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Abstract

During the early modern era most of the Middle East became unified by the Ottomans, who kept control of it for 400 years. Located at the crossroads of three continents, the Ottoman Empire was one of the longest-lasting dynasties in world history. This paper discusses trends in economic development in the Middle East drawing on existing estimates of population density at the city level, trade flows and GDP per capita, highlighting the high degree of spatial and temporal heterogeneity across the region.

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Trade and development in the Middle East, 1500-1914[1]

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This chapter aims to provide an overview of the economic development of the Middle East and its commercial interactions with the global economy during 1500-1914. During this historical period most of the Middle East shared the same political and institutional environment, being unified under the authority of the Ottoman Empire. The rise of the Ottomans as a major sea power in the Mediterranean in the 15th century was followed by their imperial expansion to the Arab lands of the Levant extending from Syria to Palestine, and of North Africa extending from Egypt to Algeria.[2] Further military campaigns led to the conquest of much the Gulf: Yemen was annexed in 1517, and Iraq (the regions of Baghdad and Basra) recognised Ottoman sovereignty during 1534-1538. The vast Ottoman territory was organised in provinces (*eyalets* or *beylerbeylik*) and their administration was under the responsibility of a governor-general (*beglerbegi*); they enjoyed a degree of relative autonomy, including in terms of fiscal organisation.[3] While many of the trends described in this chapter apply to the whole Middle East, most of the narrative focuses on its largest economic regions: Turkey, Egypt, the Levant (Iraq and Greater Syria) and the Arab peninsula.[4]

There is extensive evidence that thanks to its strategic location at the intersection of three continents — Europe, Asia and Africa — the Ottoman Empire played a key role in world trade, both as a major importer and exporter of goods and as the main intermediary in commercial exchange between Asia and Europe, at least since the 15th century. Its position as vital international trade hub strengthened in the 16th century:[5] recent empirical research on market

[1] Written as a book chapter for *Global Economic History* (Bloomsbury) edited by Tirthankar Roy and Giorgio Riello.

[2] Sultan Selim I's victories ended Mamluk's rule in Syria and Egypt and the Hejaz in 1516-7, which gave the Ottomans the title of protectors of Mecca and Medina.

[3] Some provinces had more autonomy than others: for instance, Egypt was responsible also for affairs in Yemen and northern Abyssinia; the governor of Baghdad for Basra, the Gulf, and part of the Arab peninsula; the governor of the Aegean islands for Tunis, Algeria and Tripolitania (Inalcik and Quataert, 1994).

[4] Greater Syria (*ash-Shām*) comprises of modern-day Syria, Lebanon, and Palestine/Israel.

[5] Both the East-West trade routes across the Mediterranean, connecting the Middle East to Europe via Venice and Genoa, and the North-South route linking the two regions via Damascus-Bursa-Akkerman-Lwow, were instrumental in supplying the West with so called oriental goods: spices, silks and cotton (Inalcik and Quataert, 1994, vol. 1, p.4).

integration illustrates that, despite some fluctuations, trade between Europe and the Ottoman Middle East was active and heterogeneous during 1500-1914, reflecting increasing levels of commercialisation in both regions.[6] However, the Middle East's role as a strategic international trade hub deteriorated with the rise of the Atlantic economy: while overall trade volume and value continued to grow in the region in the 17th-18th centuries, the contribution of Middle Eastern trade to the world economy declined. The shift in economic dominance from the Mediterranean to the Atlantic, together with a series of permanent territorial losses incurred by the Empire,[7] were once considered to be clear signs of the decline of the Empire, often labelled "the sick man of Europe". As explained in this chapter, this once prevalent idea, particularly within the Orientalist tradition, has now been thoroughly questioned and is no longer accepted: the period from 1700 to the outbreak of the First World War is seen as an era of renovation in which the Empire strived to find a synthesis between the centrifugal forces within its own territory and the changing international system.[8] Indeed, despite the undergoing process of change and the relatively weakened political and economic position played in the international arena, at the height of the 19th century the Ottoman Empire represented both a leading Islamic state and a world empire of vast influence at the crossroads of intercontinental trade.

The 19th century brought a further structural break to the region, which participated to the first wave of globalisation, an era of growth and unprecedented transformations for the global economy, moulded by new patterns of production, division of labour and balance of power among nations (see Ch. 8 in this volume). The Middle East, which took part to these sweeping global changes as a member of the periphery, underwent a process of agricultural commercialisation and specialisation, while becoming increasingly dependent on the import of European manufactures. The region shifted from being an agrarian economy where cultivation was centred around subsistence crops to the production of cash crops for the external market.

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[6] On market integration between the Ottoman Empire and Europe see Li et al. (2019) for the 1500-1800 period and Panza (2013) for the 19th century.

[7] Most of Hungary was ceded to the Habsburgs (1699), Russia obtained the northern shores of the Black Sea (1700), Romania and Crimea (1774); in Africa, Algiers and Tunis had fallen away in the 18th century and then formally in the 19th century. These were followed by further territorial losses in the19th century: nationalist uprisings in the Balkans led to the independence of Serbia (1830), Greece (1832); Moldavia and Wallachia (1856), Bulgaria, Montenegro, Bosnia, Herzegovina and other areas of the Caucasus (1878); Cyprus fell into British hands in 1878.

[8] See Inan (1987) for a discussion of the role of orientalism in shaping Ottoman historiography.

Complementary to this development was the decline in manufacturing activities owing to competition from cheaper imported finished products (Panza 2012).

Despite the considerable expansion in trade volume and value during the 19th century, the extent to which the Ottoman economy came to be connected with the world market differed from area to area: in some regions the first signals of these changes became manifest in the early years of the 19th century (and in some cases even in the last decades of the 18th century) particularly in port cities like Aleppo, Alexandria and Izmir. The expansion of cash crops grown for export, like cotton in Egypt and silk in Lebanon, brought millions of cultivators into contact with the global market, while other commodities such as tobacco in Syria, dates in Iraq and coffee in Yemen followed a slower path in the process of market expansion. On the other extreme of the spectrum, in Arabia and in parts of Sudan, the vast majority of the population continued living in a subsistence economy.

