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# The role of the tobacco trade in Turkish-American relations, 1923-29.

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The Role of the Tobacco Trade in Turkish-American  
Relations, 1923-29

by

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University of Richmond, 1987

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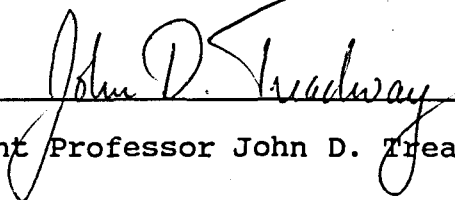
This study of the tobacco trade between Turkey and the United States provides new perspectives on two major themes in Turkish-American relations between 1923 and 1929: the effect of Turkish nationalism on American interests in Atatürk's Turkey, and the effort to restore Turkish-American diplomatic ties broken during World War I. The marked rise in American cigarette consumption after World War I made the tobacco trade a crucial link between Turkey and America because it required the importation of aromatic tobacco. During the Turkish Republic's first decades, the value of American tobacco imports from Turkey exceeded the value of all American exports to that country. The tobacco trade survived Turkish nationalism and unsatisfactory diplomatic relations because of the financial benefits it brought to both states. This analysis of the events affecting the Turkish-American tobacco trade between 1923 and 1929 is an inquiry into the interplay of commerce and diplomacy. The study reveals the neglected importance of economic factors in Turkish-American relations.

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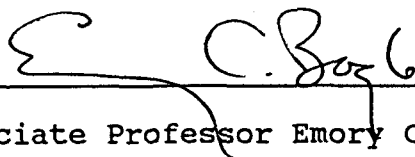
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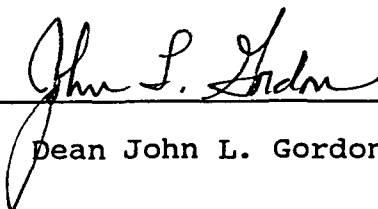
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THE ROLE OF THE TOBACCO TRADE  
IN TURKISH-AMERICAN RELATIONS,  
1923-29

By

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B.A., Davidson College, 1980

A Thesis

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of the University of Richmond

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for the degree of

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in

History

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## Preface

This study examines the role of the tobacco trade in Turkish-American relations during the six years after the Turkish Republic's establishment in 1923. The significance of the years 1923-29 lies in the rapprochement achieved between the Turkey and the United States despite the revolutionary changes in Turkey; diplomatic relations were restored in 1927 and the first treaty between the two states--a commercial treaty--was signed in October 1929. A study of the tobacco trade illuminates the interplay of commerce and diplomacy in Turkish-American relations for two reasons. First, the effect of Kemal Atatürk's reforms on America's chief economic interest in Turkey was of considerable diplomatic import. Second, a study of America's foreign commerce in this period is necessarily a study of American diplomacy, due to the controversy surrounding America's role in the international community.

The basis of the Turkish-American tobacco trade was American importation of aromatic tobacco. Aromatic tobacco is a relative of the plant native to the Americas, and its rich flavor makes it ideal for blending with other tobaccos in cigarettes. At one time, the modifier "Turkish" generically described aromatic tobacco. This designation derived

from the leaf's place of cultivation: the formerly Ottoman Turkish lands of Greece, Macedonia, Bulgaria and modern Turkey. In this study, "Turkish tobacco" denotes the tobacco produced in Turkey, while "aromatic" refers to a type of tobacco.

The growing popularity of cigarettes made from blends including aromatic leaf markedly increased American importation of aromatic tobacco in the twentieth century. As a result of the spectacular rise in cigarette consumption, especially after World War I, aromatic tobacco came to comprise more than half of all American imports from Turkey during the interwar period; the value of Turkish tobacco exports to the United States exceeded the value of all American exports to Turkey. To purchase Turkish tobacco, American companies developed extensive organizations in Turkey, points of direct contact between Turks and Americans.

Purchasing aromatic tobacco, however, was not the only important aspect of this trade; Americans also directed the preparation of this tobacco in Turkey. Aromatic tobacco needed to be "manipulated" before use, a process that included sorting, cleaning, grading, and baling. Manipulation required considerable manual labor and companies employed thousands of workers, especially women, to prepare their tobacco. To reduce costs, companies usually

preferred to manipulate the tobacco in its country of origin; Turks preferred to manipulate this tobacco as well, because of the many jobs the industry created. Thus, manipulation represented a separate, but related, American interest in the Turkish-American tobacco trade.

A third aspect of the trade lay in its potential to attract American capital to Turkey. A monopoly designated by the Turkish government regulated the tobacco trade in Turkey. For the fifty years prior to the Turkish Republic's creation, the Turks had granted this monopoly as a concession to foreign investors. Not only had the exploitation of this monopoly proven profitable to the concessionaire--one attraction to American investors--but the possibility of controlling one of the major sources of a valuable raw material through the acquisition of the monopoly concession also provided incentive for American capital investment in Turkey.

Thus, the three aspects of the tobacco trade were of great importance both to Turks and to Americans, and consequently, to the Turkish-American relationship. Yet the American commercial presence in Turkey was both wanted and not wanted. On the one hand, the high economic stakes ensured that the new regime in Turkey would want to exploit fully the tobacco trade; the American presence in Turkey helped make this possible. On the other hand, the

nationalistic philosophy of Atatürk's government supported the anti-foreign sentiments in Turkey that posed potential threats to the tobacco companies. The tobacco trade, therefore, was a subject of diplomatic as well as economic concern, as the United States government, in its efforts to protect the American commercial interests, had to cope with this nationalist challenge.

Though the tobacco trade was statistically quite significant, its role in the broader Turkish-American relationship has received scant attention in the historical literature--a fact that initially piqued my curiosity and prompted this study. My objectives are threefold: to examine the effects of revolutionary changes within Turkey on the Turkish-American tobacco trade; to determine how trade affected--and was affected by--diplomatic relations between the two states; and thus, to provide a more thorough evaluation of the tobacco trade's economic and political significance in Turkish-American relations.



## Acknowledgements

I wish to thank the staffs of Boatwright Memorial Library and the Academic Computing services at the University of Richmond for their courteous and efficient service. I owe a special debt to the Dean of the Graduate School at the University of Richmond, John L. Gordon, for financial assistance that enabled me to gather materials for this study. While I was a student at Richmond, Professor Emory C. Bogle sparked my interest in things Turkish, and his comments gave this study shape and direction. I greatly appreciate the time that both of these two gentlemen gave as readers of this thesis.

Several men in the tobacco industry were kind enough to discuss with me the Turkish tobacco trade, including: Ed Leight, a long-time tobacco buyer in Turkey for R. J. Reynolds Tobacco Company; W. K. Greer, the director of oriental leaf purchasing for R. J. Reynolds; Irving Finold, a veteran of Eastern European tobacco markets; and Richard English, the director of international leaf purchasing for Philip Morris USA. The insights I gained from these gentlemen augmented the depth and character of this study.

I would like to thank Cameron Munter for his instructive criticism of my efforts. My family has

provided unfailing support for my academic efforts, and I cannot thank them enough. My sincere gratitude is due to Professor John D. Treadway, who introduced me to the pleasures of archival research, taught me much about the art of writing, and has become a good friend. Most of all, though, I would like to thank my wife, Helen, for her intelligent assistance, endless proofreading, and loving patience throughout this long and tedious process.

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## A Note on Names

To avoid confusion on names of places, I have consistently used the modern names of Turkish cities: Izmir for Smyrna, Istanbul for Constantinople, Bursa for Brusa, et cetera, except where titles of source material used one of the older forms. The American Departments of State and Commerce began using the modern names for these places only in 1930; therefore, the old names are used in numerous notes in this study.

I have also provided the modern names for Turkish individuals: Atatürk for Mustafa Kemal Pasha, Ismet İnönü for Ismet Pasha, Tevfik Rüshtü Aras for Tewfik Rouschdi Bey, and so forth.

## Chapter One

### Historical Background

Despite its tremendous economic significance for Turkey in modern times, tobacco was not always welcome in Turkey. At the end of the sixteenth century, shortly after its introduction by traders into the Ottoman Empire, the Turkish sultans declared tobacco illegal. Smokers of the illicit leaf were not coddled:

The method of punishment was to force the stem of a pipe through the cartilage of the nose, seat the victim backwards upon a mule and have him led through the streets. It was Murat IV, however, who, by his insane cruelties, became the terror of smokers, having ordered several seized "flagrante delicto" to be summarily beheaded, and others to be hanged with a pipe thrust through their noses.<sup>1</sup>

Customs changed and the prohibition on tobacco consumption ended about 1656 during the reign of Mehmet IV. In the eighteenth century, Turkish tobacco was shipped around the Mediterranean, into Russia, and beyond. In 1765, Frederick the Great of Prussia delivered an edict requiring "sultanische" tobacco from the Ottoman Empire to

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<sup>1</sup>Jerome E. Brooks, Tobacco: Its History Illustrated by the Books, Manuscripts and Engravings in the Library of George Arents, Jr., 5 vols. (New York: Rosenbach Company, 1937-52), 1, 73-74.

be imported into his northern European state and mixed with the domestic weed to improve its smoking qualities.<sup>2</sup>

Cigarette smoking became popular in Europe following the Crimean War (1853-56). Returning English and French soldiers who adopted this Near Eastern custom were aped by their countrymen in increasing numbers. The cigarette of choice was made entirely of aromatic tobacco.<sup>3</sup>

The same Crimean War that led to increased popularity of aromatic cigarettes also led to increasing Ottoman debts, and following the Russo-Turkish War of 1877-78 the Ottoman Empire was virtually bankrupt.<sup>4</sup> This indebtedness culminated in the Decree of Muharrem of 1881 in which the Sultan Abdulhamit II (1876-1909) consolidated the Ottoman public debt and established the Public Debt Commission to service the debt for the holders of Turkish bonds. According to the decree, all revenues from tobacco and five other

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<sup>2</sup>Brooks, Tobacco, 1, 208, 138; 3, 425-26.

<sup>3</sup>Jerome E. Brooks, The Mighty Leaf: Tobacco Through the Centuries (Boston: Little, Brown and Company, 1952), pp. 233-34; Nannie May Tilley, The Bright-Tobacco Industry 1860-1929 (Chapel Hill: University of North Carolina Press, 1948), pp. 505-06.

<sup>4</sup>Stanford J. Shaw and Ezel Kural Shaw, Reform, Revolution and Republic: The Rise of Modern Turkey, 1808-1975, vol. 2 of History of the Ottoman Empire and Modern Turkey (Cambridge: Cambridge University Press, 1977), pp. 155-56; Richard D. Robinson, The First Turkish Republic: A Case Study in National Development, Harvard Middle Eastern Studies, no. 9 (Cambridge: Harvard University Press, 1963), p. 97.

sources would be paid to the commission.<sup>5</sup> Ever since the government had legalized tobacco, various forms of state monopoly had collected revenue from the tobacco trade,<sup>6</sup> but in May 1883 a predominantly French organization, the Société de la Régie Cointéressé des tabacs de l'Empire Ottoman (the Régie), received the concession for the tobacco monopoly in Turkey. In exchange for regulating all tobacco production, manufacture, and sale, the Régie paid \$3.3 million annually to the Public Debt Commission. The Ottoman government granted the concession for a period of thirty years, beginning in 1884.<sup>7</sup>

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<sup>5</sup>Text of the Decree of Muharrem may be found in Z. Y. Hershlag, Introduction to the Modern Economic History of the Middle East, 2nd ed. (Leiden: E. J. Brill, 1980), pp. 320-32.

<sup>6</sup>Leland James Gordon, American Relations with Turkey, 1830-1930; An Economic Interpretation (Philadelphia: University of Pennsylvania Press, 1932), p. 84.

<sup>7</sup>Donald C. Blaisdell, European Financial Control in the Ottoman Empire (New York: AMS Press, 1966), pp. 113-14; G. Bie Ravndal (Consul General, Istanbul) to Secretary of State (William Jennings Bryan), 5 May 1913, Department of State Archives, Record Group 59, National Archives Building, Washington, file 165.082/19, Microfilm Publication M353, Internal Affairs of Turkey, Roll 66, frames 1167-87 (State Department Records hereafter cited as DS followed by file number; National Archives Building, Washington cited as NA; and similar microfilm records abbreviated following this example: M353, 66/1167-87); Shaw, "Reform," pp. 223-24; United States Department of Commerce, "Turkey: A Commercial and Industrial Handbook," prepared by G. Bie Ravndal, Trade Promotion Series No. 28 (Washington: Government Printing Office, 1926), pp. 96-97.



Although the Régie was a profitable enterprise, it did not have the economic vitality of the unregulated American tobacco industry. At this time, America's tobacco industry was already well developed, yet still flexible. As leaders in marketing and advertising tobacco manufacturers created new products that pleased consumers, then sold them all they desired. In 1883 average tobacco consumption for each American over fourteen years old was 6.59 pounds. Cigarettes, however, accounted for only 1% of the tobacco used.<sup>8</sup>

Though not as aggressive as the American industry, the Turkish industry was not entirely static. Better cultural techniques and seed selection had improved quality. A Russian émigré named Penick was credited with bringing seeds of high-quality Macedonian tobacco to Izmir in 1880. Prior to 1880, the entire Aegean region of Anatolia produced only about 850,000 pounds of tobacco, but by 1884 over 1,000,000 pounds were produced in the Ephesus district alone. The volume of production increased because the Ottoman Empire's tobacco was in demand in Europe, and increasingly, in America.<sup>9</sup>

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<sup>8</sup>Benno K. Milmore and Arthur G. Conover, "Tobacco Consumption in the United States 1880 to 1954," Agricultural Economics Research 8 (1956): 9-12.

<sup>9</sup>John Corrigan, Jr. (Consul, Izmir), "Tobacco Industry of Smyrna," Report No. 34, 1 June 1927, RG 84, Consular Post Records Smyrna, NA, file 861.33 Field Crops-Tobacco, p. 21 (Record Group hereafter cited as RG; Consular Post Records

At the end of the nineteenth century, both aromatic-tobacco cigarettes and domestic-tobacco cigarettes were available in the United States and becoming more popular. Acceptance of these new products, though, was hard-won. In 1900, Americans over fourteen chewed an average of 3.56 pounds of tobacco, chomped on 1.99 pounds of cigars, loaded 1.42 pounds into their pipe bowls, and snuffed .3 pounds in case the other modes did not suffice. Per person consumption of cigarettes had doubled, reaching .16 pounds, but this still represented only 2% of the total.<sup>10</sup>

Even this small percentage of the American market represented a large investment in aromatic tobacco. So great was the demand that in 1902 the American Tobacco Company, a giant tobacco trust, reportedly tried to gain control of the Near Eastern supply market. This effort caused aromatic tobacco prices to soar and led to a tremendous surplus in 1903, which then seriously deflated the market for the following three years.<sup>11</sup> But this inability to control the supply of aromatic tobacco did not diminish

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cited as CPR).

<sup>10</sup>Subsequent references to average tobacco consumption in the United States will also refer to Americans over fourteen years of age. Milmore, "Tobacco Consumption," 10.

<sup>11</sup>C. C. Constantinides, Turkish Tobacco, A Manual for Planters, Dealers, and Manufacturers (London: W. and J. Rounce, 1912), p. 91.

American manufacturers' interest in Near Eastern leaf. Before 1900, the Turkish-American tobacco trade was of no consequence; after 1903, tobacco was the most valuable American import from Turkey and remained so for decades.<sup>12</sup>

In the early twentieth century, innovative product development in the United States created a demand for larger amounts of aromatic tobacco. In 1905 the Liggett & Myers Tobacco Company introduced Fatima cigarettes, one of the first "Turkish blend" cigarettes. Fatimas contained aromatic and domestic tobaccos in equal measure, a mixture which "toned down" the perfumy aromatic tobacco. According to the company's advertising, 3.5 billion Fatima cigarettes were sold during its first year alone. By 1910 sales had reportedly reached 10 billion.<sup>13</sup> In the same year, however, cigarettes accounted for only .41 pounds of the 8.59 pounds of tobacco consumed by the average American. Though this represented a quantitative tripling per person

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<sup>12</sup>Gordon, "American Relations," pp. 83-84; John A. DeNovo, American Interests and Policies in the Middle East, 1900-1939 (Minneapolis: University of Minnesota Press, 1963), p. 38.

