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Post-war Economies (Middle East)

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The Arab states that emerged from the Ottoman Empire after the First World War recovered slowly from the ravages of famine, depopulation, and social dislocation. The French and British incorporated their newly established Mandates in the Levant and Iraq into their respective imperial economies. Land redistribution policies enriched new classes of large absentee and tribal landowners, which became important political interest groups during the interwar era. In Egypt and the Mandates, the elite found increasing if limited success in using new state and political structures to compete with European economic interests to establish new industries with regional scope.

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Introduction

It is difficult to overstate the impact of the First World War on the Arab population of the Ottoman Empire. Because of the breakdown of Ottoman wartime food requisitioning and Allied blockades, the Levant and Iraq suffered from famine conditions for the extent of the war. As a result of famine, warfare, and the Armenian Genocide, by certain counts, 5 million of 21 million Ottoman subjects died before the war's end, and more than 600,000 out of 3.5 million living in greater Syria.[1]

The French and British instituted policies to rebuild the agricultural economies of the Middle East, but these policies conflicted with their need to find reliable political collaborators, the political influence of European merchants and investors, the interests of local bourgeoisie, the demands of the middle and working classes for state services, and their own strained imperial budgets. This combination of forces established oligarchic political economic coalitions, and accelerated nationalist movements as well as the unplanned expansion of the non-agricultural sector, to a greater degree in certain places than others.

The Levant

For the first five years of French mandatory rule starting in 1920, high commissioners experimented with an incoherent variety of policies for governing Syria and Lebanon resulting both from governmental volatility in the metropole and from a poor understanding of local society and politics. French policy favored the economic development of Lebanon over Syria because of France's long-standing ties to the Maronite Catholic community. France subsidized Maronite private schools, widening the gap with Syrian education. Moreover, French investors headquartered financial, trade, service, and tourism businesses in Beirut, which made it the economic capital of a Lebanon-Syria customs zone now facing tariff barriers to other post-Ottoman states.[2]

Leftist, Laicist High Commissioner Maurice Sarrail (1856-1929) alienated Syrian notables with his attack in 1925 on "feudal" power using tax increases and other reforms intended to benefit smallholding peasants and urban laborers.[3] Presuming sectarian and rural-urban differences would make the Syrian population pliable, the French were surprised by a nationwide nationalist revolt against their rule.[4] After brutally suppressing this revolt, the French reversed course, selling hundreds of thousands of acres of state land to wealthy landed elites to create collaborationist patron-client political networks, which had the double effect of pacifying rural areas and impoverishing many small-holding farmers.[5]

The French leadership had hoped for more immediate trade and business profit from their mandate, but they were generally disappointed. They favored French corporations in bids for transportation and other utility companies, and facilitated the spread of French banking.[6] However, the volatility of the French *franc* and the growth of East Asian supply in the 1920s helped to destroy the traditional silk-weaving industry. Attempts to spread cotton cash cropping in Syria were frustrated by ecological conditions and the decline in the price of cotton in 1925 and further after the Great Depression.[7]

In response, the French set a 25 percent import tariff for League of Nations members (50 percent for other countries) with exemptions for industrial machinery in 1926, which helped encourage the growth of new industries with Syrian investors, such as cement, tobacco, leather, and mechanized textiles.[8] The vagaries of French politics continued to impact the Syrian political economy in the

1930s, as leftist National Front governments sought to shore up popular support for the Mandate by legalizing union activities and subsidizing welfare policies that the Syrian tax base would not have otherwise supported.[9]

In Palestine, the British Mandate-sponsored Jewish Agency helped create institutions to underpin an urban and industrial economy to benefit Jewish immigrants which some historians argue helped construct a "segmented entity" separate from the Arab economy.[10] These included the *Histadrut*, an industry-spanning trade union that enrolled 75 percent of urban workers by 1931, the Mapai political party, which represented the interests of labor and took the lead in the Zionist movement in general, as well as the Jewish National Fund, which purchased roughly 250,000 acres of land in the interwar era for lease to settlers, or about half of all Jewish land purchases.[11]