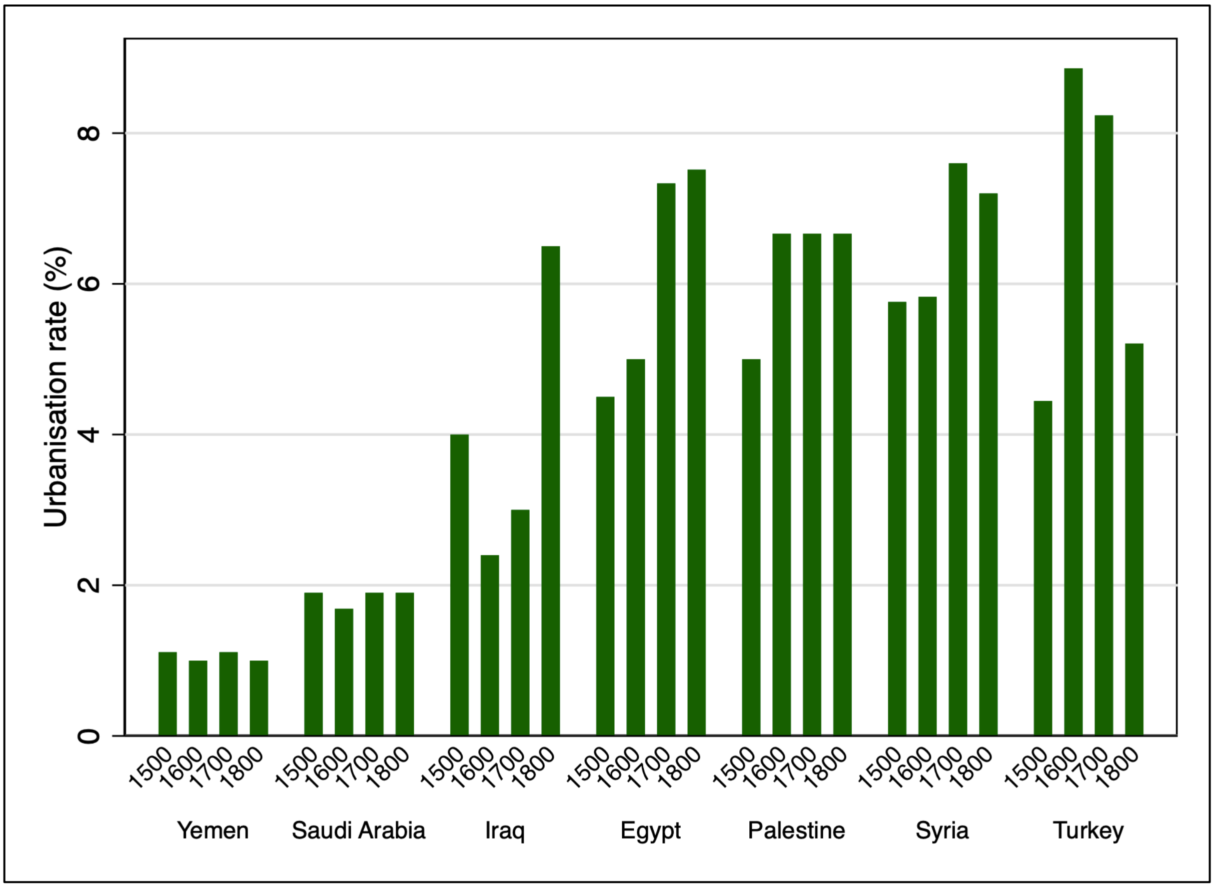
How did the engagement of the Middle East in the global economy relate to its own economic development? A reliable proxy of economic performance in the premodern era, where GDP estimates are not available, is the rate of urbanisation, which reflects the ability of economies to produce an agricultural surplus to provide resources needed to sustain cities (de Vries, 1984). Figure 1 provides a snapshot of average urbanisation rates by country in the Middle East during 1500-1800, defined as total urban population divided by total country population (times 100). A few stylised facts emerge: Yemen and Saudi Arabia were least urbanised areas of the region throughout the period; urbanisation levels remained stable in Palestine, Saudi Arabia and Yemen; they deteriorated in Iraq in the 16th century, but improved thereafter. Furthermore, Egypt became more urbanised throughout the period of analysis, while Syria and Turkey experienced a decrease in urbanisation in the 18th century. The Middle East as a region had higher urbanisation rates than Europe until at least 1700 (Bosker et al. 2013, p. 1424).[9]

To better understand the Middle East's engagement with the world market during 1500-1914 it is important to mention one of the principles that guided the Ottoman Empire's management

[9] Urbanisation is defined as total urban population divided by total population in each region. In 800 the urbanization rate in the Middle East and North Africa was around 6%, almost three times higher than in Europe. Over the next centuries, Europe's urbanisation rate rose much faster than in the Middle East, and in 1800, Europe had also overtaken it. See Bosker et al, 2013, p.-1424, especially Figure 3.

of the economy throughout its existence: *provisionism*, that is the maintenance of a steady supply of goods and services to avoid shortages in the domestic market (Genç, 1994). With respect to foreign trade, this translated to discouraging exports and encouraging imports. Hence, unlike Europe, the Ottoman Empire's approach to trade was not shaped by mercantilist concerns: imports were considered beneficial to the economy, given that they increased the amount and range of available goods in the market; on the other hand, the export of necessities, such as grains and raw materials, was sometimes prohibited, with the aim of preventing shortages. Overall, the management of the economy was more consumer- than producer-oriented and the protection of domestic labour and industries were not of primary concern for the government: in fact, state *provisionism* was not tied to import-substitution policies.

Figure 1: Urbanisation rate in the Middle East, 1500-1800.



Source: Bosker et al. (2013).
Notes: Urbanization rate is defined as total urban population divided by total country population (times 100). The following cities were used to construct urbanisation rates; Palestine: Acre and Jerusalem; Yemen: Sana'a; Saudi Arabia: Mecca; Iraq: Basra, Baghdad; Syria: Damascus, Aleppo; Turkey: Istanbul; Egypt: Cairo.

World War I led to the collapse of the Ottoman Empire, thus ending centuries of political and institutional unity in the Middle East: its former unification under a single imperial authority was substituted by nine separate states with their own custom regulations and currencies: Egypt, Syria, Lebanon, Transjordan, Iraq, Palestine, Turkey, Saudi Arabia and Yemen. Only the latter three exercised full sovereignty. The League of Nations granted Britain the right to administer Transjordan, Palestine and Iraq and France the right to administer Lebanon and Syria.[10]

The rest of the chapter will provide a detailed discussion of the trends in international trade and economic development experienced by the Middle East between the 16th century and World War I. The last section will cover the role played by trade in services in the region. Overall, this chapter highlights how an economic history of the Middle East and North Africa could improve the understanding of the history of Europe, given that the economic development of these two regions was deeply entwined. In so doing, it complements the existing accounts of Middle Eastern and European history which identify economic exchange as an important area of interaction between the two cultures, characterised by a high level of interdependence—notwithstanding their political rivalries and recurrent military confrontations (see, among others, Braudel, 1995; Inalcik and Quataert, 1994; Pamuk, 1987).