<sup>13</sup>Liggett & Myers Tobacco Company, Fatima cigarette advertisement, United States Tobacco Journal, vol. 98, no. 2 (1922): 52 (United States Tobacco Journal hereafter cited as USTJ).

since 1900, cigarettes remained the least popular means of taking tobacco.<sup>14</sup>

The year 1911 witnessed the destruction of the goliath tobacco trust that had controlled 90% of the American trade. The court case that busted the American Tobacco Company for violating the Sherman Anti-Trust Act created a supposedly independent Big Four: American Tobacco Company, R. J. Reynolds, Liggett & Myers, and P. Lorillard.<sup>15</sup> The dispersal of economic power invoked the marketplace's master motivater: competition.

In this new competitive struggle, the R. J. Reynolds Tobacco Company struck boldly by bringing Camel cigarettes onto the market. Introduced in 1913, Camels were the first "American blend" cigarette, a combination of bright, burley, Maryland, and aromatic tobaccos. Though detailed cigarette recipes remain highly guarded secrets,<sup>16</sup> this new type of blend generally contained about 10% aromatic

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<sup>14</sup>Milmore, "Tobacco Consumption," 10.

<sup>15</sup>Joseph C. Robert, The Story of Tobacco in America (New York: A.A. Knopf, 1952), pp. 165-67; Richard B. Tennant, The American Cigarette Industry: A Study in Economic Analysis and Public Policy (New Haven: Yale University Press, 1950), pp. 297-302; Nannie M. Tilley, The R. J. Reynolds Tobacco Company (Chapel Hill: University of North Carolina Press, 1985), p. 190.

<sup>16</sup>Tilley, Bright-Tobacco, p. 612.

tobacco.<sup>17</sup> Reynolds's success was imitated by American Tobacco's Lucky Strikes and Liggett & Myers's Chesterfields.<sup>18</sup>

R. J. Reynolds bought most of its aromatic tobacco through the Standard Commercial Tobacco Company, established in 1910. Headquartered in New York City, Standard Commercial claimed to be the "world's largest dealer in Turkish leaf," and served Reynolds and other companies' aromatic needs for over a decade. The company's Greek president, Ery Euripides Kehaya, maintained offices and warehouses in several cities in Greece; in Sofia, Bulgaria; and in Izmir, Turkey.<sup>19</sup> Reynolds, however, was not the only American manufacturer in need of aromatic tobacco. Through various agents American Tobacco Company spent \$10

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<sup>17</sup>United States Tariff Commission, "Trade Agreements Between the United States and the Republic of Turkey: Digests of Trade Data with Respect to Products on Which Concessions Were Granted by the United States (Washington, 1939), p. 36 (hereinafter cited as U.S. Tariff Commission, "Trade Agreement Digest").

<sup>18</sup>Lucky Strikes came out in 1916 and Chesterfields, which actually had appeared in 1912, were redesigned in the hope of imitating Camels' success. Tilley, Bright-Tobacco, pp. 609-10; Robert, Story of Tobacco, pp. 230-34.

<sup>19</sup>Charles D. Barney & Co., "The Tobacco Industry" (New York, Philadelphia, and Winston-Salem, NC, 1924), p. 78; Tilley, Reynolds, pp. 234-35.

million in the Ottoman Empire to purchase and process aromatic leaf during 1912 alone.<sup>20</sup>

Maintaining a steady supply of aromatic tobacco was not always easy. The Young Turk revolution of 1908-09 in the Ottoman Empire gave foreign powers new opportunities to prey on the fragile giant. In 1908, Austria annexed Bosnia-Hercegovina, and Bulgaria declared its formal independence. 1911-12 brought war with Italy. The two Balkan Wars of 1912-13 placed most of the Ottoman's European territories in the hands of quarrelsome Balkan states. As far as the tobacco industry was concerned, Turkey's loss of Macedonia was the most serious blow. The Kávalla, Xánthe, and Salonika districts of Macedonia produced about 24 million pounds of high quality tobacco in a good growing year,<sup>21</sup> almost as much as the annual production average of 25 million pounds for all of the Ottoman Empire's Asiatic provinces between 1909 and 1913.<sup>22</sup>

In light of these many wounds, the Ottoman government was fortunate to be able to renegotiate the concession of

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<sup>20</sup>DeNovo, American Interests, p. 39.

<sup>21</sup>Ravndal to Secretary of State (Bryan), 5 May 1913, DS 165.082/19, M353, 66/1183.

<sup>22</sup>United States Department of Commerce, Bureau of Foreign and Domestic Commerce, "International Trade in Leaf and Manufactured Tobacco," prepared by T. L. Hughes (Washington: Government Printing Office, 1925), p. 3.

the tobacco monopoly, which was due to expire on 15 April 1914. The Ottoman debt of almost \$550 million provided an added incentive to squeeze more funds from one of the few profitable enterprises in Turkey.<sup>23</sup> In 1913 the government invited competitive bids in hopes of winning a more favorable contract with the Régie. Among the bidders were Americans, whose identities and aims remain obscure. They may have been simply investors, but it is likely that the large American tobacco companies were involved. Perhaps these bidders only wished to make a profit by efficiently managing the Turkish monopoly, but the ability to control a large portion of the aromatic tobacco supply was also a tempting opportunity. Despite these uncertainties, events convinced Hoffman Philip, the American chargé d'affaires in Istanbul, that American acquisition of the Turkish tobacco monopoly was a very real possibility. Philip wrote in July 1913:

Some two weeks ago I was informed by Talaat Bey, Minister of the Interior, that American offers for the tobacco concession were more advantageous than any others and that the Government would adopt them if a loan could be negotiated in the United States.<sup>24</sup>

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<sup>23</sup>Mustafa N. Kazdal, "Trade Relations Between the United States and Turkey, 1919-1944" (Ph.D. diss., Indiana University, 1946), p. 41.

<sup>24</sup>Hoffman Philip (Chargé d'Affaires, Istanbul) to Secretary of State (Bryan), 22 July 1913, DS file 867.61331/1, M353, 66/1156-57.

Philip attempted to bring attention to and gain support for what he considered to be "one of the most desirable undertakings for American capital" in the Ottoman Empire, despite his beliefs that the controlling French interests would not allow the monopoly to change hands.<sup>25</sup> Despite the paucity of information, it is clear that closer involvement in the Turkish tobacco industry, and even control of this industry, interested certain Americans.

Philip's hopes did not come true. In August 1913 the Sultan issued a decree extending the concession to the Régie for fifteen years, in exchange for an advance of \$6.6 million.<sup>26</sup> Americans did not gain control of the monopoly in 1913, but the Turkish tobacco industry remained attractive to foreign investors, for its profitability if nothing else. Under the terms of the 1913 agreement, the

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<sup>25</sup>Ibid.

<sup>26</sup>The poor reception accorded Philip's calls by the American government can partially be understood given the fate of an even grander American investment scheme in the Ottoman Empire, the Chester Project. From 1908 to 1913, Admiral Colby M. Chester obtained the official support of the Taft Administration for a grandiose railroad and mining project in the empire. The highest American officials supported the plan "because the administration wished to employ the engines of diplomacy to promote American business activity abroad as part of its policy of Dollar Diplomacy." This break from traditional diplomatic non-involvement ended as a fiasco; Chester's plans proved ill-conceived and underfunded. President Taft withdrew all support and the new Wilson Administration would not touch the program. DeNovo, American Interests, pp. 58-87.



Régie paid the Public Debt Commission \$3.52 million annually. Surpluses earned above this amount and the monopoly's administrative costs were divided among the Ottoman government, the public debt, and the Régie. For its efforts, the Régie reportedly made a profit of \$1.54 million in 1913.<sup>27</sup>

Failure to obtain the concession may have irked some in the Turkish-American tobacco trade, but the failed negotiations of 1913 and even the years of Balkan troubles paled in comparison to the struggles ahead. Many factors led Turkey into the growing world conflict, German political influence in Turkey being only one among them. Hereditary hostility towards Russia, growing friction with Britain and France, and the political opportunism of Young Turk leaders, led the Ottoman government to abandon its neutral stance and bombard Russian ports in the Black Sea on 28 October 1914. Thus, Turkey entered the "Great War."

During World War I, the blockade of Turkish ports on the Aegean and Mediterranean effectively curtailed

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<sup>27</sup>G. Bie Ravndal to Secretary of State (Bryan), 7 August 1913, DS 867.61331/3, M353, 66/1164-66. For the entire convention see G. Bie Ravndal to Secretary of State (Bryan), 12 September 1913, DS 867.61331/5, M353, 66/1216-32. Even after the regranting of the concession to the Régie, Philip called for renewed American bids before the agreement was ratified by the Ottoman General Assembly. Hoffman Philip to Secretary of State (Bryan), 3 September 1913, DS 867.61331/4, M353, 66/1210-14.

Americans imports from Turkey.<sup>28</sup> By 1918, these imports had declined 99.9% from their 1910-14 average, to a modest \$222,039.<sup>29</sup> This blow to trade relations came about despite the fact that America and Turkey never formally exchanged declarations of war. On 8 April 1917, however, two days after the United States declared war on Germany, the United States severed diplomatic relations with Turkey; on 20 April the Turks reciprocated.<sup>30</sup>

Despite the lack of official diplomatic relations, a number of factors favored increased Turkish-American trade after the Turks surrendered unconditionally to the Allies on 30 October 1918 (Armistice of Mudros). In December 1918, the United States sent a diplomatic mission, known as the High Commission, to Turkey. This did not constitute a formal restoration of relations, but it did renew official representation of American interests in Turkey. Turks

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<sup>28</sup>The resulting scarcity of aromatic tobaccos actually promoted the production of the "domestic blend" with its lower aromatic content. Tilley, Bright-Tobacco, p. 611.

<sup>29</sup>Roger R. Trask, The United States Response to Turkish Nationalism and Reform, 1914-1938 (Minneapolis: University of Minnesota Press, 1971), p. 105.

<sup>30</sup>Kazdal, "Trade Relations," pp. 5-6. The Treaty of 1830 originally established diplomatic relations. The text of this treaty may be found in Hershlag, Economic History, pp. 306-07. DeNovo describes Turkish-American wartime relations and the war's effect on American colleges, missions, and relief efforts. He omits, however, a discussion of business interests during the war. DeNovo, American Interests, pp. 88-108.

distinguished between America and other Great Powers: Americans were not interested in controlling Turkish lands and had no political aspirations in the region.<sup>31</sup> Indeed, Point Twelve of President Woodrow Wilson's Fourteen Points stated that the Turkish portions of the Ottoman Empire should be assured a secure sovereignty.<sup>32</sup> This positive perception of Americans opened doors for American businessmen in Turkey.

Other factors increased American trading potential as well. The American merchant fleet was in a position to handle more of the trade between the states; shipping was not controlled by a third party, as it had been in the late nineteenth century by an English shipping monopoly, the Levant Company.<sup>33</sup> The United States had relatively more capital available than war-ravaged European states. Most important, though, was a 70% decrease in the value of the Turkish lira between 1915 and 1919.<sup>34</sup> For political,

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<sup>31</sup>Edward Mead Earle, Turkey, The Great Powers, and the Bagdad Railway; A Study in Imperialism (New York: MacMillan, 1923), pp. 336-37.

<sup>32</sup>Thomas H. Galbraith, "The Smyrna Disaster of 1922 and its Effects on Turkish-American Relations" (Master's thesis, Pennsylvania State University, 1960), p. 8; Trask, U.S. Response, pp. 240-41; DeNovo, American Interests, pp. 110-11.

<sup>33</sup>Gordon, American Relations, p. 57; Kazdal, "Trade Relations," p. 76.

<sup>34</sup>Kazdal, "Trade Relations," p. 109.

logistic, and economic reasons, Americans could enter the Turkish market-place more effectively than ever before.

American's desire to expand trade with Turkey grew just as much as their capability to trade did. In the years immediately after World War I, cigarettes became as popular as other forms of tobacco; consumption of cigarettes reached almost two pounds per person.<sup>35</sup> As W. A. Whitaker, Vice-President of Standard Commercial, wrote: "it was the introduction of Turkish tobacco into the American blend which more than any other factor started the American cigarette on the upward stride."<sup>36</sup>

Some in the trade said that aromatic tobacco was to cigarettes what salt and pepper were to food, but the causes for cigarettes' growing popularity were more complex than aromatic's inclusion. Once again war played a role as American soldiers returned with a cigarette-smoking habit acquired from Europeans. Cigarettes were less expensive than cigars and the quick smoke they provided was popular.

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<sup>35</sup>Milmore, "Tobacco Consumption," 10.

<sup>36</sup>W. A. Whitaker, "The Culture of Turkish Tobacco As Exemplified in the Smyrna Type" (reprinted from Tobacco, 26 April 1923). I would like to thank W. K. Greer, the director of Oriental Leaf Purchasing of R. J. Reynolds Tobacco Company, for kindly making a copy of this article available to me.

The growing number of women smokers<sup>37</sup> and the increasing income of Americans contributed as well,<sup>38</sup> not to mention the addictive power of nicotine.

To keep up with this expanding demand Liggett & Myers established its own company to buy aromatic tobacco. On 13 May 1915 the Gary Tobacco Company was formed as a wholly-owned subsidiary of Liggett and Myers. The president of the company, I. C. Gary, had his home office in New York City; the Turkish headquarters were in Istanbul. The function of this subsidiary was to purchase, process, and resell aromatic leaf for the parent company, but it also sold tobacco to other companies, including British and Egyptian.<sup>39</sup> The need for a consistent supply of aromatic tobacco was obvious: in 1910 Liggett & Myers sold 10

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<sup>37</sup>U.S. Department of Commerce, "International Trade," p. 4.

<sup>38</sup>Kazdal, "Trade Relations," p. 71.

<sup>39</sup>Gary also purchased tobacco in countries other than Turkey; it purchased heavily in Greece and, to a lesser extent, in Bulgaria and Russia (the Soviet Union). F.W. Bell (Gary Tobacco) to Robert P. Skinner (Ambassador to Turkey, 27 September 1933, RG 84, Embassy Records Constantinople, NA, file 851.2 Taxation (hereafter Embassy Records cited as ER); Randolph Currin to Ambassador (John Van Antwerp MacMurray), 9 March 1936, RG 84, ER Istanbul, NA, file 610.1 Survey of American Interests; Moody's Manual of Investments, 1941, p. 2629.

billion Fatima cigarettes; in 1920, 45 billion were sold.<sup>40</sup> Gary Tobacco was created to satisfy this need.

Thus, immediately after the war, potential and desire combined to make the United States the largest importer of all Turkish goods and of Turkish tobacco, replacing Austria-Hungary, which had imported the most Turkish tobacco before the war.<sup>41</sup> Tobacco imports from Turkey reached \$19.5 million in 1920, greater than the annual average of all imports from Turkey between 1910-14.<sup>42</sup> This tobacco was exported despite the renewed turmoil in the Near East.

The 1918 Armistice of Mudros had proven an uneasy one, as Allied forces occupied the Straits and Istanbul--a humiliation for the Turks--and Allied troops moved into the portions of Anatolia allotted to the various victorious powers by wartime agreements.<sup>43</sup> Hostilities resumed after the landing of a Greek army in Izmir on 15 May 1919.

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<sup>40</sup>Liggett & Myers Tobacco Company, Fatima cigarette advertisement, USTJ, vol. 98, no. 2 (1922): 52.

<sup>41</sup>Ravndal to Secretary of State (Bryan), 5 May 1913, DS 165.082/19, M353, 66/1185; Charles E. Allen (Consul in Charge, Istanbul), "The Turkish Regie," 13 November 1925, DS 867.61331/9, M353, 66/1283-84; Kazdal, "Trade Relations," p. 108.

<sup>42</sup>See Table 2. 1920 figure includes Greece-in-Asia.

<sup>43</sup>René Albrecht-Carrié, A Diplomatic History of Europe Since the Congress of Vienna, rev. ed. (New York: Harper & Row, 1973), pp. 334-39.