For Palestinian farm tenants, this meant increasing landlessness and unemployment.[12] However, despite lacking the comparable "proto-state" institutions that the Jewish community had founded, the Palestinian Arab bourgeoisie also developed business associations and institutions which, by the 1930s and particularly World War II, allowed them to establish millions of pounds of industrial investment in diverse industries, although the proportional share of Jewish-owned capital continually increased.[13]

Iraq

Even before the end of the war, the British granted private ownership of land which the Imperial Army (staffed mostly by Indian soldiers) captured from the Ottoman Army to tribal sheikhs both to reinforce what they felt were the "natural hierarchies" of Iraqi society and to assure their loyalty to the new regime.[14] This did not prevent many of those sheikhs from participating in an extensive anti-British revolt in 1920 with both Sunni-Shiʿi and rural-urban cooperation, although the quiescence of other tribes blunted its impact. In the longer run, this transformed the relationship between shaykhs and tribespeople, from one of paternalistic patrons and clients to absentee landlords and tenants.[15] It also slowed both the development of more intensive cultivation with the use of mechanical pumps, as well as a shift in general towards cash cropping.[16]

The major economic achievement of the 1920s was the creation of the Iraq Petroleum Company as the successor to Ottoman concessions to European oil companies prospecting near Mosul and Kirkuk. The Iraqi government found borrowing against the future oil revenues a politically practical alternative to land taxation, which funded only 10 percent of the government budget.[17] Local industry began to slowly emerge in the 1930s, drawing large populations of rural migrants to Baghdad and other cities, only to face a staggering high cost of living in the Second World War. This oil-funded political consensus worsened income inequality to a greater degree than anywhere else in the post-Ottoman Arab world (prior to the exploitation of Gulf oil), leading to the rise of the relatively most influential Communist party in the region in the 1940s and 50s.[18]

Egypt

Egypt faced some of the same problems with regards to war profiteering and global commodity markets as the Levant and Iraq, but as a British protectorate starting in 1914, it had been shielded from the brunt of battle, famine and disease. In fact, the relatively moderate expropriation from the peasantry and the wealth accumulated by the landed bourgeoisie as a result of British mobilization were important factors behind the successful mobilization of the 1919 revolution. This event demonstrated strong rural and urban support behind the demand for independence made by the Egyptian Wafd (delegation) to the Paris Peace Conference.[19]

After an effective boycott of Egyptian politicians against cooperating with the British military government, Governor General Lord Edmund Allenby (1861-1936) unilaterally declared Egyptian independence in 1922. While the British army continued to occupy Egypt, and European capital still played a big role in the Egyptian economy, elite landowners and their nascent business groups helped form a constitutional monarchy that better served their interests.

In 1920, prominent families, many of whom were active in the Wafd party, formed Bank Misr, the first bank founded upon local capital (80,000 growing to 1 million Egyptian pounds in 1941). The bank grew rapidly because of the deposits made by the urban middle class which boycotted European banks and other services after the 1919 revolution.[20] With the decline of cotton prices in the later 1920s, Bank Misr financing made possible the foundation of private Egyptian industries, particularly concerns owed by the Misr holding company. At the height of the Depression in 1930, Egypt raised tariff barriers, which further encouraged the growth of the largest such companies, Misr Spinning and Weaving, Fine Spinning and Weaving, and Beida Dyers.[21]

As the constitutional monarchy lost its nationalistic luster and the Wafd party fragmented into competing successor parties because of both royal and British manipulation, economic interests became more pragmatic. Robert Vitalis argues that most Egyptian businesspeople did not make decisions based on the national identity of their partners or on patriotism; nor were there strong divisions between landed and industrial capital. Rather, as the Egyptian state grew and mass politics expanded, business groups looked for any way possible to extract monopoly rents and to privatize public goods.[22] The end of the Capitulations in 1937 and the outbreak of the Second World War progressively shifted political economic power towards whichever Egyptian party held power.[23] When the British helped place the Wafd in power from 1942-1944 to ensure a calm home front for the battles of El-Alamein (July-November 1942), its members reaped huge profits from hoarding, war contracts, and import-substitution industrialization.[24] The state instituted some economic controls, increased taxation, and measured welfare services in the interest of maintaining stability and the power of the business class rather than increasing the standard of living or working-class political power.