Growth and stability in the 16th century

The 16th century is considered a period of economic stability and growth for the Ottoman Middle East: the state was strong, centralised, able to ensure law enforcement, to invest in infrastructure (transportation and irrigation) and to guarantee safety along trade routes (Pamuk 2021, p.173). The whole region had strong economic connections with Europe and Asia and constituted an important node of exchange between East and West. During this period, global commercial transactions involved predominantly trade in high value-added goods, with Asia being the main exporter of spices and manufactures, predominantly cotton and silk textiles, to Europe.

Trade between the Middle East and Europe was regulated by a system of Capitulations, bilateral treaties akin to today's most favoured nation status agreements, which allowed non-

[10] See Panza (2020) on the effect of the disruption of the Ottoman Empire on market integration in the Near East.

Muslim foreigners to travel and trade freely in the Ottoman Empire.[11] In the first century of the early modern era, Ottoman-European trade patterns were shaped by Ottoman exports of silk cloth, cotton goods and mohair in exchange for tin, lead and steel, gunpowder and chemicals, and to a smaller extent luxury goods such as fine woollen cloths, jewellery, and watches.

Table 1: Main English imports from and exports to the Levant, in 1588 and 1589.

Levantine exports to Britain (1588): £55,261	
Currants	613,300 lb
Raisins	10,850 lb
Oil	6 barrels
Nutmeg	49,705 lb
Indigo	54,120 lb
Gall nuts[1]	104,500 lb
Black pepper	8,380 lb
Aniseed	10,000 lb
Cinnamon	12,296 lb
Other spices	10,826 lb
Mastic	600 lb
Raw silk	9,133 lb
Cotton	66,500 lb
Cotton yarn	15,840 lb
Flax	700 lb
Cotton cloth	11,590 lb
Turkish carpets	13 pieces lb
Levantine imports from Britain (1598): £4,278	
Shortcloth[2]	750 pieces
Kersey[3]	18,126 pieces
Tin	2,125 cwt
Iron wire	42 cwt
Rabbit skin	26,600 pieces
Sarsaparilla	34 cwt
Brazil-wood	4 cwt
Long-wood	15 cwt

Source: Willan (1955)
Notes: [1]Gall nuts were used as a dye and medicinal purposes. Aleppo galls have the highest concentrations of tannin among the galls (50-65%), providing a strong astringent and a treatment for fevers, burns, mouth ulcers and toothache. [2]Shortcloth (or broadcloth) is a plain, woven cloth made of short-staple wool. [3]Kersey is a type of coarse woollen cloth. Cwt stands for hundredweight, equivalent to 112 lbs (50.80 kg).

While in the 15th century most trade with Europe took place via Venice and Genoa, from the mid-16th century the English (and from the 17th century the Dutch) started engaging in Middle Eastern markets, replacing the mercantile and industrial cities of Italy (Davis, 1961, p.118). English traders, who used Izmir as their main centre for trade with the Levant and Iran,

[11] The first Capitulations were granted to the Genoese in 1453; France received them in 1535, Britain in 1580, the Dutch in 1612.

exported woollen cloth (kerseys and shortcloth), tin and lead in exchange for raw silk, spices and currants, see Table 1. While the balance of trade with the Levant was unfavourable for England (imports dominated exports), the Middle East was a primary export destination for the products of its expanding woollen industry: the Ottomans were both direct importers and re-exporters of English woollens to Iran and other Asian countries (Davis, 1961). The establishment of strong commercial connection between Izmir and Europe contributed considerably to its economic development, as demonstrated by its almost ten-fold increase in urbanisation rate (from 0.16% to 1.4%): in comparison, during the 15th century its urbanisation rate was the lowest among the cities listed in Figure 2.

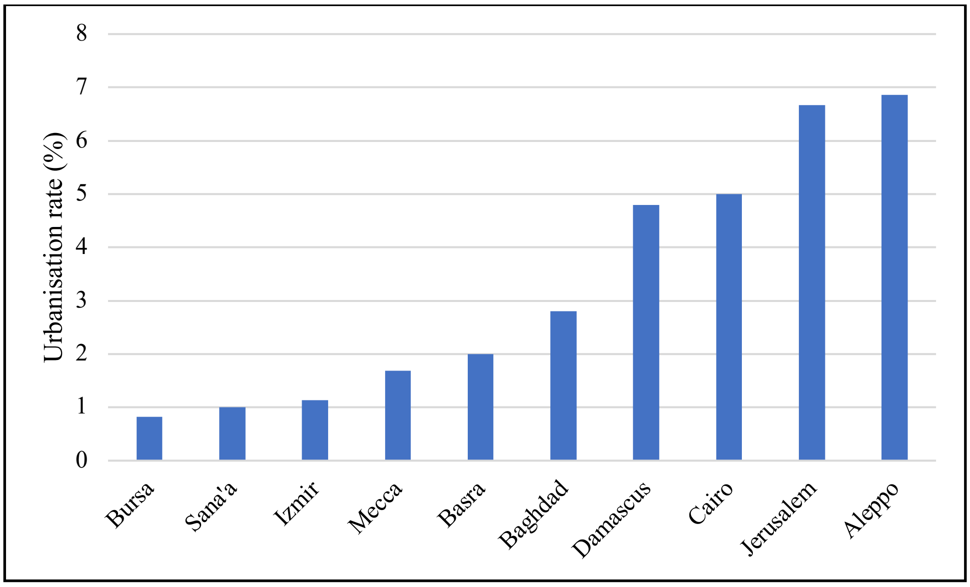
During the 16th century spice trade remained the most lucrative branch of international trade and the most important branch of long-distance trade between East and West. European imports of spices included indigenous products of the Middle East, such as alum (a dye fixer) as well as re-exports from Asia, particularly from India. Therefore, ensuring control over Middle Eastern trade with India was of paramount importance as a revenue generating activity for the Ottoman Empire (see Ch. 18 in this volume). Trade with India took place via two routes: the Red Sea and the Gulf. The former went through Yemen, who exported madder (a red dye root), an essential raw material for the dying industry of Gujarat, and imported spices, indigo and fine cotton textiles (Inalcik and Quataert, 1994). As a result, Yemen received an exceptionally high percentage of revenue from custom dues coming from the Indian transit trade, and had positive spillover effects also for Egypt, with Suez being an entrepôt for trade with Yemen, Arabia, India and the Far East. From the early 16th century Indian goods were exchanged also via caravan roads, especially via the Basra-Aleppo route. The growing importance of the Persian Gulf-Aleppo caravan route was at the basis of Aleppo's unprecedented commercial expansion during the second half of the 16th century: as illustrated in Figure 2, it became the second most urbanised city in the Middle East, after Istanbul.[12] Furthermore, the city of Basra flourished thanks to its direct connection with the Arabian Peninsula and Iran.[13]

[12] After reaching Egypt and Syria, Indian spices were exported to Western markets via Venice which supplied a vast area of Europe including Italy, Germany and Central Europe (Sella, 1968). On the other hand, the spices reaching Bursa and Istanbul were exported overland to the Balkans, Eastern Europe and Lwow via caravan routes (Inalcik and Quataert, 1994).

