glyn, Mills, Currie & Co.*, and one each of the *Goschen, Stern, & Rothschild* groups, and, upon its Paris Board, representatives of: *Mirabaud & Cie., de Neufville & Cie., Mallet Frères, Hottinguer et Cie., and Heine et Cie.*—the chief private bankers of France.

In the "sixties," however, a rift appeared in the friendship, if so we may call this fiduciary alliance, which, for some years, had held together Britain and France. The advance of money to any state with an incompetent government and extensive dominions has always been the signal for its disintegration and the absorption of its territories by the governments representing its creditors. The setting up of a premanent administration of the debt in the form of a bank, issuing, as the Imperial Ottoman Bank

has done, loans on the security of provincial customs and taxes, meant in Turkey, as later in Persia, an acceleration of the processes of disruption.

Meanwhile, civil engineering had reached that degree of perfection which made it feasible to cut a canal through the Isthmus of Suez as well as to construct a railway across it. This the French commenced to do, and appeared destined to come into early conflict with the owners of India.

Both French and British financiers, as even a superficial study of Egyptian credit and mortgage banks will show, had been lending heavily to the Khedive of the Turkish province of Egypt, who, maybe, relied on the growing antagonism of his creditors one to another, to keep him from falling too completely into their clutches.

Britain versus France

THEN came the Franco-German War of 1870-71. France emerged battered and broken, always fearful lest Britain should consent to allow Germany to make a further attack upon her and, in consequence, never able seriously to dispute the resolute will of her predatory competitor. Britain, through the secret agency of N. M. Rothschild & Sons acquired control of the majority shares of the *Cie Universelle du Canal de Suez*, and availed herself of France's weakness to bring the province of Egypt more and more under her domination.

In the "eighties," France, more and more at the mercy of Britain in her career of overseas expansion, checked in Asia and forestalled in Africa, menaced by the ever increasing military might of Germany in alliance with Austria and Britain's naval satellite of Italy, drew closer to Russia, the adversary of Britain in Asia, the barrier to Germany in Europe.

The field of investment which Russia presented to the French bankers, as collectors and distributors of the available funds of the small-scale but very numerous class of investors in the Republic, deflected them, for some time, from other major areas of possible development. South Africa and China were secondary fields of French investment during the "eighties" and "nineties." About this time, indeed, the international financiers interested in railroad building were endeavouring to push ahead their several projects for a railroad or railroads across Asia Minor from the shores of the Bosphorus and from Smyrna towards Syria. They were a cosmopolitan congeries of interests, equally at home in Paris, Brussels, Antwerp, Rotterdam, London, and Frankfurt.

Pre-eminent amongst them was the great financial house of L. Hirsch & Co., then presided over by Baron Hirsch, a veritable giant in the realm of international investment, and in which J. de Gunzburg, of the great *Crédit Mobilier Français*, is now one of the principal partners. The de Gunzburgs wielded immense influence at Petrograd under the Czar and were inter-married with the Sassoons of Bombay and London, who had an equivalent favour with the late King Edward and the Unionist Party.

In that shadow-land where the Cassels, Meyers, Rothschilds, and their kind flitted between London, Paris and Berlin, these concessionaires and bankers intrigued with the rival chancelleries of Europe for control of the various sections of the Bagdad Railway.

Commencing in 1888, there ensued a keen competition for rights of lease over existing lines, and of construction of new extensions from Ismidt or from Haidar Pasha or from Smyrna up into the hinter-lands of Asia Minor. In every case the railway companies borrowed money in sterling, francs, or marks through West and Central European houses, and obtained security for the payment of a minimum annual income per mile from the administration of the Ottoman Debt by the attachment of the titles of the provinces through which the lines were to run. For the most part the control of the finances of these schemes rested with the stockholders of the Imperial Ottoman Bank, *i.e.*, with the great banking houses of London and Paris. They were, however, concerned rather with the interest upon and security of the loans which in 1890, 1891, 1894, 1896, 1902, 1903 and 1908 they issued for the Ottoman Government than with the profitable operation of the railways which their money was supposed to be used to develop.