Conclusion

The economic crises that beset the British and French Empires throughout the interwar period, culminating in the disaster of World War II, led directly to a relative growth in the economic power of local elites in the above-mentioned states in the Middle East. Based on a liberal political economy, this power both underpinned an elite-based electoral politics that generally ensured relative moderation in the nationalist movement for total independence for a few decades. However, this liberalism also led to a huge increase in income and wealth inequality, which by the late 1940s and 1950s would help produce a more radical nationalist backlash that promoted land reform and the state ownership of utilities and industry. In the case of Palestine, Zionist economic development fostered by (and later in spite of) British colonialism was a crucial path to its success in the 1948 war and the establishment of Israel.

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Notes

1. ↑ Jackson, Simon: Feeding Beirut and Assembling Mandate Rule in 1919, in: Schayegh, Cyrus / Arsan, Andrew (eds.): The Routledge Handbook of the History of the Middle East Mandates, New York 2015, p. 62; Thompson, Elizabeth: Colonial Citizens. Republican Rights, Paternal Privilege and Gender in French Syria and Lebanon, New York 2000, p. 23.
2. ↑ Thompson, Citizens 2000, p. 80-81.
3. ↑ Thompson, Citizens 2000, p. 45; Khoury, Philip S.: Syria and the French Mandate. The Politics of Arab Nationalism, 1920-1945, Princeton 1987, p. 93.
4. ↑ Khoury, Syria 1987, pp. 182-204.
5. ↑ Provence, Michael: Ottoman and French Mandate Land Registers for the Region of Damascus, in: Middle East Studies Association Bulletin, 39/ 1 (2005), p. 39.
6. ↑ Khoury, Syria 1987, pp. 91-92.
7. ↑ Khoury, Syria 1987, p. 62. The same experiments in cotton growing failed in Iraq in this period: Tripp, Charles: A History of Iraq. Cambridge et al. 2000, p. 67.
8. ↑ Khoury, Syria 1987, p. 278.
9. ↑ Thompson, Citizens 2000, pp. 167-8.
10. ↑ See Metzer, Jacob: The Divided Economy of Mandatory Palestine, Cambridge et al. 1998, and Khalidi, Rashid: The Iron Cage: The Story of the Palestinian Struggle for Statehood, Boston 2006.
11. ↑ Metzer, Palestine 1998, p. 86.
12. ↑ Khalidi, Iron Cage 2006, p. 86.

13. ↑ Seikaly, Sherene: Men of Capital: Scarcity and Economy in Mandate Palestine, Standford 2016, p. 28.
14. ↑ Tripp, Iraq 2000, p. 38; Farouk-Sluglett, Marion / Sluglett, Peter: The Transformation of Land Tenure and Rural Social Structure in Central and Southern Iraq, C. 1870-1958, in: International Journal of Middle East Studies, 40/1 (2008), p. 4.
15. ↑ Farouk-Sluglett and Sluglett, "Tenure" 2008 p. 5.
16. ↑ Batatu, Hanna: The Old Social Classes and the Revolutionary Movements of Iraq, Princeton 1978, pp. 146-150.
17. ↑ Tripp, Iraq 2000, p. 68.
18. ↑ Batatu, Classes, pp. 465-475.
19. ↑ Goldberg, Ellis: Peasants in Revolt — Egypt 1919, in: International Journal of Middle East Studies, 24/2 (1992), p. 274; Davis, Eric: Challenging Colonialism: Bank Misr and Egyptian Industrialization, 1920-1941, Princeton 1983, pp. 114-5.
20. ↑ Davis, Colonialism 1983, p. 116.
21. ↑ Davis, Colonialism 1983, pp. 144-145.
22. ↑ Vitalis, Robert: When Capitalists Collide: Business Conflict and the End of Empire in Egypt, Berkeley 1995, pp. 21-26.
23. ↑ Ottoman-era legal and tax immunities for certain European nationalities persisted under British neocolonial influence for two decades. See Brown, Nathan J.: The Precarious Life and Slow Death of the Mixed Courts of Egypt, in: International Journal of Middle East Studies 25/1 (1993), pp. 33-52.
24. ↑ italis, Capitalists 1995, pp. 104-137.

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