[13] The Arabian Peninsula covered an important share of Basra's international and regional trade via the export of horses, fabrics and cloaks of camel wool, Syrian soap, and Yemen's madder.

Economic exchange with Iran played a dominant role for the Ottoman Middle East, too: Persian raw silk represented an indispensable import for the silk industries of both the Empire, particularly in Amasya, Bursa, Istanbul, Mardin and Diyarbakir, and of Europe. Basra, Bursa and Aleppo became the most important silk exporting markets in the Middle East: like with spices, during the first half of the 16th century raw silk reached Europe via Venetian and Genoese merchants; they were later replaced by the British and the Dutch, who re-exported their surplus imports to the rest of Europe (Davis, 1970, p.195).

Figure 2: Urbanisation rates in Middle Eastern cities in the 16th century



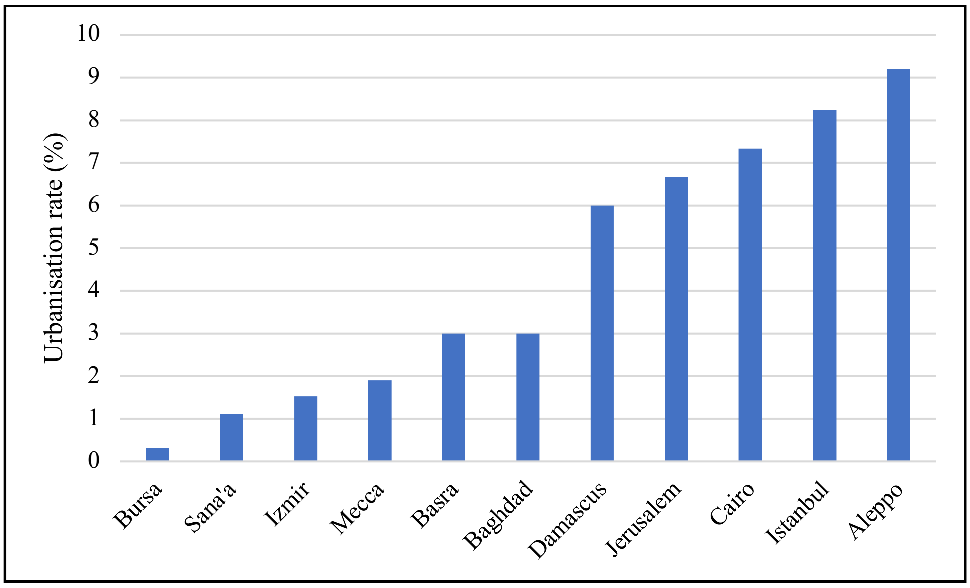
Source: Bosker et al. (2013).
Notes: Urbanization rate is defined as total urban population divided by total country population (times 100).

Crisis and recovery in the 17th century

The role played by the Ottoman Middle East in world trade changed dramatically at the turn of the 16th century, with the rise of the Atlantic economy. Atlantic trade impacted the region in several aspects: first, trade in colonial goods (sugar, cotton, tobacco, coffee) overshadowed that of spice and silk, the key Ottoman exports to Europe, in terms of both value and volume. This had direct consequences for the pattern of Indian-Levantine trade, which underwent a major change and re-oriented itself to focus on the export of Indian cottons. During the 17th century the production and export of Indian cotton fabrics to the Middle East and Europe reached unprecedented levels (Chauduri, 1978), thanks to their competitive prices driven by low wages (Broadberry and Gupta, 2009). The arrival of cheap Indian textiles pushed Ottoman weavers to produce imitations of Indian fabrics in industrial centres such as Bursa and Aleppo. Another industry that was negatively affected by commerce in colonial goods was sugar processing production, as cheaper production in the Canaries and Brazil led to a decline in Ottoman sugar refineries, particularly in Egypt and Cyprus (McGowan 1981).

Second, not only did cotton textiles trade eclipse spice trade, but the latter de facto stopped being traded via the Levant after 1625, when the Dutch and English established their domination in the Indian Ocean by ensuring state-sponsored monopoly rights via their respective East India companies (VOC and EIC). Third, as a result of the large monetary inflows from the New World, a wave of inflation was transmitted from Europe to the Ottoman territories, which led to considerably higher prices for basic commodities in the Empire (Barkan 1975).

Figure 3: Urbanisation rates in Middle Eastern cities in the 17th century



Source: Bosker et al. (2013).
Notes: Urbanization rate is defined as total urban population divided by total country population (times 100).

Despite these dramatic changes, a growing literature has emphasized that the Ottoman Middle East did not simply undergo a process of decline from the 17th century, but that it was rather adapting to a changing global economic and political environment (Ozmucur and Pamuk, 2002). From the perspective of international trade, the decline in Levantine transit trade in spices was replaced by a rise in imports of coffee from the Atlantic to supply domestic markets. Cairo continued to be an important trade hub, shifting its focus from spices to coffee, dyestuffs and Indian textiles (Raymond 1973-4). As illustrated in Figure 3, its urbanisation rates rose from 5% to 7.3% between the 16th and 17th century. Tunisia developed close commercial ties with Marseilles and Livorno, exporting grains and olive oil (Inalcik and Quataert, 1994).