All during this time and up to the Young Turk Revolution of 1908, the Ottoman Empire was a field of unproductive exploitation by the form of money-lending capitalism which is characteristic of France. The French investor is a sucker. He does not care to develop his own estate, but prefers to have a mortgage on someone else's.

Who Financed the Young Turks?

BUT, in 1908, the government, subservient to the cosmopolitan moneylenders of London and Paris, fell, and gave place to a régime of Nationalists.

These new rulers, accustomed to the bourgeois thought and practice of Western Europe, had not the same sense of responsibility for their national trust as their predecessors, and were prepared to bargain with foreigners anxious to develop the natural resources of their country. It is, indeed, reputed that they disclosed to the enterprising mining prospectors who thronged to Constantinople the secrets regarding the mineral riches of the Near East, locked away in the archives preserved from the days of the Byzantine Empire. Certainly, German and Austrian agents were quick to solicit privileges of mining from the new government.

In 1909, the Turkish Government sanctioned the establishment of another banking institution, *viz.*, the *National Bank of Turkey*, with its headquarters and its administration in Constantinople under the direct control of Turkish subjects. This new institution was in the nature of a trade bank, and was in no way connected with the Ottoman Debt. It was to emancipate Turkey, by financing its economic development, from her complete dependence on the bondholders associated with the administration of the Debt and incorporated in the Imperial Ottoman Bank. It was to give a solid

material support to the principle of Nationalism. In the circumstances, it became, inevitably, a bank with German tendencies. But as the Entente released Italy upon Turkey in 1911 and that unhappy country has been at war practically ever since, the National Bank had very little chance to fulfil its destiny.

Again, in 1911, the British Government, through the medium of Messrs. Vickers and Messrs. Armstrong Whitworth, obtained control of the programme of naval construction of the Turkish Government and secured the building of the "Reshadieh" at Barrow-in-Furness. Her armament was made in Manchester, and under the supervision of British Admiralty inspectors who, we have reason to believe, placed upon it their own Government's stamp. Needless to say, neither the "Reshadieh" nor the "Sultan Osman" was allowed to be completed in time to join the Turkish Fleet, but were incorporated in the British Navy in 1914, one in August and one in October, as the "Agincourt" and the "Erin." Also, in 1912 or 1913, Vickers, Ltd., obtained an extended lease of the Turkish Navy Yard at Constantinople and commenced to "renovate" its equipment, and to "repair" the ships in the Turkish Navy.

About the same time, a syndicate of British engineering and constructional firms was formed for the purpose of carrying out public works and soliciting orders for engineering materials in Turkey. The same group of Manchester, Sheffield and Tees-side firms formed similar companies for trade with Siberia and Egypt. The British Government and the contractors upon its approved lists were going single-handed to the Near East, and not in association with France and her manufacturers. In fact, these engineering interests were almost as opposed, at any rate in an economic sense, to the Sterns, Rothschilds, Goschens, and their French money-lending colleagues, as were the German industrialists operating financially through the Deutsche Bank.

With the Flag to Constantinople

THEN came the war, when, of necessity, Britain and France had to present on the military and naval front a union of forces as complete as their money-lenders upon the financial front.

But, whilst the conflict was in progress, the British, at any rate, were preparing the economic landing party which should follow the Flag to Constantinople. At home and in Paris they were taking steps to make absolute their control of the Near East, and to complete on the Eastern Mediterranean as well as on the Red Sea and the Persian Gulf coasts the co-terminous boundaries of the protectorates that should make Britain's Empire continuous from the Cape to the Malay States.

Temporarily, the star of French political influence and ideological suggestion was in the ascendant in Athens. The prestige of General Serrail and the dapper little officers of the Army of the bourgeois Republic of France prevailed over the grim and not too pleasant impression of the ever-present British Navy, exerting an

intangible but merciless blockade of the Ægean. Britain was, moreover, the patron of Italy, which coveted the sacred isles of Ionic heroism and independence and nationhood.