British and French arms and supplies encouraged Greek Prime Minister Eleutherios Venizelos's dreams of glory through expansion and Aegean empire.<sup>44</sup> The Sublime Porte's submissive acceptance of foreign control alienated the national movement which had come to life following the Greek invasion. Thus, this Greco-Turkish War (Turkish War of Independence) had a dual character: Kemal Atatürk led the re-inspired Turkish forces in a war of liberation which was simultaneously a war of revolution.<sup>45</sup>

Americans played a negligible role in the Greco-Turkish War. President Woodrow Wilson had called for Turkish sovereignty at the Paris Peace Conference, but Britain's David Lloyd George persuaded him to acquiesce in the British-supported Greek invasion. When the Greek troops disembarked at Izmir, the battleship U.S.S. Arizona and five American destroyers were in the harbor, but the American military forces took no part in the subsequent fighting.<sup>46</sup> In 1919 the United States had little to gain or lose militarily in Turkey. There were, though,

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<sup>44</sup>Ibid., p. 401; Arnold J. Toynbee and Kenneth P. Kirkwood, Turkey (New York: Charles Scribner's Sons, 1927), pp. 92-6.

<sup>45</sup>Mustafa Kemal Pasha received the name "Atatürk," meaning "Father of the Turk" or "first and foremost Turk," in 1934. Trask, American Response, p. 69.

<sup>46</sup>Galbraith, "Smyrna Disaster," p. 13.

commercial risks from both the war and rising Turkish nationalism.

In April 1920 Atatürk directed the formation of a new Turkish government in Ankara. The foremost goals of this new government were resistance to foreign aggression and the revocation of the Treaty of Sèvres of 10 August 1920--the Paris Peace Conference's solution to the Eastern Question.<sup>47</sup> In many respects the Treaty of Sèvres dealt even more harshly with Turkey than the Treaty of Versailles did with Germany. The treaty demanded, in essence, the end of an independent Turkish state. Turkey would consist of Ankara and its immediate surroundings, but would be subject to "economic, judicial, and financial bondage to the . . . Powers."<sup>48</sup> Atatürk intended to terminate this subjugation.

Turkish revisionism demanded an American response.

American interests in Turkey at this time were largely

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<sup>47</sup>The so-called National Pact outlined the nationalists' aims. The text of the National Pact may be found in J. C. Hurewitz, British-French Supremacy, 1914-1945, vol. 2 of The Middle East and North Africa in World Politics, A Documentary Record, 2nd ed. (New Haven and London: Yale University Press, 1979), 209-211.

<sup>48</sup>Harry N. Howard, The Partition of Turkey: A Diplomatic History, 1913-1923 (New York: Howard Fertig, 1966), pp. 242-49. The Treaty of Sèvres 1) left Istanbul under Allied occupation, as it had been since 20 March 1920; 2) imposed international control on the Straits; 3) gave the region around Izmir to Greece; 4) included the Mediterranean areas of Anatolia in the French and Italian spheres; and 5) created an independent Armenia to be under British and American supervision.



commercial. Admiral Mark L. Bristol, the American high commissioner in Turkey (1919-27), believed that only through representation to Atatürk's new government could American economic interests in Turkey be protected.<sup>49</sup> With this in mind Bristol ordered Julian E. Gillespie, the assistant trade commissioner, from Istanbul to Ankara.<sup>50</sup> Gillespie made an "unofficial" trip, a ploy enabling the United States to deny that it recognized the Ankara government, while at the same time providing some sort of representation. Gillespie's journey from December 1921 to February 1922 focused on "questions relating to general economic prospects in Turkey and to particular conditions that might affect American trade and business." The satisfactory responses Gillespie received prompted the State Department to send an official representative, Robert Imbrie, to Ankara in 1922, presumably to protect American commerce. According to Imbrie, however, "American

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<sup>49</sup>Laurence Evans, United States Policy and the Partition of Turkey, 1914-1924 (Baltimore: Johns Hopkins Press, 1965), pp. 330-6; Peter H. Buckingham, International Normalcy, The Open Door Peace with the Former Central Powers, 1921-29 (Wilmington, DE: Scholarly Resources, 1983), pp. 75-6.

<sup>50</sup>Gillespie was an influential figure in Turkey. As DeNovo notes: "From 1920 until his death in 1939, Gillespie served as trade commissioner and then as commercial attaché at Istanbul, where he became intimately associated with Turkish businessmen and political leaders. DeNovo, American Interests, p. 253.

commercial interests, except for tobacco, were negligible."<sup>51</sup>

The concerns of this only significant American interest in Turkey took two forms. First, American companies worried that the nationalist regime would try to finance its efforts with the companies' stocks of tobacco. In 1922 the London Times reported that the Turkish nationalist government had ordered the confiscation of all abandoned stocks of tobacco and the requisition of 15% of all other tobacco holdings.<sup>52</sup> On 25 July 1922 the United States Commerce Department notified the major American tobacco companies of a nationalist decree to this effect.<sup>53</sup>

The Commerce Department's communication caused considerable anxiety within American Tobacco Company's management in the United States, because Atatürk's forces already occupied Samsun, the center of an important tobacco growing region in on the Black Sea. Jonathan H. Holmes of American Tobacco expressed the concern to Secretary of State Charles Evans Hughes that the Turks

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<sup>51</sup>Evans, U.S. Policy, p. 338. Emphasis added.

<sup>52</sup>"Tobacco Requisitions," Times [London], 28 June 1922, p. 7, col. f (London Times hereafter cited as Times).

<sup>53</sup>CPG (District Manager, Commerce Department) to American Tobacco Company, 25 July 1922, RG 151, Records of the Bureau of Foreign and Domestic Commerce, NA, file 303 Turkey, (Records of the Bureau of Foreign and Domestic Commerce hereafter cited as FDC Records).

would requisition a million pounds of tobacco stored by the company in the Samsun region.<sup>54</sup> Admiral Bristol tried to dispel the fears of American cigarette manufacturers. He cited the assurances of an American tobacco buyer in Turkey that no tobacco had been requisitioned in Samsun, despite a threat of such action in 1921, and that no grounds for continued concern existed.<sup>55</sup> Such assurances, however, did little to console the men who feared the steps Atatürk's militaristic, nationalistic government might take to finance its war and secure its rule.

The war itself also caused concern among American tobacco buyers as the Greek effort faltered. In August 1921 the sound of Greek artillery could be heard in Ankara as the invaders pushed towards the nationalists' capital. By September 1922 the Greeks were fleeing towards the Aegean, carrying out a devastating scorched-earth policy as they fell back on Izmir--the second-most important international trading center in Turkey and a major tobacco-producing region. As General Ismet İnönü led the Turkish

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<sup>54</sup>Jonathan H. Holmes (American Tobacco) to Charles Evan Hughes (Secretary of State), 2 August 1922, RG 84, ER Constantinople, NA, file 350 Claims.

<sup>55</sup>Mark L. Bristol (High Commissioner to Turkey) to Secretary Hughes, 24 October 1922, RG 84, ER Constantinople, NA, file 350 Claims.

forces westward in 1922, tobacco traders' concern grew.<sup>56</sup> Purchases of war insurance for merchandise held in Izmir evinced this fear. Insurance rates had jumped from 3% of the good's value per month in early September to 5% (and to 7.5% for some materials) by mid-September.<sup>57</sup> The underwriters obviously considered the threats to tobacco interests to be real.

Unrelated events intensified the concerns of Alston Tobacco<sup>58</sup> and Standard Commercial's managements. In late August 1922, a fire in Salonika, Greece, destroyed

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<sup>56</sup>Arnold J. Toynbee, an eye-witness to the fighting provides an interesting account of the war. Toynbee, Turkey, pp. 92-110; Shaw, Reform, pp. 340-69.

<sup>57</sup>"War Risks at Smyrna," Times, 8 September 1922, p. 15, col. b; "Insurance in Germany and Smyrna," Times, 11 September 1922, p. 17, col. c; "Insuring Merchandise in Smyrna," Times, 12 September 1922, p. 16, col. c; "Insurance and the Smyrna Fire," Times, 16 September 1922, p. 13, col. b; "Near East Insurance Developments," Times, 19 September 1922, p. 17 col. c.

<sup>58</sup>The Alston Tobacco Company, named after William H. Alston, was a subsidiary of P. Lorillard Tobacco Company of New Jersey. At various times Alston served as a buyer for a number of American manufacturers, besides its parent company, e.g., American Tobacco, R. J. Reynolds, and Philip Morris. Like Gary, Alston had branch offices around Turkey: in Samsun, Izmir, and on some Aegean islands, as well as extensive operations in Greece. Frederick O. Byrd (American Delegate, Izmir) to J. English (American Tobacco), 30 October 1924, RG 84, CPR Smyrna, Supplement, NA, file 300 Protection of Interests; P. E. King (Alston Tobacco) to Consul General, 6 September 1924, RG 84, Consulate General Records Constantinople, NA, file 861.3 Tobacco (Consulate General Records hereafter cited as CGR); Tilley, Reynolds, p. 235.

warehouses of tobacco owned by Alston and seriously damaged Standard Commercial's holdings, eliminating a considerable portion of both companies' aromatic tobacco stocks.

Although insurance payments probably compensated for the \$1,625,000 in losses, the two companies became even more dependent on their Turkish holdings.<sup>59</sup> The Salonika fire was not war-related, but it was a harsh reminder of Near Eastern cities' susceptibility to devastating conflagrations.

The American tobacco companies had even more to fear in Izmir, as the fighting approached the city at an awkward time: by September the majority of the tobacco had been harvested and was already in warehouses. Alston Tobacco alone reported storing 2,577,824 pounds of tobacco valued at \$1,239,682.<sup>60</sup>

The American tobacco men's worst fears were realized. On 9 September, Turkish troops entered Izmir. Then, on 13 September, fires broke out which destroyed half of the city.<sup>61</sup> Among the ashes were American losses, including

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<sup>59</sup>"American Plant Ruined in Fire at Saloniki," USTJ, vol. 98, no. 10 (1922): 3.

<sup>60</sup>William [Fingelly] (illegible) (Alston Tobacco) to Consulate General in Izmir, 4 September 1922, RG 84, CPR Smyrna, Supplement, NA, file 300 Protection of Interests.

<sup>61</sup>Shaw, Reform, p. 363.

tobacco warehouses and stocks of leaf worth millions of dollars.<sup>62</sup>

The capture of Izmir was the climax of the Greco-Turkish war. In early October 1922 Ismet Inönü met British and Greek representatives in the Marmara Sea resort town of Mudania to arrange an armistice. The agreement signed there on 11 October satisfied almost all of the National Pact's territorial demands. The Lausanne Conference began on 21 November 1922 to formulate a new peace. The Turkish victory had ended the war, one of the greatest obstacles to Turkish-American trade. Other obstacles remained, including political battles in the United States.

In 1921 growers and dealers of bright tobacco in Virginia and North Carolina began to call for protectionist measures. They argued that the large and increasing imports of aromatic tobacco hurt sales of bright tobacco.<sup>63</sup> The prevailing tariff of \$.35 per pound was ineffective in hindering imports of Turkish aromatic. Although the

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<sup>62</sup>Galbraith, "Smyrna Disaster," passim. It is noteworthy, though, that the Greco-Turkish War had not stopped the tobacco trade. In 1921, 9.5 million pounds of tobacco were imported into the United States from Izmir, and in 1922, 13.3 million pounds came from Izmir. "Annual Declared Export Return," n.d., 1923, RG 84, CPR Smyrna, NA, file 600 Commercial Relations.

<sup>63</sup>Bright tobacco is a mild, fragrant, low-nicotine leaf grown in Virginia and North Carolina. Its distinctive golden color gives it its name. Tilley, Bright-Tobacco, p. vii.

southern Democratic Senators who represented these tobacco men would ordinarily have opposed protectionist legislation of any sort,<sup>64</sup> the growers were able to rally support in the "interest of the farmer."<sup>65</sup> In June 1922, a provision in the Senate's version of the tariff bill requested a duty of \$1.00 per pound on "filler tobacco of the kind known as Turkish."<sup>66</sup> The Senate version had to go to conference committee, but "as the weight of opinion in the trade favored the Senate provisions," it was expected that the bill would pass.<sup>67</sup>

In the fall of 1922, however, the conference committee approved the tobacco tariff schedule, but struck the provision which would have raised the duty on aromatic leaf.<sup>68</sup> The growers and dealers lost, but curiously, they also gained something by losing. Aromatic tobacco did not

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<sup>64</sup>According to Democratic Party policy of the day, tariffs should only have been enacted for revenue purposes, while the Republican Party was the traditional protariff party. Stefanie Ann Lenway, The Politics of U.S. International Trade, Protection, Expansion and Escape (Boston, London, Melbourne, and Toronto: Pitman, 1985), p. 61.

<sup>65</sup>"Virginians Want High Tariff on Turkish Tobacco," USTJ, vol. 97, no. 6 (1922): 36.

<sup>66</sup>"Senate Adopts \$2.10 Duty on Wrapper," USTJ, vol. 98, no. 1 (1922): 10.

<sup>67</sup>Ibid.

<sup>68</sup>"Tariff Bill is Finally Settled," USTJ, vol. 98, no. 12 (1922): 7.

compete with bright tobacco: to the contrary, the inclusion of the leaf in tobacco blends actually increased total tobacco consumption in the United States. A \$1.00 per pound duty probably would have provided an effective barrier to the leaf's importation, with a consequent loss to the industry as a whole. Approval of the final tariff bill removed another obstacle to the Turkish-American tobacco trade.

In sum, the economic importance of aromatic tobacco in both Turkey and America, and in Turkish-American relations increased steadily over the half-century preceeding the Turkish Republic's establishment, especially during the period after World War I. According to a leading tobacco trade journal, "tobacco in the Near East bears about the same relation to its prosperity that cotton bears to the prosperity of the southern states in the United States."<sup>69</sup> The American cigarette industry, which depended increasingly on aromatic tobacco, was not only essential to the prosperity of certain regions of America, but it also produced over \$150 million in federal revenues from the excise tax on sales in 1922 alone.<sup>70</sup> The inability to

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<sup>69</sup>"Turkish Leaf Gluts Near East Markets," USJT, vol. 101, no. 5 (1924): 49.

<sup>70</sup>Chas. D. Barney & Co., "The Tobacco Industry; Consolidated Annual Reviews 1932 and 1933," p. 24.



grow aromatic tobacco in America maintained manufacturers' dependence on Near Eastern tobacco supplies. This is in contrast to the role of other Turkish commodities, such as dried figs and raisins. Previously, these two had been America's most valuable imports from Turkey, but imports declined as their cultivation in California developed.<sup>71</sup> Thus, unique conditions in both countries made the tobacco trade one of the fundamental points of contact between Turkey and America.

This historical survey demonstrates the tenacity of the demand for Turkey's tobacco, despite the numerous obstacles encountered in obtaining it. Equally important to an understanding of the Turkish-American tobacco trade, however, is recognition of the agricultural and economic forces that shaped the supply of and market organization for the aromatic leaf.

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<sup>71</sup>Kazdal, "Trade Relations," pp. 64-66.

## Chapter Two

### The Crop and the Market

International trade hangs on customs duties and world markets, consumption trends and political predilections. International trade in tobacco, however, is also dependent on an obvious but forgettable truth: tobacco is an agricultural crop. The raw materials for this twentieth-century industry were just as susceptible to harvest failures, droughts, and diseases as were the potato crops of nineteenth-century Irish farmers. Simply put, the foremost elements determining supply were growing conditions. Equally important to the Turkish-American tobacco trade was the way in which tobacco was cultivated in Turkey, a factor which conditioned American participation in the Turkish tobacco market.

Aromatic tobacco was grown in many places in postwar Turkey: along the Black Sea coast from the border with the Soviet Union to Sinop, on both the European and Anatolian sides of the Sea of Marmara, and along the Aegean coast and Aegean islands. For the American trade, three areas in Turkey were significant. The region around Samsun and Bafra on the Black Sea had the reputation for producing a high-quality tobacco desirable to Americans cigarette

manufacturers. A less important, though active, market from which the Americans bought was around Bursa. The center of the trade, though, was Izmir,<sup>1</sup> the focal point of a large tobacco-growing hinterland.