The Iranian raw silk export market shifted from Bursa to Izmir, driven by the stronger connections with British traders. It was during the 17th century that Izmir developed from a port of local importance to a major centre engaged in Ottoman-European trade (Inalcik and Quataert, 1994). The change in relative importance between the two cities is illustrated in the change of their urbanisation ranking (see Figures 2 and 3): while Izmir's position advanced (its urbanisation rate grew from 1.1% to 1.5%), Bursa's regressed (its urbanisation rate dropped from 0.8% to 0.3%). Alongside Izmir, Aleppo continued to be the other major hub to export raw silk to Europe.[14] Commerce along the caravan routes of the Eastern Mediterranean revived, too: Aleppo's position as major player in local, regional and inter-regional trade continued in the 17th century its hinterland expanded to supply not only of agricultural produce, but also of industrial goods, overtaking Istanbul in terms of urbanisation rate.[15] Also the city of Basra continued engaging in international trade and flourished as important commercial and cultural centre: its urbanisation rate grew from 2% to 3% between the 16th and 17th century (see Figures 2 and 3).

The 17th century was not only a period of change in the Empire's involvement in the world economy, but also one of political transformation. The central government's power started to decline, as its capacity to secure law and order and protect domestic trade routes weakened (Pamuk, 2021). Thus, the Ottoman Empire transitioned from a strong centralised state to a more decentralised one: this process culminated with the rise of the *ayans* (local notables) as a class of powerful and well-connected individuals, who might be merchants, money-lenders, military officers or landholders (McGowan, 1994, p.662). They eventually secured the right to collect taxes on behalf of the state and increased their wealth by keeping profits after sending a portion of revenues to the central government (Piterberg, 1990).[16] Involvement in tax

[14] An estimated 198,000 kg of raw silk passed through the Ottoman Empire to reach Europe every year in the 17th century (Inalcik and Quataert, 1994).

[15] Particularly important were olive oil and soap production in Tripoli and cotton weaving in Idlib.

[16] While tax collectors and *ayans* were at first separate groups with distinct functions, a single class emerged with time. There were two types of *ayan*: notables whose families had ties to the local elites; and centrally appointed officials (Yaycioglu 2016).

collection was more lucrative than investing in agriculture, trade or manufacturing; nevertheless, adapting to the new socio-economic reality of expanding commercial systems in the Atlantic, the Indian Ocean and the Mediterranean fostered of process of commercialisation of agriculture and, to a lesser extent, of manufacturing, thus enriching Ottoman provincial elites (Salzman 1993). By the end of the century, high-ranking officials, *ayans*, members of the religious judiciary, and the army emerged politically and economically stronger: despite this decentralisation process, the central bureaucracy was able to retain its leading position in Ottoman society and politics until the end of the empire (Pamuk, 2004).

Peace and stability in the 18th century

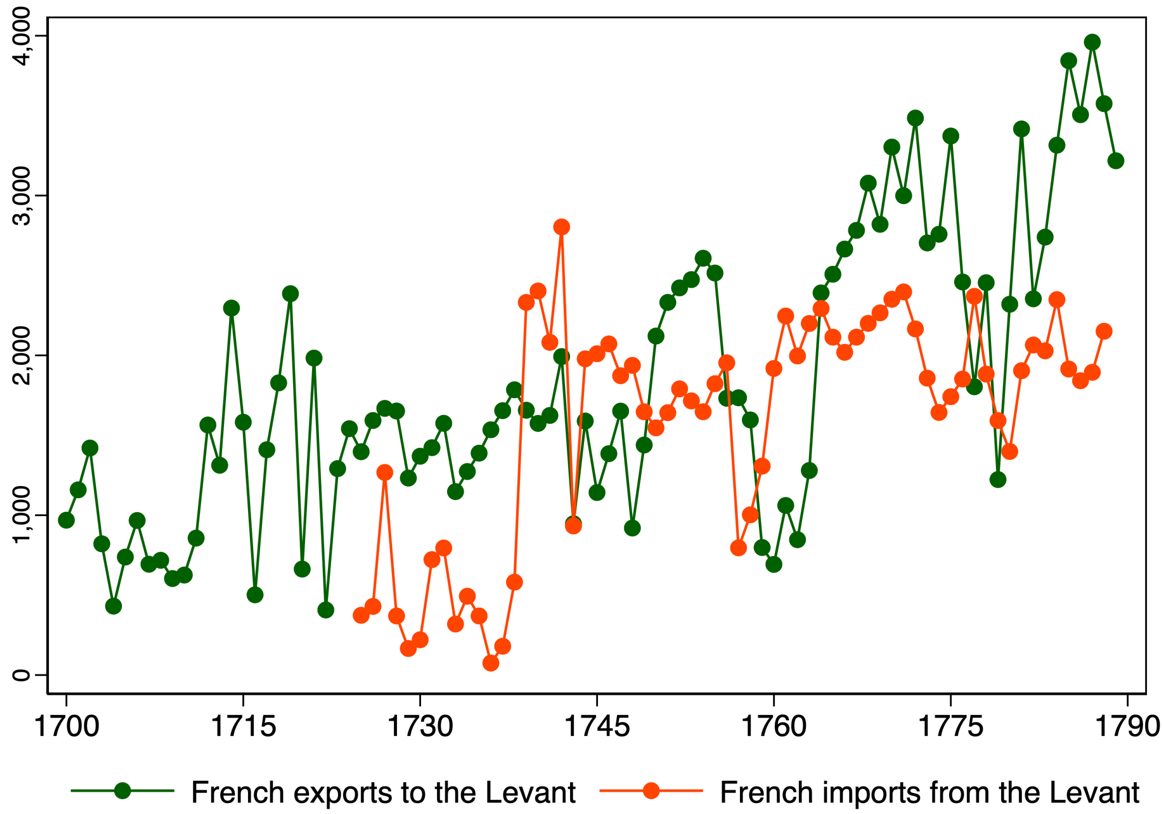
Following this phase of transition, characterised by a structural transformation of the socio-economic and political reality in the Middle East and a partial recovery from the "crisis" brought about by the new international environment, the 18th century was a period of relative peace, and economic expansion until the 1770s. Many regions of the Ottoman realm experienced a phase of prosperity (Genç, 1995) and GDP per capita is estimated to have increased from about 640$ in 1700 to 720$ in 1820, measured in 1990 international prices (Pamuk, 2021). The economic linkages within the Empire, such as those between the main commercial centres in Anatolia, Syria and Egypt, strengthened, as demonstrated by the increase in agricultural and industrial economic activity. However, while the Middle East's engagement with the international economy grew (for instance, overall trade with Western Europe more than doubled), it remined small relative to intra-Ottoman trade. Moreover, the degree of openness of Middle Eastern economies (measured as a ratio of trade to GDP) continued to remain relatively small, around 2-3% throughout the 18th century (Pamuk, 2021).[17]

Ottoman external trade in the 18th century was characterised by three main shifts: in the composition of exports, in the geographic distribution of trade, and in the ranking of its trade partners (McGowan, 1994, p. 727). The composition of imports with the West remained similar to those established in the previous century, being dominated by woollen textiles and to a lesser extent colonial goods (sugar, coffee, tobacco). However, the composition of exports saw an increase in the share of agricultural goods, despite continuing to include some textiles (Pamuk,

[17] The relative insulation of most Middle Eastern markets from European competition in manufactures, particularly in the interior before the 19th century, allowed the expansion of a range of manufacturing activities, especially textiles (Faroqui, 2011).