Little Greece was dreaming age-old dreams, older dreams than plagued Serbia and tormented Bulgaria. France was a republic. Italy and Britain were Kingdoms. Greece was the classic home of Republican Liberty. Venizelos recalled the memory of Pericles and the great days of the Athenian Empire.

But there was a Greek greater than Venizelos. There was Basil Zaharoff. That Levantine master of intrigue, that friend of Russian Grand Dukes, returning insolvent from the Casinos of the Riviera, was the agent of Vickers, Ltd., in Paris. Much in Paris, also, before and during the war, was Sir F. Barker, described formerly as "European manager" of Vickers, Ltd., another gentleman with a romantic career down the coasts and in the troubled waters of the Ægean.

Colonel Repington, in his "Diaries of the First World War," reports a conversation he had with Maurice de Rothschild concerning the vast fortune and great power which Basil Zaharoff had acquired during the war, but as this individual has had all particulars regarding his activities guarded from publicity for many years, we can only locate him—like a submarine cruising below the surface—by the oil streak he leaves, literally as well as figuratively, on the face of the political waters.

He is to be found in one of the Walford Lines—the group which owned the "Jolly George"—which is a link between Vickers and France.

Basil, Sir Basil, as Mr. Lloyd George has had him made for his rich endowments to aeronautical science at our universities, has floated new banks in France. He is behind, so it is generally understood the *Banque de la Seine* and the *Banque Transatlantique*. He is, also, interested in shipping as in *La Société Navale de l'Ouest*, which, last year, formed a company in conjunction with the *Anglo-Persian Oil Co., Ltd.*, to import oil from Syria and to distribute it throughout France.

It was his bank, the *Banque de la Seine*, which, in 1919, formed the *Banque Commerciale de la Méditerranée*, to promote trade between France and the Levantine end of the Mediterranean. This concern is also in league with the *Banque de Paris et des Pays Bas*—the most powerful trade bank in France and the Netherlands—and with the *Imperial Ottoman Bank*.

Sir Basil Zaharoff has every appearance of being a financial collaborator with the British Foreign Office, in much the same way as the first Lord Rothschild was in the "seventies," in that little deal in Suez Canal shares.

It is he who has the credit of manipulating the puppet, Venizelos.

Enter the F.B.I.

MEANWHILE, in Britain, as early as 1916, Vickers, Ltd., and other great iron and steel masters, together with other capitalists were forming the *Federation of British Industries*. In 1918-19 its President was Sir Vincent Caillard, formerly on the Administration at Constantinople of the Ottoman Debt on behalf of British, French and Dutch bondholders, and now a director of Vickers, Ltd. The first notable achievement of the F.B.I. was their fathering on the Government of the Farringdon Committee to enquire into credit facilities to British exporters after the war, and subsequently, the incorporation, on April 21st, 1917, by royal charter, of the *British Trade Corporation*, to carry out the recommendations of this Committee.

Lloyd's, Barclay's, the National Provincial and Union Banks, and the National and Standard Banks of South Africa, together with the River Plate Bank on the one hand, and Vickers, Armstrong Whitworth, Cammell Laird, Birmingham Small Arms Co., and sundry other firms and magnates on the other, subscribed the capital of £2,000,000 paid up.

Sir Vincent Caillard and Sir W. H. N. Goschen, of Goschens, were appointed to the board of directors.

Scarcely was the war finished than the British Trade Corporation bought up the National Bank of Turkey.

The manager of the former became chairman of the London Committee, whilst a gentleman of the suggestive name of de Belinski became chairman at Constantinople.

Sir Henry Birchenough, of the Inter-Allied Trade and Banking Corporation, Ltd., and of the British South Africa Company ("the Chartered Millions"), represented the quintessence of Capitalist Imperialism and Mr. Gulbenkian, the "Shell" group of oil interests on the London board.

Though the paid-up capital is only £250,000, the interests behind the National Bank of Turkey can only be described as tremendous.

In 1919 the British Trade Corporation organised the *Levant Company, Ltd.*:—

"to promote and develop trade of all kinds; and trade and financial relations between Great Britain, her dominions and Colonies, and dependencies on the one hand, and the Levant, Balkan States, Greece, Turkey, Asia Minor, Armenia, Persia, Mesopotamia, Palestine, Syria, Arabia, Egypt and the Soudan on the other side."