Tobacco growing in Turkey was not only geographically dispersed, but growers produced numerous types of aromatic leaf as well. Different purchasers prized varying characteristics in the aromatic tobacco. Americans had the reputation of buying the highest quality tobacco. Egyptians, on the other hand, preferred a strong dark leave from the Trebizond region, while the central European tobacco monopolies bought poorer grades at low prices. Despite these differences of location and type, tobacco growing methods all over Anatolia were similar.

Tobacco growing was overwhelmingly a family affair in Turkey. As one commentator put it, perhaps with slight exaggeration:

High-grade Turkish tobacco owes its worldwide reputation to the fact that the production of tobacco in Turkey is in fact a tradition carried on by families and that the quality of the

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<sup>1</sup>What was referred to as the "Izmir district" actually included several "vilayets" besides Izmir, including Aydin, Balikesir, Manisa, Mugla. J. M. English to J. V. A. MacMurray (Ambassador), 4 April 1936, RG 84, ER Istanbul, General Archives Division, Washington National Records Center, Suitland, Md., file 610.1 Survey of American Interests (Washington National Records Center hereafter cited as WNRC).

tobacco constitutes the pride of each one of those families.<sup>2</sup>

These families worked small farms. "Small" meant an average of 1.1 acres of tobacco per grower, with production averaging 782 pounds per grower for the years 1923-30 (see Table 1). Before any harvest, however, almost a full year of manual labor went into growing tobacco according to long-held traditions. In late winter seeds were sown in specially prepared beds. Growers transplanted the seedlings to fields about six to eight weeks after sowing. The dates for these operations varied in accordance with the location, the altitude, and the weather. As a rule of thumb, though, transplanting around Izmir needed to be completed by early May. In the Marmara and Black Sea regions a month's delay was common.

Weather conditions were supremely important. Transplanting required dry ground, but the seedlings needed spring rains. During late spring and summer, near-continuous sunshine needed to be interspersed with timely, but limited, rainfall. Insufficient rain reduced the size of the crop, but paradoxically improved the quality--if the

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<sup>2</sup>Quote from "Turkish Tobacco," Asian Review, no. 198 (1958): 152. Whitaker, "Culture of Turkish Tobacco;" U.S. Department of Commerce, "Turkey: A Handbook," pp. 95-97; John Corrigan, Jr., "Tobacco Industry of Smyrna," Report No. 34, 1 June 1927, RG 84, CPR Smyrna, NA, file 861.33 Field Crops-Tobacco, pp. 8-9.

crop survived. Too much moisture, on the other hand, created coarse-leaved, inferior tobacco. Thus, quantity and quality depended largely on unpredictable and uncontrollable elements.

Hand cultivation of the closely-spaced plants went on through the summer. Tobacco slips were planted five to six inches apart to encourage the development of small leaves. Around Izmir, harvesting began about the end of June. Individual leaves were picked as they matured, from the bottom of the plant upward. Each leaf fell into a category according to its position on the stalk and its size. The top three leaves were the most desirable as they contained the most body and aroma. As no more than four leaves were picked from a plant at one time, harvesting extended over a long period, sometimes from the end of June through September.

Each leaf was threaded onto strings that were hung in the sun to dry. The weather again had to cooperate: rain would spoil the tobacco. The leaves were even brought under cover at night to protect them from dew. After three to four weeks of this curing process, the grower baled the strings of tobacco. The growers, however, were not known to be exacting in their grading and baling. Short of funds or time, they carelessly packed bales which were sold quickly, generally with as much scrap material or excess

weight concealed in them as possible.<sup>3</sup>

No fewer than 50,000 or more than 180,000 growers were reported to have planted tobacco during any year of the interwar period (see Table 1), but these figures include neither the labor of the grower's family members--an average of five per household<sup>4</sup>--who also worked in the fields, nor any hired help which was required. The fact that hillsides were favored over flatlands for growing did not make these workers' chores any easier. Thousands of hands produced millions of pounds of tobacco each year in this back-breaking, unmechanized ritual of tobacco growing.

Tobacco growers were not only subject to these fixed seasonal ceremonies, but also to the rules of the tobacco monopoly.<sup>5</sup> According to the original 1883 convention, the Régie was to lend growers money to plant their crop and then to purchase all of the tobacco produced in the empire.

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<sup>3</sup>Whitaker, "Culture of Turkish Tobacco;" U.S. Department of Commerce, "Turkey: A Commercial and Industrial Handbook," p. 96; James F. Hodgson, Gardner Richardson and Julian E. Gillespie, "Trade Financing and Exchange in Egypt, Greece and Turkey," Trade Information Bulletin No. 506 (Washington: Government Printing Office, 1927), pp. 19-21.

<sup>4</sup>Ahmed Armud, "Turkey, Carrying Eight Million Bales per Season," Tobacco: Generator of Wealth (London and New York: World Tobacco, 1983), p. 87.

<sup>5</sup>Shaw, Reform, p. 233.

Such total control was immediately abandoned as the Régie chose not to buy all the tobacco grown in the first year of its operation.<sup>6</sup> Officially this control was ended by the renewed charter of 1914, in which the monopoly was required to buy only the tobacco it needed,<sup>7</sup> but the monopoly continued to regulate all aspects of the trade.

Every grower had to obtain permisson--a certificate known as a "koçan"--from the Régie to plant a crop.<sup>8</sup> By presenting proof of ownership or a lease of the property where the tobacco was to be planted, this permission was granted automatically and free of charge. Only extremely small plantings, one-eighth of an acre or less, could be denied permission.<sup>9</sup> During the growing season, representa-

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<sup>6</sup>Corrigan, "Tobacco Industry of Smyrna," Report No. 34, 1 June 1927, RG 84, CPR Smyrna, NA, file 861.33 Field Crops-Tobacco, p. 22.

<sup>7</sup>See Article II of the renewed convention of the tobacco monopoly found in Philip to Secretary of State (Bryan), 12 September 1913, DS 867.61331/5, M353, 66/1215-32.

<sup>8</sup>Several participants in the aromatic tobacco trade were kind enough to discuss with me many details of the trade which included here. Richard English, interview with author, Richmond, VA, October-November 1985 (English's insights are all the more valuable because his father, Joseph M. English, was the manager of American Tobacco's buying organization in Turkey for decades, beginning in about 1924); Irving Finold, interview with author, Richmond, VA, November 1985; H. K. Greer, interview with author, Winston-Salem, NC, November 1985; Ed Leight, interview with author, Walkertown, NC, November 1985;

<sup>9</sup>Ravndal to Secretary of State (Bryan), 5 May 1913, DS 165.082/19, M353 66/1170.

tives of the Régie inspected every stand of tobacco and estimated the expected harvest. The Régie calculated the traditional Turkish agricultural tithe on the basis of these estimates.<sup>10</sup>

Upon selling the tobacco, which usually took place on the farm or in a nearby village, the farmer had to transport the tobacco to the nearest warehouse of the Régie. This required a transfer permit known as a "pafta." At the Régie station, the tobacco was weighed and an official certificate of change of ownership, a "nadea," was issued. The Régie was required to ensure that no grower had to transport his tobacco for more than a ten-hour journey, a journey usually made by camel, donkey or cart.<sup>11</sup> Thus, the network of Régie facilities was extensive. Based on the location of these stations, the tobacco-growing regions were divided into administrative districts, the

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<sup>10</sup>One source states that Régie demanded 12.5% of a grower's tobacco harvest. U.S. Department of Commerce, "Turkey, A Commercial and Industrial Handbook," p. 97. Another sources state that the tithe was 12%. Corrigan, "Tobacco Industry of Smyrna," Report No. 34, 1 June 1927, RG 84, CPR Smyrna, NA, file 861.33 Field Crops-Tobacco, p. 22.

<sup>11</sup>Ravndal to Secretary of State (Bryan), 5 May 1913, DS 165.082/19, M353 66/1171; Corrigan, "Tobacco Industry of Smyrna," Report No. 34, 1 June 1927, RG 84, CPR Smyrna, NA, file 861.33 Field Crops-Tobacco, p. 22.



name for which often derived from the village where the Régie warehouse was located.<sup>12</sup>

The "nadea" also served as permission for the purchaser to transfer the tobacco. In other words, every pound of tobacco was to be accompanied by an official permit at all times: in the field, at a warehouse or on the road. Despite all this supervision, smuggling remained a formidable problem. The Régie was reported to have as many as 12,000 armed men working to control the illegal trade.<sup>13</sup>

So tobacco traders in Turkey were subject to the laws of nature and of man, if not always willingly. The trade had to work within the framework of economic laws as well. The availability of financing was almost as significant a factor as growing conditions and was more important than the monopoly's regulation in influencing the supply of aromatic tobacco. As mentioned above, in the Régie's original concession, growers were to be financed by the monopoly. These no-interest loans were theoretically to be repaid from the sale of tobacco to the monopoly, but there is no evidence of such a system in operation during the twentieth

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<sup>12</sup>Whitaker, "Culture of Turkish Tobacco."

<sup>13</sup>Ravndal to Secretary of State (Bryan), 5 May 1913, DS 165.082/19, M353 66/1171; Corrigan, "Tobacco Industry of Smyrna," Report No. 34, 1 June 1927, RG 84, CPR Smyrna, NA, file 861.33 Field Crops-Tobacco, p. 22.

century. In reality, obtaining funds for planting and caring for a tobacco crop was a persistent problem.

There was no effective financial institution to make loans to tobacco growers; in general the farmers had to finance their crops themselves. Some funding came from local merchants or tobacco buyers, but this was usually in the form either of advances for a crop that then could be bought at a reduced rate, or of a loan at an usurious rate, up to 80%, with the crop as a guarantee. This loan information was frequently written on the back of the "koçan" so that any potential purchaser would be aware of a lien on the crop. American purchasers were occasionally known to provide loans to dependable growers at legal rates of interest--9% plus a 6% banking commission--or to give advances to procure an option on a crop, but these methods were neither widespread nor permanent.<sup>14</sup>

This lack of regular, reasonable financing made the growers' future output heavily dependent on tobacco prices. If a grower could cover current expenses and have funds left over, then he could afford to plant the following year. By the same token, if rising prices one year indicated that there would be heavy demand for the next

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<sup>14</sup>Hodgson, "Trade Financing," p. 21; Corrigan, "Tobacco Industry of Smyrna," Report No. 34, 1 June 1927, RG 84, CPR Smyrna, NA, file 861.33 Field Crops-Tobacco, p. 22.

crop, then merchants or buyers were more likely to extend loans or make advances. On the other hand, low prices left a grower barely able, or perhaps unable, to cover his expenses, and the same low prices gave no incentive to lenders to speculate.

With this price dependency in mind, the controlling economic laws become obviously apparent. Times of high prices brought increased production. Increased production eventually brought surpluses. Surpluses led to lower prices which in turn reduced production. Resulting shortages closed the circle by encouraging high prices. This theoretical cycle was influenced and distorted by numerous other factors, but by and large, such progressions held true before the First World War and continued afterward.<sup>15</sup> Stability was not a characteristic of the Turkish tobacco industry and these economic cycles were a crucial part of the trade's development.

Growing conditions, regulations, and economics determined the supply of aromatic tobacco. In order to understand the Turkish-American trade, though, the overall international demand for this tobacco and the nature of the Turkish tobacco market must also be considered. The First World War disrupted Turkish tobacco's international

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<sup>15</sup>Constantinides, Turkish Tobacco, pp. 90-1.

market. Before the war, England had bought about 25% of Turkey's tobacco, but after the war bought only about 3%. Germany's postwar financial situation temporarily precluded heavy involvement in the Turkish tobacco market. The destruction of Austria-Hungary removed that multinational empire from its role as the leading purchaser of Turkish tobacco, and the tobacco monopolies in the various Central European successor states did not take its place.<sup>16</sup> The gap left by these disturbances in the international aromatic tobacco trade, combined with the already-cited improvements in Turkish-American trading relations (see pp. 12-13), made American buying one of the most influential forces in the Turkish market.

The American presence was a direct response to consumer demand in the United States. American cigarette manufacturers wanted the best grades of aromatic tobacco for their products and they purchased more Turkish tobacco than any other country did during the interwar period. To maintain a sure and steady supply of aromatic leaf, these manufacturers worked with or established American companies in Turkey. The presence of American-run buying organiza-

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<sup>16</sup>Allen, "Turkish Regie," 13 November 1925, DS 867.61331/9, M353, 66/1282-83.

tions in Turkey was another reason for substantial American influence in the demand component of the trade.<sup>17</sup>

In theory, the operations of these buying agents were quite simple. The manufacturing companies in America decided upon a strategy of buying and a purchase order for an amount of certain grades of aromatic tobacco was delivered to the Near Eastern offices. In calculating this order, the companies considered existing stocks, needs for the future, condition of the present crop, and the fact that a crop bought one year would be used in cigarettes between one and four years after its purchase.

The specialized aromatic tobacco-importing companies transformed strategy into tactics. A handful of Americans working in conjunction with Turkish employees surveyed the tobacco crop as it grew and purchased from the different growing regions in Turkey. This meant Americans and their representatives were in direct contact with thousands of growers around Turkey. Tobacco cultivation in Turkey demanded this. The large number of small producers called for an extensive organization to meet the needs of American manufacturers.

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<sup>17</sup>Ed Leight, interview with author, Walkertown, NC, November 1985; Dick English, interviews with author, Richmond, VA, October, November 1985.

Whenever necessary, though, American buyers purchased tobacco through the same channels as other foreign buyers--through Turkish merchants--rather than going directly to the growers. These native middlemen, serving as one of the few sources of financing for tobacco farmers, were often able to control large supplies of tobacco by exploiting the inveterate indebtedness of the growers. After the hefty profits taken by these merchants, though, the price of this tobacco for foreign buyers could increase by as much as 200%. Circumventing these merchants was one of the reasons that cigarette manufacturers created the American buying organizations.<sup>18</sup>

There were several smaller American firms that bought Turkish tobacco, mostly specialty producers of aromatic cigarettes. They played only a minor role in the trade, and their role continued to diminish as aromatic cigarettes declined in relative popularity.<sup>19</sup> In the early 1920s, three American companies wielded influence in the market: Gary Tobacco, Standard Commercial, and Alston Tobacco, the

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<sup>18</sup>Allen, "Turkish Regie," 13 November 1925, DS 867.61331/9, M353, 66/1284.

<sup>19</sup>"Hallas & Landau, New Turkish Firm, Have Incorporated," USTJ, vol. 98, no. 3 (1922): 6; "Anthony Melachrino Leaves for the Near East," USTJ, vol. 104, no. 6 (1925): 7; Samuel W. Honaker (American Delegate) to Admiral Mark L. Bristol, 2 July 1925, RG 84, ER Constantinople, NA, file 851.2 Taxation; Irving Finold, interview with author, Richmond, VA, November 1985.

companies that bought for the Big Four manufacturers in the United States.

The individual Americans who ran these buying organizations in Turkey were both important and conspicuous. They not only actively participated in the Turkish tobacco markets, but they also played a role in the larger American community in Turkey.<sup>20</sup> High Commissioner Bristol considered American banks to be the most crucial institution for the expansion of American trade in Turkey. In the summer of 1921, when he called on the tobacco buyers to help save the only American bank in Turkey from financial ruin the tobacco men responded immediately.<sup>21</sup> The American Chamber of Commerce for the Levant, established in 1911, was the second-oldest organization of its kind, preceeded only by the chamber in Paris. In 1923, F. B. Stem of Gary Tobacco was on its board of directors.<sup>22</sup> Gary's offices served as

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<sup>20</sup>Other long-established and influential American firms in Turkey included the licorice producers MacAndrews and Forbes, and the Vacuum Oil Company, a subsidiary of Standard Oil of New York (Socony). DeNovo, American Interests, pp. 38-40, 264-65.

<sup>21</sup>Peter Michael Buzanski, "Admiral Mark L. Bristol and Turkish-American Relations, 1919-1922" (Ph.D. diss, University of California, Berkeley, 1960), pp. 239-42.