2021). Particularly, there was an intensification of the export of raw materials previously dedicated to internal consumption and industry (Li et al, 2019). Furthermore, the decline in European interests in Persian silk caused a decline in its re-export, substituted by locally grown raw cotton and cotton yarn, imported predominantly by France and Germany (McGowan, 1994).

Figure 4: French trade in the Levant, in thousand *livres tournois*



Source: Eldem (1999, p. 14).

In terms of trade partners, France emerged as major player, while trade with Britain stagnated (Eldem, 1999). French traders used Marseille as their main trade-hub with the Ottomans and established commercial connections in most of the Middle East, particularly in Izmir, Istanbul, Aleppo, Sidon, Alexandria and Cairo, Tunis and Algiers.[18] The general trend in commodity

[18] France was Egypt's main foreign trade partner throughout the 18th century, with the re-export of Yemeni coffee dominating their bilateral trade until the 1740s. Other exports included rice, wool, cotton thread, flax, linen, pelts and saffron, while Egypt imported colonial goods, dyestuffs and luxuries. France dominated also the foreign trade of Tunisia and Algeria (McGowan, 1994, p.732).

French-Middle Eastern trade is characterised by a constant growth throughout the 18th century, as illustrated in Figure 4, from an average of 20 million livres in the 1720s to over 50 million at the end of the century. French imports included hides, olive oil, cotton and cotton yarn while exports were predominantly made of colonial goods, such as sugar, cochineal, coffee and indigo.

Like in the 17th century, trade with India continued to flourish and had a similar composition: imports consisted of Indian cotton goods, and to a smaller extent drugs, dyestuffs and spices, while exports included animals, raw materials and dyestuffs.[19] Imported Indian textiles, which were cheaper and of better quality, continued to face competition from local producers in the Middle East (Faroqui, 2011).

The 18th century saw the establishment of a new fiscal institution, the life-term tax farming system (*malikâne*), which allowed tax collection for life (rather than for a single year), with the aim of providing incentives to increase long-term investments. This system had some positive economic impact, as new contractors helped improve productivity in the *malikâne* they bought (Genç, 1994, p.61). However, while the rates of return on various *malikâne* investments reached 35-40% (Salzman, 1993, p.406), this did not translate in a considerable increase in fiscal capacity: tax revenues in the hands of the central treasury remained low, around 3% of GDP (Pamuk, 2021, p.174). Moreover, many *malikâne* owners turned into rentier bureaucrats, and started subcontracting their tax-collecting rights to second and third parties, thus transferring resources from productive to unproductive hands (Genç, 1994).

The period of stability involving Middle Eastern economies for most of the 18th century came to an end in the 1770s and was replaced by decades of war (with Russia and the Habsburg), fiscal difficulty, inflation and heightened power struggle between the provincial elites and the central government. These developments impacted negatively domestic production in agriculture and manufacturing as well as trade, both long-distance and intra-Ottoman. The central government financed heightened war expenditures with additional borrowing and

[19] The balance of trade was unfavourable to the Ottomans, as imports into the Ottoman Empire far exceeded exports to India (Pamuk, 2021).

frequent currency debasements, which led to a dramatic depreciation of the Ottoman lira, and to rising inflation (Pamuk 2000, Hanna, 2011).[20]

Commercialisation and integration with the world economy in the 19th century

It is well documented by a large literature that the 19th century was a period of swift and unprecedented transformations for the Ottoman Empire, which undermined the survival of its territorial unity and deeply modified its economic structure (Kasaba, 1988; Owen, 1993; Pamuk, 1987; Panza, 2012). This last century of the life of the Empire was characterised by a continuous striving by the central authorities to find a synthesis between the centrifugal forces within its own territory and an international system that was progressively becoming more globalised. This resulted in the deterioration of the absolute rule of the sultan and the incapability of the central state to control its own territories, which led to permanent territorial losses both in Europe and North Africa: Algeria and Tunisia fell in French hands in 1830 and 1881, respectively; Egypt increased its level of autonomy during the late 18th century in both the administrative and financial spheres under a revived Mamluk order;[21] in 1882 it was occupied by Great Britain.

The response to the combination of these external and internal pressures was the implementation of a set of military and fiscal reforms, known as *Tanzimat* (reorganization), aimed at increasing the power of the central government and modernising the economy. The other important reform was the signing of a series of international free trade agreements, starting with the 1838 Anglo-Turkish Convention, followed by similar agreements with most European countries.[22] These agreements signalled the government's formal commitment to abolish industrial, commercial and agricultural monopolies. These two reforms have been considered as the engines of a process of market integration between the Middle East and the world economy.

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[20] The silver content of the Ottoman lira declined by more than 90% as a response to increase war expenditures and borrowing; price levels increased more than 12-fold from 1770 to 1840 (Pamuk 2000).

[21] Muhammad Ali, recognized by Istanbul as the Ottoman governor of Egypt in 1805, transformed the country from a subordinated province to a military and politically autonomous power (Panza and Williamson, 2015).

[22] The Anglo-Turkish convention fixed duties at 5% for imports, 3% for transit commodities and 12% for exports. In 1861-2 import duties rose to 8% and export duties reduced to 8%, with a further reduction of 1% a year until they reached 1%. Export duties rose to 11% in 1907 and again to 15% in 1914 (Issawi, 1988, pp.127-8).

Following an experience common to many other developing countries, the most visible signs of the region's rising participation in the world market were the commercialisation of agriculture and the rise in manufactured goods imports from Europe. Hence, the Middle East shifted from being an agrarian region where cultivation was centred around subsistence crops to the production of cash crops for the international market. Complementary to this development was the decline in manufacturing activities owing to competition from cheaper imported finished products. The commercialisation of agriculture took the extreme form of monoculture-specialisation in Egypt, where cotton became country's major export commodity covering more than 85% of total exports and contributing considerably to GDP growth (Karakoç et al, 2017). Other Middle Eastern regions switched production from subsistence to cash crops and became net food importers: for example, Lebanon specialised in raw silk and Palestine in orange production for export. In the rest of the Ottoman Middle East, exports were more diversified, and no single commodity exceeded 15% of total exports (Inalcik and Quataert, 1994, p.833). Imports were dominated by textiles, especially cotton cloth and yarn.