The paid-up capital was and is £600,000.

The chairman appointed was Sir Maurice W. E. de Bunsen, British Ambassador at Vienna from 1913 to the outbreak of War. They could have chosen no one with a greater inside knowledge of Balkan politics. Other directors were, Sir F. Barker of Vickers, Ltd., and the Assistant-Director of the Federation of British Industries. At the same time, the British Trade Corporation founded an auxiliary with little capital but great connections, viz., the *South Russia Banking Agency, Ltd.* It had only £40,000 of

capital, but it was held in equal parts by the British Trade Corporation, the London County Westminster and Parr's, the National Provincial and Union, and Lloyd's Banks.

Meanwhile, the Federation of British Industries, in harmonious co-operation with the Department of Overseas Trade, offspring of the Foreign Office and the Board of Trade, was appointing Trade Commissioners abroad in connection with its Overseas Service. Its first appointment was that of a Commissioner at Athens for the Near East, with a Sub-Commissioner at Constantinople.

The selection of Athens as the venue of the first Trade Commissioner is significant, in view of subsequent developments and the fact that French interests are very considerable in the *Banque d'Athènes* and generally, in the trade of Greece.

The British Trade Corporation is supported at Constantinople by an even greater force—the British Army is in occupation. Britain quietly encourages Greece but sits tight in Constantinople, the goal of Greek aspirations. Italy is the faithful friend of Britain, and the covetous neighbour of Greece, whilst the *Banco di Roma*, the *Banca Commerciale Italiana*, and above all, Barclay's ally, the Marconi venture, the *Banca Italiana di Sconto*, are all ensconced at Constantinople.

The French Counter-Offensive

NEEDLESS to say, France does not view with equanimity this relentless activity of British industrial finance in a quarter where, hitherto, her less efficient, but equally grasping, mortgage holders' finance has been pre-eminent.

True, she has acquiesced so far as not unduly to hinder British advancement in return for a comparatively—everything is comparative where the “dear Allies” are associated in the tasks of civilisation, and the mission of forwarding Democracy a comparatively free hand in Central Europe.

The Schneider-Creusôt Company appears to have taken over the old Navy Yard at Constantinople, which was formerly an appanage of Vickers, Ltd., and to have been using it for repair work in connection with naval and military operations in South Russia. At the same time Count Ostroroz, presumably the same man who is with Vickers in Poland, is with them in Constantinople and, as in Poland, Vickers and Schneider have been collaborating in the manufacture of war material, it would seem that they have been acting in collusion at Constantinople, for we have never known Vickers to give up anything they have once held.

In everything wherein French capital is concerned in the Near East, pushing the interests of French imperialism, we, always, find *Schneider et Cie*. They are as ubiquitous, in their way, as Vickers, Ltd.

Eugene Schnelder is on the board of the *Crédit Lyonnais*, of the *Banque de l'Union Parisienne*, and of the *Union Européenne Industrielle et Financière*. Comte Saint de Sauveur, who married into the Schneider family, and represented the firm in Petrograd, was associated with the Poutiloff Company and, now, appears to

have a roving commission for Schneider et Cie, all over Central Europe.

We find Schneider and the *Banque Française pour le Commerce et l'Industrie* in control of the Company for the working of the Orient Railway, which runs into Constantinople from Belgrade. Schneider and the *Messageries Maritimes*—the French equivalent of the Cunard—together with the *Banque de l'Union Parisienne*, have formed the *Cie Française du Levant*, to do for France what the Levant Company is doing for British trade.

Then there is the clique of irreconcilable enemies of Russia encamped at Salonica and Constantinople.

At the head of these is the *Russo-Asiatic Bank*. This is "an associate bank" of the *Société Générale de Paris*, and it, in turn, is the creature of the *Crédit Mobilier Française* and the *Banque de Paris et des Pays Bas*, and the great armament company, *La Société de la Marine et d'Homecourt*.