<sup>22</sup>Letterhead of American Chamber of Commerce for the Levant, 2 May 1923, RG 84, CPR Smyrna, NA, file 610 Trade Extension.

the chamber's headquarters in Izmir,<sup>23</sup> and at the same time as an official meeting place for all Americans in that city.<sup>24</sup> Besides the role the buyers played in the American business community in Turkey, they had close ties to American diplomats there and they enjoyed access to high Turkish government officials.

The economic gap between the American buying agents and the Turkish tobacco growers made the buyers conspicuous. The Americans were, by Turkish standards, very wealthy. Glenn Tobacco paid a beginning buyer \$300 per month.<sup>25</sup> In comparison, in January 1930 the average unskilled laborer in Turkey earned a daily wage of \$.50.<sup>26</sup> The American buyers were also part of a sophisticated and efficient international business organization. In contrast:

The vast majority of the small farmers who produce the bulk of the tobacco crop of Turkey seem continually in financial distress and live in a state bordering on wretchedness according to

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<sup>23</sup>Translation of article appearing in the Izmir newspaper "Yeni Turan," 8 December 1922, RG 84, ER Constantino-ple, NA, file 610.23 Chambers of Commerce.

<sup>24</sup>Memo, A. Wallace Treat (Consul, Izmir), 4 September 1923, RG 84, CPR Smyrna, NA, file 610 Trade Extension.

<sup>25</sup>Ed Leight began working for Glenn Tobacco in Turkey in 1930. Ed Leight, interview with author, Walkertown, NC, November 1985.

<sup>26</sup>This was the pay rate for January 1930. Gordon, American Relations, p. 299.



American standards. In addition to the usual handicaps of the farmer, they are insufficiently supplied with means of communication in Turkey; are proverbially ignorant and improvident; have no cooperative associations to discuss and encourage improved methods of cultivation, packing and marketing; are satisfied to sell their crop without knowledge of prices prevailing in other growing districts; and in many cases have no option as the larger part of the crop is pledged in advance as security for loans. The marketing machinery available to the [American] corn, wheat, and cotton farmer, are undreamed of here.<sup>27</sup>

The nature of aromatic tobacco's production in Turkey caused market instability. As with many agricultural products, the supply fluctuated greatly due to weather and market conditions. Governmental regulation, although present in theory, scarcely influenced the amount produced, nor did it bring stability. And the plethora of small-scale producers did not contribute to market coordination. The resultant swings in the market are a natural focus for a study of the trade; one must seek to determine how these changes affected the Turkish-American trade. The characteristics of this market also determined American participation in the Turkish tobacco market. The Turkish trade's primitive infrastructure made direct contact with thousands of growers and bypassing native merchants both desirable and economical, and in turn, this intimate

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<sup>27</sup>Corrigan, "Tobacco Industry of Smyrna," Report No. 34, 1 June 1927, RG 84, CPR Smyrna, NA, file 861.33 Field Crops-Tobacco, p. 22.

American presence influenced the market. Such interaction is another focal point of this study.

The presence of American buying organizations in Turkey not only emphasized the economic importance of the tobacco connection, but it also made these Americans immediately available to Turks as pressure points when changes in Turkish-American relations--either commercial or political--were desired. The relative wealth of these representatives and the sharp contrast they presented made it all the more likely that they be singled out if pressure could be applied correctly.

The American tobacco men's intimate connection to a vital sector of the Turkish economy made these men a steady source of information for America's diplomatic representatives. American consular officers in Turkey received regular requests for reports on the industries of that country. These officers frequently consulted American tobacco men in Turkey for assistance in collecting the required information, as in the case of an elaborate questionnaire prepared by the tobacco section of the Bureau of Foreign and Domestic Commerce in 1923 concerning the world tobacco trade.<sup>28</sup> The participants in the aromatic

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<sup>28</sup>"Bureau of Foreign and Domestic Commerce Solicits Trade for Full Data on Present Condition in World's Tobacco Industry," USTJ, vol. 100, no. 6 (1923): 3, 48; Wilbur J. Carr (for the Secretary of State) to "Certain American

tobacco trade served as sources of information in a different manner as well. The State Department requested ten copies of an article written by W. A. Whitaker, vice president of Standard Commercial Tobacco Company. The State Department then sent Whitaker's article, "The Culture of Turkish Tobacco as Exemplified in the Smyrna Type," to American missions and consulates, referring to it as a well-prepared and valuable source of information.<sup>29</sup>

As A. Wallace Treat, the consul in Izmir, noted, "while the American colony in Izmir is relatively small in numbers, the capital represented by the members thereof is enormous," and, therefore, "the office is in constant contact with the American colony and the interviews with the members thereof, occur too frequently to be recorded."<sup>30</sup> This intimate contact was evidence of a symbiotic relationship. The consulates served to protect American interests, but in return the consular officers

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Consular Officers," 15 September 1923, RG 84, CGR Constanti-  
nople, NA, file 861.3 Tobacco.

<sup>29</sup>Alvey A. Adee (Second Assistant Secretary of State) to Standard Commercial Tobacco Company, 7 July 1923, DS 867.61331/6, M353, 66/1260; Whitaker reported sending the requested reprints of his article the following week. W. A. Whitaker to Secretary of State (Hughes), 13 June 1923, DS 867.61331/6, M353, 66/1259.

<sup>30</sup>A. Wallace Treat (Consul, Izmir) to Secretary of State (Hughes), "General Activities at Smyrna Consulate General," Report No. 128, 24 July 1923, RG 84, CPR Smyrna, NA, file 610 Trade Extension.

mined the American tobacco men for information concerning Turkey's tobacco trade--obvious interplay between commerce and diplomacy.

On the one hand, a lucrative, but volatile, trade presented opportunity and motive for powerful American industrialists to attempt to influence America's relations with Turkey. On the other hand, the trade's value gave Turks the incentive to use tobacco as a tool to their national economic and political advantage. Both of these positions were apparent in late 1922 and 1923 as the diplomats met to negotiate in Lausanne and the nationalists extended their influence within Turkey.

## Chapter Three

### The Lausanne Conference and its Treaties, 1923

Since the 1917 break in diplomatic relations between Turkey and the United States, American tobacco buyers in Turkey had had to endure the insecurity that resulted from a lack of formal ties. Late in 1922, a conference met in Lausanne, Switzerland, to replace the defunct Treaty of Sèvres with a new peace for the Near East and to determine Turkey's place in the international community. The conference produced two treaties that are of consequence here: the Treaty of Lausanne between Turkey and the Allies, and the Turco-American Treaty of Amity and Commerce. The latter included provisions for the restoration of Turkish-American diplomatic relations.

The August 1923 signing of the Turkish-American treaty did not, however, end the American campaign to restore diplomatic relations with Turkey. Rather, it signalled the beginning of the next phase of the battle, the struggle for ratification of the treaty. The Department of State's considerable efforts towards this end culminated in failure four years later on 18 January 1927 when the United States Senate rejected the treaty. In the interim, 1923-1927, High Commissioner Bristol continued his work of protecting

American interests in Turkey.<sup>1</sup> This chapter examines the interplay of the tobacco trade and diplomacy in the negotiation and ratification process of the Turkish-American treaty.

The Lausanne Conference met in two sessions, from 20 November 1922 to 4 February 1923, and from 23 April to 24 July 1923, and concluded with an Allied-Turkish treaty that the United States was not party to. The Treaty of Lausanne recognized the legitimacy of Atatürk's nationalist government, established boundaries for the new Turkey, and abolished the extraterritorial rights known as capitulations, which foreign powers had long enjoyed in the Ottoman Empire.<sup>2</sup>

Secretary of State Charles Evans Hughes's desire to secure guarantees for American economic interests in Turkey overcame his aversion to political entanglements in Europe,<sup>3</sup> but this reluctance defined the nature of the American mission sent to Lausanne. In response to an invitation by the conference's sponsors--Britain, France,

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<sup>1</sup>DeNovo, American Interests, p. 153-66; Trask, U.S. Response, pp. 37-47.

<sup>2</sup>The text of the Lausanne Treaty, slightly abbreviated, may be found in Hurewitz, British-French Supremacy, pp. 325-37.

<sup>3</sup>Buckingham, International Normalcy, pp. 182-3.

and Italy--Hughes opted to send "observers" to Lausanne. The observer status limited the American mission's participation in the Lausanne negotiations leading to the Allied-Turkish treaty. Thus, the chief American representatives during the first portion of the conference--Richard Washburn Child, ambassador to Italy; Joseph C. Grew, ambassador to Switzerland, and Admiral Bristol--were not official delegates, but were only present to convey American interests to the negotiating parties.<sup>4</sup>

Despite their limited role and restriction to observer status, the Americans had specific goals in this conference. Secretary Hughes defined the areas of American interest to be defended at the conference: maintenance of the capitulations, claims, commerce, minorities, international financial control of Turkey, the Straits, educational and missionary activity, and archeological research.<sup>5</sup> As the first five of these points directly affected the tobacco trade, the potential for diplomatic and commercial interaction was high. Beginning in June 1923, Ambassador Grew and Ismet Inönü, the leader of the Turkish delegation in Lausanne, hammered out agreements on most of these issues in bilateral Turkish-American nego-

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<sup>4</sup>Ibid., pp. 83-97.

<sup>5</sup>Hurewitz, British-French Supremacy, pp. 312-8.

tiations. On 6 August 1923, two weeks after the signing of the Treaty of Lausanne, Grew and İnönü signed the Turco-American Treaty of Amity and Commerce.<sup>6</sup>

Realizing that a treaty would affect the tobacco trade, American buyers of Turkish tobacco lobbied their diplomatic representatives. Their personal relationships with American diplomats aided this effort. Even as Admiral Bristol and Julian E. Gillespie travelled to Lausanne in November 1922, they were in touch with participants in the trade. In Gillespie's chatty description of his and Bristol's journey to Switzerland aboard the Orient Express, he noted that upon arrival in Trieste, "we all went up to the hotel to see some of our Constantinople Gary Tobacco friends."<sup>7</sup>

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<sup>6</sup>Buckingham, International Normalcy, pp. 97-100; DeNovo, American Interests, pp. 150-53; Gordon, American Relations, pp. 273-8; Joseph C. Grew, Turbulent Era: A Diplomatic Record of Forty Years, 1909-1945, Walter Johnson, ed. (Boston: Houghton Mifflin Company, 1952), 1, 475-585. For the full text of the treaty see Papers Relating to the Foreign Relations of the United States, 1923 (2 vols., Washington, 1938), 2, 1153-71 (hereafter cited as FRUS 1923). A summary of the treaty may be found in Grew, Turbulent Era, 1, 603-5.

<sup>7</sup>Julian E. Gillespie to Klein (Director of Bureau of Foreign and Domestic Commerce), 9 December 1922, RG 151, FDC Records, NA, file 443.3X, p. 2-3. For more on High Commissioner Bristol's strong interest in and close connections to American businesses in Turkey see Buzanski, "Admiral Bristol," pp. 211-46.



Maintenance of the capitulations was of paramount concern to both American tobacco men and American diplomats. Since the sixteenth century, the capitulations had provided immunity from Ottoman law and taxation to westerners in the empire. These extraterritorial rights represented order and security to foreigners in Turkey. Robert Imbrie, the first permanent American delegate to Ankara, believed that "the capitulations were absolutely necessary to American commercial enterprises in Turkey. The courts were venal, bribes were essential, and interference by minor officials looking for bribes was endemic."<sup>8</sup>

Turkish opinion of the capitulations was quite different. Upon entering World War I, the Ottoman government unilaterally abolished the capitulations on 1 October 1914, an act which the Allies had never recognized.<sup>9</sup> At Lausanne, İnönü adamantly insisted on acceptance of the abrogation of the capitulations. British delegate Lord Curzon, equally adamant and with the full backing of the American delegation, continued to reject the Turkish position.<sup>10</sup>

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<sup>8</sup>Evans, U.S. Policy, p. 338.

<sup>9</sup>Geoffrey Lewis, Modern Turkey (London and Toronto: Ernest Benn, 1974), p. 88.

<sup>10</sup>Buckingham, International Normalcy, pp. 92-3.

American tobacco interests also registered their support for the capitulations. In February 1923, W. A. Whitaker of Standard Commercial Tobacco Company protested to the Near Eastern Division of the State Department about nationalist Turkish activities which effectively abolished the capitulations. Whitaker proclaimed this to be an unacceptable change.<sup>11</sup> State Department personnel responded supportively, citing several diplomatic efforts at the Lausanne Conference to maintain the capitulations in lieu of other sufficient guarantees for American interests in Turkey.<sup>12</sup>

In 1922-23, however, military realities forced the Allies to recognize not only Kemal Atatürk's liberation of Turkey from foreign military control, but also the liberation of Turkey from foreign civil influences.<sup>13</sup> On 30 May the Allies accepted the subordination of foreigners in Turkey to Turkish law and courts.<sup>14</sup> This Allied concession undermined the American position and, despite

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<sup>11</sup>W. A. Whitaker (Standard Commercial) to the Department of State, 17 February 1923, RG 84, ER Constantinople, NA, file 850.3 Capital Corporations.

<sup>12</sup>Unsigned letter prepared for Secretary of State (Hughes) to Standard Commercial Tobacco Company, n.d., RG 84, ER Constantinople, NA, file 850.3 Capital Corporations.

<sup>13</sup>Evans, U.S. Policy, pp. 376-99.

<sup>14</sup>Buckingham, International Normalcy, p. 94-5; Shaw, Reform, p. 367.

further debate in the bilateral negotiations, served as a precedent for Article II of the Turkish-American treaty which accepted the capitulations' abrogation. Neither tobacco men nor diplomats desired this outcome, but without recourse to armed intervention it was inevitable.

Another extremely delicate point in Lausanne was the issue of financial claims against Turkey. After heated debate during the Allied-Turkish negotiations, the Allies' World War I claims had been balanced against Turkish claims resulting from the War for Independence. As a result, all of the participants of the conference eventually dropped their demands for compensation.<sup>15</sup> Grew, however, insisted on the legitimacy of American claims and the bilateral Turkish-American negotiations almost collapsed around this issue. Until almost the very end of the negotiations, İnönü steadfastly rejected the legitimacy of American claims.<sup>16</sup>

American tobacco interests attempted to influence the treatment of financial claims during the treaty. In February 1923, Franklin W. Bell of Gary Tobacco wrote to Admiral Bristol in Lausanne, suggesting that "forgetting and forgiving the past" would lead to "mutual success in

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<sup>15</sup>Z. Y. Hershlag, Turkey: An Economy in Transition, (The Hague, 1958), p. 25.

<sup>16</sup>Buckingham, International Normalcy, pp. 98-9.

the future." In this spirit, he recommended a bilateral cancellation of all past financial obligations, including taxes that the nationalist Turkish government was trying to collect from the American tobacco companies for the period 1914-22. Bell also proposed specific dates for this nullification of obligations. If the treaty cancelled all debts dated prior to the Izmir fire of 1922, then the back taxes that the Turks wanted to collect would be disallowed. But such timing would still allow the companies to press their claims for damages from the fire and their claims for confiscation by the Turks of tobacco on which the companies had paid advances to the Greeks.<sup>17</sup> Bell wrote to Bristol again in July 1923 about claims that Gary Tobacco filed against the Turkish government for losses resulting from the occupation of Izmir. Bell wanted to keep Bristol informed because it "occurred to us that it might be well for us to advise you [Bristol] of our action for such attention at Lausanne as, in your opinion, the occasion may suggest."<sup>18</sup>

The Turkish-American treaty partially fulfilled Bell's requests. Article XXIX of the treaty stated that "no taxes

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<sup>17</sup>Bell to Bristol, 3 February 1923, RG 84, ER Constantinople, NA, file 851.2 Taxation.