International trade kept on growing during the 19th century and in 1914 it represented a larger proportion of total trade than in 1800: the considerable intensification of the linkages between the Empire and the world market was visible through a substantial expansion of trade volume and value, see Figure 5 (and appendix Table A1). Total exports from the Empire increased 6.5 times, from Egypt 22 times, from Syria 13.2 times and from Iraq 3 times. The rate of increase was not uniform throughout this period: for instance, during the Napoleonic wars trade declined sharply, but the period 1825-1833 was one of rapid expansion, caused by the surge in world trade and partly by the establishment of British rule in Egypt, which stimulated trade across the region (Issawi, 1988, p.131). The low figures for the early 1860s reflect the decline in British cotton exports during the so called "cotton famine" generated by the American Civil War. From the late 1870s the upward trend in trade accelerated and remined strong until the outbreak of World War I. Iraq's trade followed similar patterns, and it was particularly its commercial relationship with India that flourished. Furthermore, the opening of the Suez Canal in 1869 provided a great stimulus to trade in the Gulf.

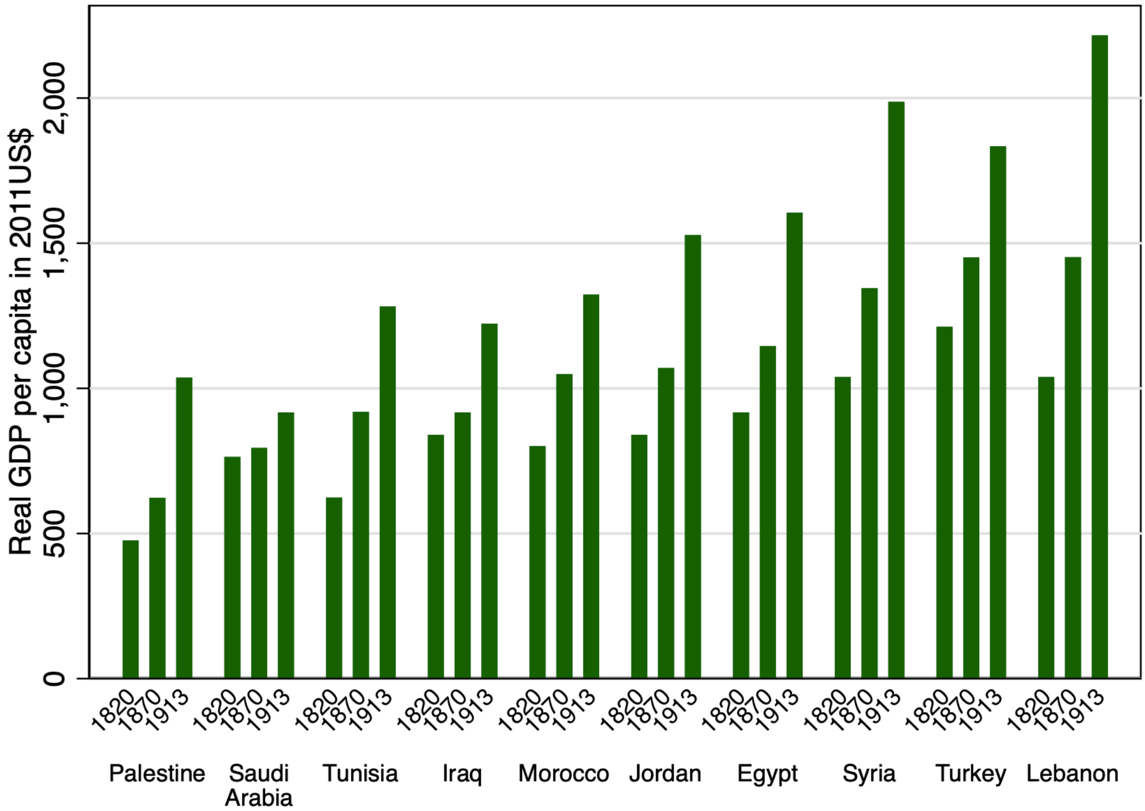
Figure 5: Annual average trade value in million British £ in the Middle East, 1820-1913

Sources: Author's calculations based on Issawi (1966, p.373) and Owen (1969, pp. 168; 306) for Egypt; Pamuk (1987, p.149) for the Ottoman Empire; Issawi (1988, pp.129-130, 173-175) for Syria and Iraq. See Appendix Table A1 for a breakdown between imports and exports.
Notes: Syria and Iraq's trade values are reported on the left axis. Syria's trade includes imports and exports from Acre, Alexandretta, Beirut, Haifa, Jaffa, Latakia, Saida, Tripoli and Tyre. Iraq's trade includes imports and exports from Basra, Baghdad and Mosul.

Growing commercialisation in agriculture and increased integration with global markets were accompanied by slow increases in per capita income, by about 0.5% per year between 1820 and 1870 (Pamuk, 2006).[23] This is confirmed by revised Maddison's GDP estimates illustrated in Figure.

[23] Using real wages of unskilled construction workers in the Ottoman Empire to measure changes in living standards, Özmucur and Pamuk (2002) find that they increased by about 30% between mid-18th and mid-19th century, and by another 40% during the late 19th and early 20th centuries.

Figure 6: GDP estimates for Middle Eastern countries, 1820-1914



Source: The Maddison project database, 2020 update. Estimates based on Pamuk (2006).

The remarkable improvements in the transport sector during the 19th century acted as a catalyst in linking markets worldwide, including Middle Eastern ones. The intensification of the connection with the international market, had a double effect on Middle Eastern economies: on the one hand new market opportunities arose, both around the port areas served by shipping and in the regions served by railroads, while on the other hand exposure to foreign competition increased dramatically.

Specialisation in primary commodity was couple by a decline in manufacturing output. From Anatolia to Greater Syria, from Iraq to Egypt, a process of de-industrialization took place across the Middle Eastern region. However, this initial process of de-industrialization did not always proceed in a monotonic manner and slowed down in many areas of the so-called periphery, including the Middle East, between the end of the nineteenth and the beginning of the twentieth century (Panza, 2014). In some cases, like that of cotton textiles production in Western Anatolia, de-industrialisation was reversed, supplanted by a new stage of re-industrialisation.