In the same grouping as the Russo-Asiatic Bank is the *Banque de Salonique* and the newly formed *Banque Franco-Polonaise*, which looks like Schneider in combination with a re-shuffling of the Russo-Asiatic Bank.

This group has various subsidiaries at Constantinople amongst them a Schneider "associate," the *Société Commerciale et Industrielle et Financière pour la Russe*.

The impression one gets of French capitalist endeavour at Constantinople at the present time is one of retention of existing interests and their defence against a more dynamic form of capitalism operating mainly from Britain and Italy. France, also, appears foiled by and undecided in her attitude towards her defaulting debtors, the Ottoman Turks and the Soviet Republic of Russia. She nurses her grievances and laments her losses whilst the vigorous commercialism of Britain scouts around looking for trade and keeping a vigilant eye open for some field of permanent investment with a view to development of natural resources.

At Athens, also, it is the inevitable Schneider group which one finds standing for a trade in the implements of war.

America takes a Hand

MORE formidable as competitors with the British in the commerce of the Near East and in the development of the resources of the territories formerly included within the Ottoman Empire, are the Americans. These first commenced to open up the market in these parts in 1911, when the American Chamber of Commerce for the Levant was formed, an association which now has branches in Greece, Bulgaria, Roumania, Smyrna, and representatives all over Turkey.

Last year there appeared at Constantinople that colossus of American finance, the *Guaranty Trust Company* of New York, one of the world's most powerful banks, and an associate of the Morgans and the Rockefellers. This bank is heavily interested in financing the world's cotton crops, and, as such, has an interest in the Levant. Then, there is the equally formidable *American*

International Corporation, which is an associate of the great National City Bank of New York, performs for American business equivalent functions to those of the *Union Européenne Industrielle et Financière* for France and the *British Trade Corporation* for Britain. It is heavily interested in shipping, shipbuilding and public works contracting as well as, and this has an important bearing on Levantine commerce in dried fruits, oranges and lemons, the fruit trade.

The *American Foreign Trade Corporation*, again, has "undertaken business on a very large scale, hiring big stores in the Golden Horn at a high rent for storing their goods; they have also purchased a big plot of land at the Golden Horn, in order to build stores, and have a high-class garage and works." (Report of Department of Overseas Trade on *Trade Conditions of Turkey*, Jan., 1921). Other American syndicates are the *American Express Company* (Vanderbilt group), the *Central European Corporation*, the *Export Steamship Corporation*, and, of course, the *Singer Sewing Machine*, and *Standard Oil Companies*.

This last named concern is, needless to say, interested in the eventual fate of Armenia, Georgia, Azerbaidjan, Mosul and other republics, and would be republics whose rock-strata ooze oil in commercial quantities. It is keeping a watchful eye upon the "Shell" and the Anglo-Persian Oil groups in the whole of the Near and Middle East.

Within the last few months it has participated in the organisation of the American Chamber of Commerce in Athens to advance American interests in Athens in rivalry with the established agency of the Federation of British Industries. The vice-president of the new body is the Athens representative of the Standard Oil Company.

This in itself is ominous, particularly in view of the correspondence between the British and U.S. Governments concerning oil in the Near East, the statement made in the very influential paper, the American "World's Work," in 1917, to the effect that "the future of America lies in the Balkans," the activity of American missions and philanthropy at Constantinople, and the care with which Washington has chosen its diplomatic representatives in Turkey from the ranks of "big business," and its hacks.

The capitalism of the United States has been steadily "penetrating" France, Italy and Turkey at the same time that it has been ingratiating itself into India. It has been helped by the great influx into the U.S. of emigrants from the countries of Southern Europe and the Balkans and the connections thereby established with the Mediterranean peoples.

Britain was able to detach Egypt from Turkey at a time favourable for herself and her projects of absorption and monopolist exploitation. She has not been equally successful in respect of the remainder of the rich spoil which, during decades and generations, she has marked out for her own as a means whereby she might round off her African and her Asiatic domains, connecting them together and knitting them into one vast scheme of Empire.