<sup>18</sup>F. W. Bell to Admiral Mark C. Bristol, 7 July 1923, RG 84, ER Constantinople, NA, file 350 Claims.

are to be collected from American citizens for any taxable periods prior to the fiscal year 1922-1923 which, under the laws in force on August 1, 1914, were not applicable to them."<sup>19</sup> The broader claims problem proved to be unsolvable during the negotiations, a problem that the Americans felt would hinder the treaty's ratification. Grew and İnönü, therefore, agreed that a solution would be found outside of the treaty negotiations. Accordingly, in December 1923, Admiral Bristol and a Turkish representative drew up a separate agreement that called for a mixed arbitration tribunal (i.e., with Turkish and American representatives) to handle American claims within six months of the treaty's ratification.<sup>20</sup> Thus, the settlement of the claims issue gave the American tobacco companies incentive to support Senate ratification of the treaty with Turkey. But, as ratification of this treaty never came, resolution of the American tobacco companies' claims had to wait for more than a decade (see pp. 71-76).

Another point in Secretary Hughes's 1922 list of American goals for Lausanne Conference was the preservation of

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<sup>19</sup>Council on Turkish-American Relations, "The Treaty With Turkey, Why It Should Be Ratified" (New York, 1926), p. 148.

<sup>20</sup>Bristol to Adnan (Delegate at Istanbul of the Turkish Ministry of Foreign Affairs), 24 December 1923, FRUS 1923, 2, 1190; Adnan to Bristol, 24 December 1923, FRUS 1923, 2, 1190-1.

American commercial interests in Turkey. More important than tobacco in discussions on this issue were the Chester Concession and the "Mosul Question."<sup>21</sup> More broadly, Hughes called for the implementation of Open Door policies in Turkey and the cancellation of all pre-war concessions--such as the Régie--to foreigners.<sup>22</sup> Joseph C. Grew, the sole leader of the American mission during the second phase of the conference, won Allied acceptance of the Open Door in the Treaty of Lausanne.<sup>23</sup> Grew was unsuccessful, however, in his attempt to obtain the cancellation of all concessions in Turkey; foreigners retained those granted before 1914.<sup>24</sup>

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<sup>21</sup>In the renewed Chester concession the Ottoman-American Development Company attempted to win the concession for extensive railroad and mining projects in Anatolia. The Turks granted the concession to this group in April 1923, but cancelled it later in the year when the company failed to raise sufficient capital. DeNovo, American Interests, pp. 210-28. The Mosul question involved the boundary between Turkey and Iraq, an important international issue because of the oil reserves located in this disputed region. Ibid., pp. 191-9.

<sup>22</sup>Buckingham charges that Hughes's support of the Open Door was insincere, as Hughes simultaneously sanctioned secret negotiations between American oil companies and the Turkish oil monopoly. Buckingham, International Normalcy, pp. 78-97.

<sup>23</sup>Evans, U.S. Policy, pp. 344-48, 403.

<sup>24</sup>William M. Hale, The Political and Economic Development of Modern Turkey (New York: St. Martin's, 1981) pp. 38-9; Hershlag, Turkey, pp. 17-30, 45.

The American mission's emphasis on commercial rights benefited the tobacco interests, even though debate on this issue had not focused on the tobacco trade. Article IV of the Turkish-American treaty recognized the right of foreign companies to exist and to own property in Turkey. Article VI stated that no forced loans or exceptional levies could be demanded of foreign nationals or corporations. Article VII provided that taxation of foreign nationals or foreign corporations had to be formulated on the same basis as taxation of native persons or companies. Article VIII conferred most-favored-nation trading status on the countries. The inclusion of these guarantees for commercial interests was another reason for American tobacco buyers to support the treaty.

Of major significance at the Lausanne Conference was the issue of minorities in Turkey, also one of Secretary Hughes's points in his 1922 outline of American interests. In an attempt to eliminate one of the primary causes of tension between Greece and Turkey, a convention signed in Lausanne on 20 January 1923 provided for the mandatory and reciprocal expulsion of minority populations--as defined by religious affiliation--from Greece and Turkey.<sup>25</sup> The interests of American diplomats and American tobacco

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<sup>25</sup>Stephen P. Ladas, The Exchange of Minorities Bulgaria, Greece and Turkey (New York: MacMillan, 1932), pp. 335-52.

companies diverged on the minority issue. The American mission's goal was to obtain guarantees for the religious freedoms of Christian minorities remaining in Turkey,<sup>26</sup> guarantees similar to those provided in Section III of the Allied-Turkish treaty.<sup>27</sup> The tobacco buyers' concerns focused on the emigration of the thousands of Christians who had played a major role in the trade. Franklin W. Bell of Gary suggested to the American consul general in Istanbul that the return of the ousted Greeks was one of the only means of restoring the war-ravaged Turkish tobacco industry.<sup>28</sup> The exchange of minorities had numerous, enduring effects, which will be treated later. Suffice it to say that the American diplomatic endeavors at Lausanne concerning minorities were largely irrelevant to the tobacco trade.

Secretary Hughes's 1922 list of talking points also included the international financial control of Turkey. Hughes sought the inclusion of any future American loans to Turkey in the Turkish public debt. As the debt was still administered by an international commission, this step

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<sup>26</sup>Buckingham, International Normalcy, pp. 98.

<sup>27</sup>Hurewitz, British-French Supremacy, pp. 330-1.

<sup>28</sup>Franklin W. Bell to G. Bie Ravndal (Consul General, Istanbul), 14 May 1923, RG 84, CGR Constantinople, NA, file 861.3 Tobacco.



would provide Americans with international guarantees for their investments in Turkey.<sup>29</sup> Thus, Hughes insinuated American governmental support for loans to Turkey, a promising development for any American tobacco interests considering the Turkish tobacco monopoly as an investment.

That American interests propounded by diplomats at Lausanne paralleled the economic interests of Americans in the Turkish tobacco trade was duly noted by the political opponents of the treaty in the United States. During Senate debate on ratification of the treaty, for example, Senator William H. King charged that the primary advisers of the American diplomats at Lausanne "were agents of oil and tobacco interests" (see pp. 112-3).<sup>30</sup> As one historian maintains, the American diplomats in Lausanne did "pursue economic considerations much more diligently than they did humanitarian concerns."<sup>31</sup> It is true that the American tobacco industry had a receptive ear within the mission to Lausanne, especially in Bristol and Gillespie,<sup>32</sup> and that

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<sup>29</sup>Hurewitz, British-French Supremacy, p. 315.

<sup>30</sup>"Asks an Inquiry on Lausanne Deal; Senator King Says 'Oil and Tobacco' Interests Forced the Cabinet to Accept Compact," New York Times, 24 December 1926, p. 8, col. 5.

<sup>31</sup>Buckingham, International Normalcy, p. 106.

<sup>32</sup>Bristol, however, only attended the first session of the conference, travelling back to Turkey with Ismet İnönü on the Orient Express in February 1923 to resume his duties as high commissioner. Buckingham, International Normalcy,

American representations were generally in line with the tobacco trade's best interests.

Though American tobacco companies were not shy in expressing their views on the crucial and complex matters under negotiation, these firms were not able to dictate the contents of the treaty. Both American tobacco interests and diplomats failed to gain their objective of maintaining the capitulations. American claims cases received more favorable attention than the Allied claims, but American claims still had to be upheld by a mixed arbitration commission. The rights of American companies granted in the treaty's commercial provisions were common to many American agreements with foreign powers.<sup>33</sup> Diplomatic and tobacco industry concerns on the minorities problems had completely different foci. And diplomatic support for American investment in Turkey was generic in nature, not specific to the tobacco industry.

In reality, the American negotiators worked within the realm of the possible, and not to the tune of tobacco manufacturers. Talks in Lausanne could not have effected changes that were inimicable to Turkish nationalism. It

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p. 90.

<sup>33</sup>See, for example, the provisional commercial agreement between the United States and Persia of 14 May 1928. Hurewitz, British-French Supremacy, pp. 396-8.

was possible, however, for American diplomats in Lausanne to protect the tobacco trade, simply because the trade was of as much value to the nationalist Turks as it was to American tobacco buyers.

Despite the State Department's considerable efforts, diplomacy provided insufficient guarantees for the protection of American commercial interests in Turkey--the secretary of state's fundamental goals at Lausanne. More valuable than diplomacy were economic means. In fact, Secretary Hughes preferred "to play an international political role primarily through economics."<sup>34</sup>

An episode on 9 August, three days after the treaty's signing, both illustrates this predilection and indicates the relative weight of commerce and diplomacy in Turkish-American relations. On Admiral Bristol's orders, Acting Commercial Attaché R. O. Hall visited the Turkish Director General of the Commissariat of Commerce, Akif Bey, to explain the American perception of Turkish-American trade. First, Hall told Akif Bey that whereas Turkish goods entering the United States enjoyed favorable tariff treatment, Turkish trade policies hindered several American exports to Turkey. He warned that American goods must enter Turkey more freely for Turkish goods to maintain

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<sup>34</sup>Buckingham, International Normalcy, pp. 182-83.

their advantageous status. Tobacco, of course, constituted the bulk of Turkish exports to America. Second, Hall recommended that American tobacco buyers be allowed to operate freely in Turkey or they would look elsewhere--to Greece, for example--for aromatic tobacco. If American businessmen, such as the tobacco buyers, were not allowed this freedom, the chances for American investment in Turkey would diminish.<sup>35</sup>

One may deduce from Hall's message that the American perception of Turkish-American relations had two dimensions. First, Bristol, and by extension Hughes, considered diplomatic guarantees to be less effective in maintaining satisfactory commercial ties with Turkey than the threat of economic retaliation. Second, the means of retaliation was tobacco.

Even if of limited value, the diplomatic agreements signed at Lausanne did propose new solutions to old problems in Turkey and accept many of Atatürk's reforms--both important consequences. The replacement of the humiliating Treaty of Sèvres by the treaties of Lausanne was in many ways a triumph for modern Turkey. But this

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<sup>35</sup>Hall went bearing gifts. He presented Akif a copy of Whitaker's article on the Izmir tobacco industry, pointing out "the unusual value of this carefully prepared monograph" and suggesting that it be translated into Turkish for the commissariat's use. Memo, R. O. Hall, 14 August 1923, RG 84, ER Constantinople, NA, file 861.33 Field Crops-Tobacco.

triumph and these changes laid down numerous challenges for foreigners in Turkey. The American tobacco men in Turkey would have to answer these challenges, or leave the field.

## Chapter Four

### Lausanne: The Immediate Aftermath

The Lausanne Conference of 1922-23 provided international acceptance of the momentous changes taking place in Turkey. But in addition to acceptance, the dramatic Turkish reforms demanded a response from foreigners in Turkey. American tobacco companies' intimate involvement in Turkey subjected them to the brunt of Atatürk's revolutionary reforms; they had to respond. The abolition of the capitulations, accepted by both the Allied and American treaties with Turkey, was especially distressing to the Turkish-American tobacco trade. The expulsion of non-Turkish minorities, agreed to by a convention signed in Lausanne, was equally worrisome. The issue of reimbursement for American losses suffered during the Greco-Turkish War was annoyingly complex in Lausanne, and it remained so for a decade afterwards. The Turkish treatment of concessions and monopolies that were left in foreign hands at Lausanne created both complications and opportunities for Americans. As a result, tobacco firms considered alternatives to Turkey's role in the tobacco trade, and sometimes implemented them. This chapter examines the

American tobacco companies' response to the major changes agreed to at Lausanne.

As mentioned previously, the American tobacco companies in Turkey felt especially threatened by the abrogation of the capitulations, because this subjected them to Turkish law and taxation. The most important law regulating foreign corporations in Turkey had been enacted on 30 November 1914, shortly after the Ottomans had unilaterally abolished the capitulations. That law had required every foreign business to register with the government its name, place of incorporation, nationality, capitalization value, and a copy of its charter of incorporation. In addition, each company had to delegate a power of attorney to an individual who would represent the company in Turkish courts, and the companies were to observe all Turkish laws affecting business transactions.<sup>1</sup> Obviously, adherence to the 1914 law would have constituted a "de facto" end of the capitulations. But just as the Great Powers rejected the 1914 Turkish abolition of the

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<sup>1</sup>"Law on Nov. 30th, 1914 on Foreign Corporations and Foreign Stock Companies," RG 84, ER Constantinople, NA, file 850.3 Capital Corporations; Julian E. Gillespie, "Turkish Company Law Requirements," Special Report No. 67, 13 December 1934, RG 151, FDC Records, NA, file Istanbul.

extraterritorial rights, they ignored the the law on foreign corporations.

Following their military victory in 1923, the Turks stepped up pressure on firms to comply with the registration law. It was to protest the enforcement of this law that W. A. Whitaker of Standard Commercial had written the State Department in February 1923 (see p. 47).<sup>2</sup> The Turks fixed 18 March 1923 as a deadline for compliance,<sup>3</sup> but the American tobacco firms could not gather the required materials in such a short time. By May 1923, the Turkish authorities in Izmir threatened to shut down those firms that did not register immediately.<sup>4</sup>

High Commissioner Bristol encouraged American compliance, but suggested that registration be made under protest and include a reservation clause stating that the American companies had "in no sense the intention of surrendering the guarantees which may be provided in the future Treaty

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<sup>2</sup>W. A. Whitaker to the Department of State, 17 February 1923, RG 84, ER Constantinople, NA, file 850.3 Capital Corporations.

<sup>3</sup>G. Howland Shaw (First Secretary of the Embassy, Istanbul) to Theron J. Damon (Secretary of American Chamber of Commerce for the Levant, Galata), 16 March 1923, RG 84, ER Constantinople, NA, file 610.23 Chambers of Commerce.

<sup>4</sup>A. Wallace Treat to American High Commissioner (Bristol), 28 May 1923, RG 84, ER Constantinople, NA, file 850.3 Capital Corporations.



of Peace concerning the status of foreigners in Turkey."<sup>5</sup> In August 1923, State Department officials wrote that American firms "have without exception made patent endeavors to comply with the provisions of the Turkish law," but that additional time was needed to obtain all the necessary papers.<sup>6</sup> Both the desire to continue doing business in Turkey and the hope of recouping losses suffered in the war increased the American companies' willingness to register. On the other hand, subjection to Turkish law and the ensuing taxation--both future and retroactive--made these companies dread registration.<sup>7</sup>

In regard to extraterritorial rights, the goals of the American tobacco firms mirrored the goals of the American statesmen. The tobacco men wanted to continue buying under the new regime in Turkey, but maintain their old privileges; the diplomats wanted to recognize the new regime, but maintain the capitulations. Both sets of goals met the same fate. The diplomats responded to Turkish nationalism by accepting the capitulations' abrogation in the treaty;

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<sup>5</sup>Shaw to Damon, 16 March 1923, RG 84, ER Constantinople, NA, file 610.23 Chambers of Commerce.

<sup>6</sup>A. Wallace Treat to Barnes, 18 August 1923, RG 84, ER Angora (Correspondence), NA, file 850.3 Capital Corporations.

<sup>7</sup>F. W. Bell (Gary Tobacco) to Admiral Bristol (American Special Mission, Lausanne), 3 February 1923, RG 84, ER Constantinople, NA, file 851.2 Taxation.

the tobacco men responded to Turkish nationalism by submitting to the law on foreign corporations. By 1925, Gary, Alston, and Standard Commercial had registered.<sup>8</sup> Failure to have done so would have terminated the American tobacco presence in Turkey; not consenting to Turkish sovereignty would have ended the American diplomatic presence there. The formerly unacceptable now had to be accepted.

The American tobacco companies went beyond merely accepting the new Turkish regime, they offered their assistance in rebuilding the Turkish tobacco market in exchange for "the best co-operation on the part of the Turkish Government."<sup>9</sup> The establishment of two new American tobacco companies in Turkey could be perceived as an expression of confidence in the nationalist regime. The Glenn Tobacco Company, a subsidiary of R. J. Reynolds, began the registration process in March 1923,<sup>10</sup> and the

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<sup>8</sup>Julian E. Gillespie, "Foreign Joint-Stock Companies in Turkey, Their Capital and Business Lines," 23 May 1925, RG 84, ER Constantinople, NA, file 600 Commercial Relations.

<sup>9</sup>Bell to Bristol, 3 February 1923, RG 84, ER Constantinople, NA, file 851.2 Taxation.

<sup>10</sup>Radio dispatch, James Harriss to Alston Tobacco Company, 20 March 1923, RG 84, ER Constantinople, NA, file 850.3 Capital Corporations. This company took its name from its director, J. W. Glenn, a Reynolds' employee since 1905. Actually, Glenn Tobacco had been operating in Greece since 1922. Tilley, Reynolds, pp. 234-35.