The process of increased integration with the world market was disrupted by the outbreak of WWI, which led to the political and economic dismantlement of the Ottoman Empire, marking the end of its large free trade area and the beginning of significant economic divisions within the region. These dynamics were reinforced by the worldwide spread of protectionist practices, which contributed to lowering international trade flows and led to the disintegration of the global market (Hynes et al., 2012).

Trade in services

While commodity exchange is the type of trade most documented by the literature, transactions in services represented another important economic activity in the Middle East. As science and learning flourished particularly in the early centuries of the Ottoman Empire, trade in intra-Ottoman useful knowledge and skills was most active in the 15th and 16th centuries, when the most significant advances in technology took place (Saliba, 1995): from the early 15th century, Arabic and Persian texts produced in medieval Islam by mathematicians, astronomers, and physicians of Golden Age of Islam were translated into Turkish and circulated into Ottoman lands among the empire's communities. Students from all over the Muslim world travelled to study to the main cultural centres of the Empire, Istanbul, Cairo and Baghdad, where research in arithmetic, astronomy, philosophy and faith (known as the religious sciences) was carried out (İhsanoğlu, 2002).

The Ottoman education system, based on the madrasa, considered "useful sciences" those which involved the study of religious subjects. As precise timekeeping was required to perform religious obligations, a big part of advances and knowledge diffusion throughout the empire were in the field of astronomy. From the 1400s to the 1900s about 400 manuscripts were compiled on astronomical measuring instruments and the manufacture of timekeeping instruments, like quadrants and clocks, and circulated throughout the empire (Günergun, 2021). Notable indigenous innovations of this time include the construction of the Constantinople Observatory by Taqi al-Din in 1577;[24] the creation of astronomical instruments such mechanical astronomical clocks; and the development astronomical calculations measuring minutes and seconds by Muhammad al-Qunawi.

[24] Taqi al-Din is an excellent evidence of 16th century knowledge exchange: he was a madrasa-educated scholar, born in Damascus (1526–85) who studied in both Damascus and Cairo Islamic jurisprudence, exegesis, mathematics and astronomy; he authored a book on mechanical clock construction and moved to Istanbul to teach at the Edirnekapı Madrasa.

While the notion of linking useful knowledge to religion did not completely stifle innovation, it contributed in slowing it down in the long run (İhsanoğlu, 2002). It is further argued that the omission of certain natural sciences from the list of useful sciences and the narrow scholastic madrasa curriculum impeded the production of useful and practical Western knowledge which eventually promoted labour productivity in Europe (Kuran, 2011).

The 17th century saw a petering off of indigenous knowledge creation, a process that continued in the following centuries. As relations with Europe intensified, the Ottomans borrowed new knowledge, weaponry, maps, instruments, and medical concepts from Europe, thus becoming importers of technology rather than innovators. This was facilitated by a broadening of the notion of "useful knowledge", which gradually transformed and started including administrative, martial, and medical fields (Günergun, 2021). The influx of new knowledge from Europe to the Ottoman Empire intensified during the reign of Selim III (1789-1807) and Mahmud II (1808-1839) whose military, administrative, and educational modernization reforms led to the secularisation and Westernisation of both the state apparatus and the military order. They also gave rise to a class of enlightened bureaucrats eager to import "useful knowledge" from Europe (Yalçınkaya, 2015).

Islam's quintessential journey, the hajj— the pilgrimage to Mecca and Medina — represented one of the most important trade in services during the period under analysis, attracting tens of thousands of pilgrims every year. Travel was enabled by the Ottoman state's considerable investments in both the physical and textual infrastructure of pilgrimage: significant expenditures were devoted to maintain caravan routes and to the military, deployed to ensure the security of the caravans from Bedouin attacks (Shafir, 2020). Other cities of religious importance benefitted from the large network of caravan routes connecting the Middle East to the holy cities of Mecca and Medina, as the hajj also became an extended pilgrimage to visit other sites of veneration (*ziyaret*), such the Sufi lodges, tombs, mosques, madrasas and mausoleums of Syria, Palestine, Egypt and Iraq. While until the 18th century the hajj was predominantly undertaken by wealthy merchants and secular and religious elites, the beginning of the steamship era and the opening of the Suez Canal in 1869 revolutionised Muslim mobility: the contraction of space and time via faster and cheaper rail and steam connections gave new travel opportunities for nearly all classes of pilgrims (Low, 2020). The new physical infrastructure by the Ottoman dynasty was matched by a concomitant investment in books explaining the hajj and translating them into high and low Ottoman idiom (Shafir, 2020).

On the other hand, trade in artisanal skills was predominantly local in nature, as craftmen did not travel much across the Ottoman Empire: they did not relocate to different cities to gain experience or respond to labour market demand needs. On the contrary, once obtained a licence to practice their profession independently (*gedik*), they would remain in their master's workshop. Overall, the Ottoman artisan world was characterised by immobility, perpetuated by the *gedik* system, which was often inherited and passed from father to son (Faroqi, 2014).

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Appendix
Table A1: Annual average trade value in million British £ in the Middle East, 1820-1913

Period	Ottoman Empire		Egypt		Syria		Iraq	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
1820s			1.45	0.66	0.5	0.3	1.26	1.40
1830s	4.20	5.10			0.74	0.45		
1840s	6	6.90	1.75	1.73	1.35	0.85	0.21	0.56
1850s	9.80	12.3	3.30	2.21	2.20	2.20	0.52	0.52
1860s	15.4	18.3	10.17	4.36	2.40	1.60	0.84	0.66
1870s	18.6	20.8	12.36	5.47	2.80	1.80	0.78	0.66
1880s	15.5	16	12.97	7.66	4.60	2.20	1.75	2.12
1890s	17.7	18.6	14.57	9.56	4.20	3.07	1.91	2.79
1900s	23	26	23.59	20.05	4.90	2.60	2.68	3.60
1910-3	27.3	36.6	32.19	26.14	6.60	3.32	3.66	5.71

Sources: Author's calculations based on Issawi (1966, p.373) and Owen (1969, pp. 168; 306) for Egypt; Pamuk (1987, p.149) for Turkey; Issawi (1988, pp.129-130, 173-175) for Syria and Iraq.
Notes: Syria and Iraq's trade values are reported on the left axis. Syria's trade includes imports and exports from Acre, Alexandretta, Beirut, Haifa, Jaffa, Latakia, Saida, Tripoli and Tyre. Iraq's trade includes imports and exports from Basra, Baghdad and Mosul.