American Tobacco Company of the Orient (American of the Orient), a subsidiary of American Tobacco Company, began buying aromatic tobacco in Turkey.<sup>11</sup> These companies, like Gary and Alston, purchased and processed aromatic leaf for their parent company.

The establishment of new firms in Turkey, however, should not be interpreted exclusively as a gesture of American confidence in Atatürk's regime. The fact that Standard Commercial, previously the primary buyer for R. J. Reynolds, was at the center of unspecified controversies and rumors of unethical practices certainly encouraged Glenn's creation.<sup>12</sup> The ultimate motives behind these companies' involvement in Turkey are unknown, but this does not deny the significance of their establishment. Rather than fleeing from the nationalist revolution, every one of the Big Four American tobacco manufacturers was willing to risk the uncertainties in Turkey, abolition of the capitulations notwithstanding.

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<sup>11</sup>"J. E. Archbell Here From Athens, Greece," USTJ, vol. 103, no. 16 (1925): 8; memo of conversation between Russell Henry Kuhn (American of the Orient) and the Ambassador, 3 January 1930, RG 84, ER Angora (Correspondence), NA, file 350 Claims; memo "Regarding Income Tax Cases Against the American Tobacco of the Orient, Inc.," n.d., 1932, RG 84, ER Istanbul, NA, file 851.2 Taxation. By 1925 American of the Orient had also begun the registration process. A. Wallace Treat, "Certificat," 10 December 1922, RG 84, CPR Smyrna, NA, file 621 Documentation of Merchandise.

<sup>12</sup>Tilley, Reynolds, pp. 234-35.

The nature of Turkish nationalism presented another problem for the Turkish-American tobacco trade. Ziya Gökalp, the seminal ideologist of Turkish nationalism,<sup>13</sup> defined the Turkish nation as including only Turkish-speaking Muslims.<sup>14</sup> The government of the Turkish Republic embraced the concept of an homogeneous Turkish nation. One aspect of this policy's implementation was the expulsion of most of Turkey's Greek population, in accordance with the February 1923 convention signed in Lausanne (see p. 52-3).<sup>15</sup> By 1930 almost 2,000,000 Greeks had left Turkish territory and were replaced by only 500,000 Muslims. To say "replaced," however, is misleading. Many, but not all, of the departing Greeks were skilled artisans, merchants, and professionals; almost 90% of the immigrating Muslims were peasant farmers. Even the non-farming Muslims were frequently settled in agricultural locations.<sup>16</sup>

Although the Turkish Republic had created a Ministry of Reconstruction, Exchange, and Settlement in November 1923, the state had no central plan for settling immigrants

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<sup>13</sup>Shaw, Reform, p. 301-04.

<sup>14</sup>Uriel Heyd, Foundations of Turkish Nationalism, The Life and Teachings of Ziya Gökalp (Westport, CT: Hyperion Press, 1950), pp. 130-2.

<sup>15</sup>The bulk of the transfers took place prior to 1926. Hershlag, Turkey, p. 2.

<sup>16</sup>Ladas, Exchange of Minorities, pp. 705-19.

on an economically advantageous basis. Incoming Muslims were settled in lands vacated by exiting Christians. For example, some immigrants from Macedonia, specialists in tobacco cultivation, were settled in mountainous Anatolian territories more suited to vine crops. They removed the vineyards, planted tobacco, and disappointedly learned why grapes had been cultivated there in the first place. The Turks spent over \$4.5 million in their settlement programs, but the lack of adequate organization contributed to the financial hardship of the immigrants and of the economy as a whole.<sup>17</sup>

The exchange of populations inevitably affected American interests in Turkey and it had a direct impact on the tobacco trade. Before the expulsions, a large number of Greeks in the Izmir region had been tobacco farmers. In the opinion of Americans in Turkey, they would be missed:

The Greeks were good planters and it is maintained were more careful in their methods of cultivation and manipulation and in protecting the crop after being harvested. Before the war, most of the labor employees in the tobacco fields, and particularly all skilled labor, was Greek.<sup>18</sup>

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<sup>17</sup>Ibid.

<sup>18</sup>Corrigan, "Tobacco Industry of Smyrna," Report No. 34, 1 June 1927, RG 84, CPR Smyrna, NA, file 861.33 Field Crops-Tobacco, p. 22.

Franklin W. Bell of the Gary Tobacco Company described the damage of the Christian emigration to the industry. Responding to a consular request for information on the trade, Bell stated that "the war and the exodus of Greeks and Armenians proved a terrible blow to the Turkish tobacco industry." Quantifying the damage, he estimated the 1923 harvest of 28 million pounds to be one-third of Turkey's normal pre-war production. He offered the following advice on coping with these problems:

If peace soon can be concluded and the Turkish army disbanded so that the soldiers may go to work in the tobacco fields, the production of tobacco will naturally be increased. But in order that Turkey may compete with her principal competitor (Greece), it will be necessary either that Greeks be permitted to return to their farms in Anatolia or that Turkish planters, now residing in Macedonia and Thrace, be transferred to farms abandoned in Anatolia.<sup>19</sup>

The Greeks were not going to farm Anatolian soil again. It remained to be seen how well the immigrating Turks could replace the emigrants in a trade requiring skill born of experience. The diplomatic negotiations in Lausanne provided a number of guarantees for American commercial interests in Turkey, and the American cigarette

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<sup>19</sup>Franklin W. Bell to G. Bie Ravndal, 14 May 1923, RG 84, CGR Constantinople, NA, file 861.3 Tobacco. Ravndal placed Bell's words and ideas almost verbatim in his May 1923 report "Commerce and Industries of Turkey." G. Bie Ravndal, "Commerce and Industries of Turkey," 29 May 1923, RG 84, CGR Constantinople, NA, file 610 Trade Extension, p. 53.

manufacturers had decided to continue their operations in Turkey. But these commitments to American tobacco interests were of limited value, if Turkey's tobacco industry, damaged by the exchange of minorities, was unable to continue playing its role as a producer in the tobacco trade.

The statistics on American imports of Turkish tobacco would seem to support doubts about Turkey's capability in this role. Direct shipments of tobacco from Izmir to the United States decreased from 13.3 million pounds in 1922 to 1.6 million pounds in 1923.<sup>20</sup> Similarly, direct shipments from Samsun to the United States declined from 4.7 million pounds to .2 million pounds over the same period.<sup>21</sup> These figures, however, do not include the millions of pounds shipped indirectly to the United States via Trieste. One must also recall that shipments in any year usually consisted of crops from the previous year. The war had reduced production of tobacco in 1922; the Izmir fire destroyed a considerable amount as well. Thus, the 1923

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<sup>20</sup>"Annual Declared Export Return," n.d. 1923, RG 84, CPR Smyrna, NA, file 600 Commercial Relations; Samuel W. Honaker (Consul in Charge, Izmir) to Messrs. Sullivan and Company, 22 September 1925, RG 84, CPR Smyrna, NA, file 610 Trade Extension.

<sup>21</sup>Charles E. Allen, "Annual Declared Export Return," n.d. 1923, RG 84, CGR Constantinople, NA, file 600 Commercial Relations.

export figures do not necessarily imply a reduced Turkish capability as a producer, nor a reduced American interest in buying tobacco from Turkey.

Indeed, several factors reassured American buyers about Turkey's potential as a tobacco supplier. Production around Izmir increased from 1922 to 1923,<sup>22</sup> despite the numerous disruptions. During the same time period, the number of growers in the Samsun region also grew by one third.<sup>23</sup> Tobacco production for the entire country in 1923, 57.5 million pounds (see Table 1), was above the 1919-22 average of about 50 million pounds.<sup>24</sup> As prices had doubled compared to previous years, there was evidently strong demand for this tobacco.<sup>25</sup> Turkey could and did continue to play its role as a producer of aromatic tobacco, even during this time of uncertainty.

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<sup>22</sup>In 1922, 20,224 growers produced 15,675,429 pounds. In 1923, 24,708 growers produced 16,473,170 pounds. "The Tobacco Industry at Smyrna," Tobacco Markets and Conditions Abroad, no. 113 (1927): 6 (Tobacco Markets and Conditions Abroad hereafter cited as TMCA).

<sup>23</sup>In 1922 there were 6,120 growers and in 1923 there were 8,039. P. E. King (Alston Tobacco) to Consul General, 6 September 1924, RG 84, CGR Constantinople, NA, file 861.3 Tobacco.

<sup>24</sup>Ravndal, "Commerce and Industries of Turkey," 29 May 1923, RG 84, CGR Constantinople, NA, file 610 Trade Extension, p. 53.

<sup>25</sup>Ravndal, "Commerce and Industries of Turkey," 29 May 1923, RG 84, CGR Constantinople, NA, file 610 Trade Extension.



Though Turkey proved resilient as a producer, its secondary role, as manipulator of aromatic leaf, faced more serious challenges. The exodus of minorities not only created a shortage of experienced growers, but as P. E. King of Alston Tobacco wrote, there were no experienced tobacco manipulators left in the Samsun region; they had all emigrated to Greece. Alston Tobacco and other companies were forced to hire and train new personnel, presumably all Turkish.<sup>26</sup>

Losses around Samsun, however, were not the gravest of the tobacco companies' problems. The primary manipulating center in Turkey for American-bought tobacco had been Izmir,<sup>27</sup> but after the fire of 1922, Izmir was ill-equipped to support this industry. Much of the city was in ruins, most of the skilled Christian workers had fled, and insurance rates for property and tobacco stocks were exorbitantly high. The new regime was a wild card; no one could predict its stability, much less how it would treat foreign-owned businesses. All these factors motivated American companies to seek a new location for manipulating their tobacco.

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<sup>26</sup>King to Consul General, 6 September 1924, RG 84, CGR Constantinople, NA, file 861.3 Tobacco.

<sup>27</sup>Manipulation facilities were also located in Istanbul.

A new site needed to meet many requirements. The manipulation industry required cheap, efficient labor. For fermentation and storage, inexpensive real estate was desirable. In addition, shipping millions of pounds of tobacco required good harbors and transportation connections. Low tax and insurance rates were also important criteria.

New York City and low-wage Southern towns near the cigarette manufacturing centers in the United States may have met many of these requirements, but an additional factor made them unsuitable. As mentioned previously, since 1890 the American government had levied a \$.35 per pound import duty on unstemmed cigarette leaf tobacco.<sup>28</sup> Manipulation not only isolated quality tobacco from bulk purchases, it also isolated grades of tobacco not suitable for American use.<sup>29</sup> Removal of inferior tobacco before shipping it to the United States avoided costly duty charges; delaying importation of the tobacco for a year while it fermented postponed large payments as well. Therefore, it was advantageous to locate the manipulation

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<sup>28</sup>U.S. Tariff Commission, "Trade Agreement Digest," p. 32; Gordon, American Relations, p. 184.

<sup>29</sup>On average, this low grade tobacco amounted to 12% of the manipulated tobacco. Department of Commerce, Bureau of Foreign and Domestic Commerce, "The Manipulation of Eastern Tobacco in Trieste," TMCA, no. 304 (1931): 1-2.

industry outside the United States. At the same time, manipulating tobacco in a middleman country with tariffs similar to those in the United States would have been no better.

The requirements for an alternative to Turkey's role in the manipulating industry were demanding. The American tobacco men felt that the Italian port of Trieste met these requirements. Trieste offered a number of advantages. The Porto Duca d'Aosta and Porto Vittorio Emanuele II, two free zones, were areas outside the customs jurisdiction of the Italians. Here, tobacco could be manipulated and stored without the assessment of duties. Trieste possessed an abundance of low-cost and efficient labor in Trieste (experienced tobacco graders received \$.50 for an eight-hour day as late as 1932). Insurance cost one-third what it did in Greece. Trieste provided better housing for the industry than Izmir; the ports were superior; and direct shipping connections to America and good rail connections to central Europe were available.<sup>30</sup> Although the American companies did manipulate tobacco in other European cities during the interwar period--Glenn Tobacco, in particular,

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<sup>30</sup>George M. Hanson (Consul, Trieste), "New Tobacco Company in Trieste," 22 May 1924, RG 84, CPR Trieste, NA, file 861.3 Tobacco; "The Manipulation of Eastern Tobacco in Trieste," TMCA, no. 304 (1931): 1-2; "Manipulation of Tobacco at Trieste," TMCA, no. 428 (1933): 5-6.

shipped large quantities to Pireaus, Greece<sup>31</sup>--the tremendous volume shipped to Trieste made it far and away the most important site for American manipulation of Turkish tobacco.

After the Izmir fire, the administrators of Trieste's Magazzini Generali (bonded warehouses) permitted Gary Tobacco to use the facilities in the free port. In February 1923, Franklin W. Bell of Gary declared the transfer of operations a success: almost four million kilograms of tobacco were being processed by 1,200 Gary employees. Bell noted that "all of our friends"--the other American tobacco companies--had also shipped their Izmir purchases to Europe for processing.<sup>32</sup> Although Bell expressed the desire to continue some manipulation work in Turkey as long as possible,<sup>33</sup> Gary's decision to remain in Trieste, and the fact that other major companies followed suit, indicate a lingering skepticism about Turkey's role in the tobacco trade.

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<sup>31</sup>W. Perry George (Consul, Izmir) to Charles E. Allen, 22 May 1933, RG 84, CPR Izmir, NA, file 861.33 Field Crops-Tobacco.

<sup>32</sup>According to Bell, Gary Tobacco was the only American company to maintain large-scale manipulating facilities in Izmir immediately after the war. Bell to Admiral Bristol, 3 February 1923, RG 84, ER Constantinople, NA, file 861.3 Tobacco.

<sup>33</sup>Ibid.

The American tobacco companies encountered trying setbacks in their attempts to recoup losses suffered in the Greco-Turkish War. The Turkish and American diplomats at Lausanne had agreed to handle American claims outside of the treaty negotiations, but as noted previously, the failure to ratify the Turkish-American delayed the claim commission's convention until 1933-34.

One American tobacco company was able to press a claim immediately. In this case, curiously enough, the company sought compensation on the grounds that the Turks were not responsible for damages to American property during the war, more specifically, that the nationalist forces were not responsible for the fire that destroyed stocks of tobacco in Izmir 1922.

Prior to the Turkish occupation of Izmir, Guardian Assurance Company, a British firm, insured the American Tobacco Company's stocks of aromatic leaf in Izmir warehouses. When the fire destroyed this tobacco, American Tobacco sought compensation from the insurer. Arguing that the insurance policy did not cover damages resulting from an act of war, including fire, Guardian refused to pay. The resultant civil suit came to trial in a London court in

December 1924.<sup>34</sup> American Tobacco lawyers contended that the fire was not the result of an act of war, but of arson by individuals and that such a calamity was possible in any Oriental city. Guardian countered that the nationalist Turkish occupation of Izmir had led to the fire and that the destruction was a result of war. Justice Rowlatt decided that there was a causal connection between the nationalist occupation and the fire: arsonists in the Greek and Armenian quarters of the city had been able to start the fires only because the Turks failed to maintain order and discipline in the newly-captured city. Although the Turks had tried to put the fires out, the conflagration was connected with their arrival and, thus, was a consequence of war. Rowlatt rejected American Tobacco's claim; the first attempt to recoup war losses failed.<sup>35</sup>

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<sup>34</sup>American Tobacco sued for £168,245 4s. 1d, but this suit was viewed as a test case which could have led to \$20 million in claims from other companies. "The Smyrna Fire: Insurance Claim; American Tobacco Company, Incorporated v. Guardian Assurance Company, Limited," Times, 20 December 1924, p. 4, col. e; "American Tobacco Co. Sues for \$2,000,000 Loss in Smyrna Fire," USTJ, vol. 102, no. 23 (1924): 5.

<sup>35</sup>"The Smyrna Fire: Insurance Claim, American Tobacco Company, Incorporated v. Guardian Assurance Company, Limited," Times, 20 December 1924, p. 4, col. e; Fred K. Nielsen, American-Turkish Claims Settlement: Under the Agreement of December 24, 1923, and Supplemental Agreements between the United States and Turkey, Opinions and Reports (Washington: Government Printing Office, 1937), pp. 24-6.

On the basis of this 1924 British ruling, American tobacco companies could--and would--hold the Turks responsible for American losses. The companies' original stance, i.e., that the Turks had not themselves burned half of the second most important city in Turkey, had been logical and had appealed to Turkish sentiment. It was far from certain that the Turks would accept a tactical reversal by the companies which would point an accusatory finger towards Ankara.

But this is precisely what occurred. The American tobacco companies filed claims against the Turkish government for the losses suffered in the Izmir fire. American Tobacco demanded \$469,760.85, Standard Commercial \$803,305.65,<sup>36</sup> and Gary Tobacco \$800,000.<sup>37</sup> In this second attempt, American Tobacco argued that "the approximate cause of the fire was the occupation of Izmir by the Turkish Army and the failure of the Turkish military authorities in occupying Izmir to maintain order."<sup>38</sup> American Tobacco had turned their former opponent's defense into their own offense, but this strategy foundered in the new judicial forum. The commission agreed with Justice

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<sup>36</sup>Nielsen, American-Turkish," pp. 128-41.

<sup>37</sup>F. W. Bell (presumably to Admiral Bristol), 7 July 1923, RG 84, ER Constantinople, NA, file 350 Claims.

<sup>38</sup>Nielsen, American-Turkish Claims," pp. 128-41, 145-8.

Rowlatt's decision that the Turks could not be blamed for starting the fire, but differed from Rowlatt by insisting that Turkish liability had to be established by the claimant. American Tobacco had to prove:

negligence of Turkish authorities in preventing incendiaryism and the spread of destruction of property; or acts of those authorities resulting in destruction; or liability for acts of soldiers, if loss is attributed to depredations said to have been committed by them.<sup>39</sup>

American Tobacco could not do this to the commission's satisfaction; the tribunal rejected all of the companies' claims of this type. The second attempt to recoup losses from the Izmir fire had also failed.

The American tobacco companies suffered from a different kind of war casualty as well. The companies had made advance payments to both Muslim and Christian growers in the Izmir region prior to the Turkish occupation. Just as the Greek army fled from the advancing nationalists, so did many Greek civilians. After the Christian Greek growers fled, the Turkish forces seized their tobacco as abandoned property and sold it at auction.<sup>40</sup>

Shortly after the Turkish victory, American of the Orient filed a claim for about \$80,000 with the Turkish

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<sup>39</sup>Ibid., p. 24.

<sup>40</sup>J[oseph] M. English (American of the Orient) to Joseph C. Grew (Ambassador, Istanbul), 26 March 1930, RG 84, NA, ER Istanbul, file 350 Claims.



ministry of finance for a reimbursement for such advances.<sup>41</sup> Gary Tobacco filed a similar claim. From July to September 1922 Gary paid roughly \$101,000 to Greek planters around Izmir, which represented 40% of the value of the planter's tobacco. During the same period, Gary paid about \$25,000 to Turkish growers in the region. The Turks delivered their contracted tobacco and were paid the balance due them; the Greeks fled and Gary received nothing.<sup>42</sup> In the summer of 1923, the Turkish Minister of Finance, Hassan Fehmi, recommended that the two companies be reimbursed "with utmost speed" with funds from the sale of confiscated tobacco.<sup>43</sup> No record of payment on these claims is available, but payment in full was almost certainly not made, as both of these companies refiled claims in 1930 for losses on these same advance payments to Christians: American of the Orient for about \$64,000<sup>44</sup> and

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<sup>41</sup>This is a rough conversion of the actual amount, TL 126,168. Ibid.

<sup>42</sup>F. W. Bell (presumably to Admiral Bristol), 7 July 1923, RG 84, ER Constantinople, NA, file 350 Claims.

<sup>43</sup>Memo, Hassan Fehmi (Turkish Minister of Finance) to Turkish Ministry of Finances, 7 June 1923, RG 84, ER Angora, NA, file 350 Claims; memo, Hassan Fehmi, 11 July 1923, RG 84, ER Angora, NA, file 350 Claims.

<sup>44</sup>American of the Orient requested TL 136,000, to be exact. English to Grew (Ambassador), 26 March 1930, RG 84, ER Istanbul, NA, file 350 Claims.

Gary for \$85,000.<sup>45</sup> The claims commission rejected these claims on the grounds that the companies could not provide sufficient proof of ownership of the confiscated tobacco.

With the signing on 25 October 1934 of a Turkish-American agreement, the Turks agreed to pay \$1.3 million to the American government for damages suffered by American citizens.<sup>46</sup> None of these funds, however, went to the tobacco companies.<sup>47</sup> Although the Turks honored their international agreements, the failure of the Turkish government to provide compensation for losses suffered by the American tobacco companies was certainly not an adequate answer to Franklin Bell's call for cooperation and support from the nationalists.<sup>48</sup> This failure to resolve satisfactorily the claims issue could only have decreased the companies' confidence in Atatürk's regime.

Traditional historiography treats the Lausanne Treaty as a diplomatic triumph for Turkey, the only defeated power

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<sup>45</sup>Memo of conversation between Joseph C. Grew (Ambassador) and Franklin W. Bell, RG 84, ER Angora, NA, file 350 Claims.

<sup>46</sup>The commission reduced this amount to \$899,388.09 in 1937. S. Walter Washington to Numan Menemencioglu (Acting Minister for Foreign Affairs), 23 September 1937, RG 84, ER Istanbul Confidential File, NA, file 400 U.S.-Turkey Claims.

<sup>47</sup>Nielsen, American-Turkish Claims, pp. 145-48, 128-41.

<sup>48</sup>Bell to Bristol, 3 February 1923, RG 84, ER Constantinople, NA, file 851.2 Taxation.

of the First World War to revoke a "Diktat" imposed by the victors.<sup>49</sup> Nevertheless, not all of the provisions of the Lausanne agreement worked to Turkey's advantage. One negative aspect was the retention by foreigners of all concessions granted prior to 1914.<sup>50</sup> This was true of the tobacco concession, the Régie, left in the hands of a French group and not due to expire until 1 April 1929. The treaty forbade Turkey to nationalize the tobacco monopoly, but a special convention made on 23 June 1923 between the Turkish government and the Régie allowed the Turks to purchase the concession from its foreign holders. The Turks definitely desired a change, for the Régie had "a certain objectionable political significance . . . savoring . . . of the former capitulatory regime in Turkey," and reminding Turks of the lack of sovereignty which the capitulations had represented.<sup>51</sup> In light of these factors, Julian Gillespie suggested in May 1924 that:

the present attitude of the Turkish government toward the . . . Régie . . . be discreetly

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<sup>49</sup>Bernard Lewis, The Emergence of Modern Turkey (London, New York, and Toronto: Oxford University Press, 1961), p. 249; G. Lewis, Modern Turkey, p. 87; Shaw, Reform, pp. 365-69.

<sup>50</sup>Hale, Political and Economic Development, pp. 38-9; Hershlag, Turkey, pp. 17-30, 45.

<sup>51</sup>Julian E. Gillespie, "Turkish Tobacco Monopoly," Special Report No. 104, 30 May 1924, RG 84, ER Constantinople, NA, file 860.2 Monopolies and Concessions.

communicated to American concerns who might possibly be interested in same, with the view that some American group may possibly find it advantageous and desirable to study the tobacco monopoly in Turkey and enter into negotiations for acquiring same.<sup>52</sup>

Thus, Turkish nationalism created an opportunity for American tobacco interests to control the Turkish tobacco monopoly. Actually, Gillespie's suggestion was a mirror image of Hoffman Philip's 1913 plan (see pp. 8-10). Gillespie, "a popular and influential figure in Turkey,"<sup>53</sup> with as much insight into Turkish economic affairs as any American, certainly must have had cause to believe that his suggestion was grounded in reality. In fact, several conditions made his proposal reasonable.

First, in the early 1920s American investors, including the tobacco magnate James B. Duke, held long negotiations for the purchase of the French tobacco monopoly. Though ultimately unsuccessful in France, this was an investment opportunity similar to that available in Turkey. The Americans had promised to restructure the French monopoly on modern business lines;<sup>54</sup> surely the

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<sup>52</sup>Ibid.

<sup>53</sup>DeNovo, American Interests, p. 253.

<sup>54</sup>"Will France Sell Tobacco Monopoly to Americans?" USTJ, vol. 98, no. 2 (1922): 3; "France to Keep Tobacco Monopoly," USTJ, vol. 98, no. 12 (1922): 10; "Ask France to Sell Tobacco Monopoly: Duke, Whalen and Ryan Reopen Negotiations with the Government for Outright Purchase," New York

Turkish monopoly could stand even more modernization. Thus, there were incentives for both Americans and Turks to consider such an investment opportunity.

A second reason which made acquisition of the Turkish monopoly a viable concept was Turkish interest in American investment. Despite his nationalistic, anti-foreign impulses, even Atatürk was in favor of using foreign capital to Turkey's advantage. In 1923 he was quoted as saying that "our country is extensive. We require great effort and great capital. Therefore, we are always prepared to provide the necessary security to foreign capital on the condition that its profits be regulated."<sup>55</sup> Moreover, Turks expected American capital to come without the political strings that usually accompanied European investment.<sup>56</sup> The American government also expressed interest in the concept of investment in Turkey, as shown by Secretary of State Hughes's attempts to win at Lausanne international guarantees for American investments in Turkey

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Times, 11 February 1923, sec. II, p. 12, col. 1; "Whelan Plans 2,500 Stores for France: Tobacco Prices to be Reduced if Americans Obtain Right, He Says," New York Times, 12 February 1923, p. 13, col. 3.

<sup>55</sup>Robinson, First Turkish Republic, p. 106. Also see Hershlag, Turkey, p. 45.

<sup>56</sup>Trask, U.S. Response, p. 127 ff.

(see pp. 53-54).<sup>57</sup> Both Turks and Americans had an interest in dollars capitalizing Turkey, most notably demonstrated by the Grand National Assembly's granting of the revived Chester Concession to the Ottoman-American Development Company in April 1923.<sup>58</sup>

A third reason lay in the nature of the Turkish reaction to the Régie. Opposition to continued foreign control over a valuable revenue source arose not only because of Turkish nationalism, but also for economic reasons. In February 1923, tobacco farmers' representatives to an economic congress in Izmir voted to abolish the Régie and introduce free cultivation and exportation of tobacco,<sup>59</sup> a move presumably in the farmers' economic interest. Later the same year there was popular agitation for the abolition of the Régie, accompanied by propaganda that a government takeover of the tobacco monopoly would increase state revenues by LT 20 million,<sup>60</sup> a claim emphasizing the nation's economic interest in making a

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<sup>57</sup>Hurewitz, British-French Supremacy, pp. 312-8; DeNovo, American Interests, pp. 139-40; Evans, U.S. Policy, p. 396.

<sup>58</sup>DeNovo, American Interests, pp. 210-28; Gordon, American Relations, pp. 257-65, 275-84; Trask, U.S. Response, p. 130.

<sup>59</sup>"Turkey," Times, 26 February 1923, p. 9, col. d.

<sup>60</sup>"Anatolian Railways; Turkish Policy," Times, 28 November 1923, p. 11, col. f.

change. In early 1924, calls in the Grand National Assembly for replacement of the monopoly with a "banderolle" system--an excise tax on tobacco sales<sup>61</sup>--focused again on the national economic gains that were possible through liberalization. The American tobacco industry's profitability was certainly a strong recommendation for American management of the Turkish industry, if financial considerations were the principle concerns.

Yet despite these favorable factors, American tobacco interests did not take control of the Turkish tobacco monopoly. The third role of the tobacco trade in Turkish-American relations--as a focal point of American investment in Turkey--remained potential rather than actual. Control of the production, manufacture, and sale of tobacco in Turkey, along with influence over the international market for Turkey's tobacco, would have been lucrative and would have dramatically altered the nature of Turkish-American relations, given the economic importance of tobacco in Turkey.<sup>62</sup>

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<sup>61</sup>"Turkey; Fiscal Innovations," Times, 31 January 1924, Annual Financial and Commercial Review Section, p. 15, col. f.

<sup>62</sup>See Table 5 for the annual profits of the monopoly, and consider that the monopoly's earnings supplied as much as 10% of all government revenues in Turkey during the late 1920s. Hershlag, Turkey, p. 69.

The reasons for this failure remain unknown to this author, but this uncertainty does not detract from the importance of the monopoly issue in the historiography of Turkish-American relations. Historian Roger R. Trask has contended that nationalism was "foremost among the factors conditioning American relations with Turkey"<sup>63</sup> during this time. Obviously, a decision on the future of the tobacco monopoly would not be based on the principles of nationalism alone; rather, economic considerations were foremost in both popular and political thinking. This perception supports a thesis that is at odds with Trask's, namely that expounded by historian Leland James Gordon in his classic study of Turkish-American relations from 1830 to 1930, that "the accumulated evidence . . . leads to the conclusion that economic considerations lie at the base of international relations."<sup>64</sup> The Turkish tobacco monopoly not only presented American tobacco interests with an opportunity, but a study of the monopoly's fate also presents the historian an opportunity to re-evaluate broader Turkish-American relations. Such an examination demonstrates that although Turkish nationalism may have

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<sup>63</sup>Trask, U.S. Response, p. 242.

<sup>64</sup>Gordon, American Relations, p. 345.



influenced these relations, one should not neglect the important role of economics.

The damages of war, the loss of established privileges, the exchange of minorities, and the inability to receive compensation for legitimate grievances all made Turkey less inviting as a place for Americans to do business in 1922-23. The American tobacco companies' reactions to the changes in Turkey, however, were not so much a response to Turkish nationalism per se, as a response to economic factors. The response to the end of the capitulations was to remain in Turkey, even under uncertain circumstances. To the contrary, two new American companies established organizations in Turkey to buy aromatic tobacco. The major companies did remove their manipulating operations from Turkey, but this was more a response to the destruction in Izmir, the loss of experienced workers, and a concern for security in a troubled area, than a response to nationalist reforms. The claims issue had less to do with Turkish nationalism than it did with international law, and Turkish treatment of the tobacco monopoly actually created potential opportunities for American investment in Turkey.

Restated, the revolutionary changes in the new republic affected the Turkish-American tobacco trade, but Atatürk's reforms were not the only determinants of the

American tobacco companies' behavior in 1922-23. As the Turkish-American tobacco trade was fundamentally an economic relationship, the companies' responses to changes in Turkey were, understandably, determined by economic factors.

## Chapter Five

### More Changes, New Conflicts, 1924-26

In October 1923 the Grand National Assembly declared Turkey to be a republic and Kemal Atatürk to be its first president; thereafter the pace of revolutionary reform quickened. Laws passed by the Grand National Assembly to improve rural life and agricultural production included the abolition of the tithe and purchase of the tobacco monopoly. These changes, despite their magnitude, affected the American tobacco companies relatively little. More influential were the consequences of the capitulation's termination, namely, subjection of the companies to Turkish taxation. This chapter examines the impact of these changes during the period 1924-26.

Though Atatürk rapidly introduced westernizing reforms into Turkey, it was not the republican government's actions that were responsible for the doubling of tobacco production between 1923 and 1924, to over 114 million pounds (see Table 1). More important to this agricultural recovery were the high prices paid for the 1923 crop--a result of the shortage caused by the war--and favorable

growing conditions that increased the quality and average size of the harvest.<sup>1</sup>

The influx of Muslims from Greece and Macedonia also played a role in this production increase.<sup>2</sup> Though historians usually judge the exchange of minorities to have been deleterious to Turkey,<sup>3</sup> in 1924 the assistance of the incoming Muslims to the regeneration of the tobacco industry was considerable. Between 4000 and 5000 of these immigrants began growing tobacco in the Samsun region in 1924, bringing the total number of growers there to 13,000.<sup>4</sup> In all of Turkey, the number of growers increased by 50,000 over 1923, reaching more than 175,000 (see Table 1). This positive aspect of the exchange of minorities contradicts general assumptions that these populations transfers were detrimental to Turkey.

Four major American companies purchased tobacco in Turkey in 1924: Gary, Alston, American of the Orient, and

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<sup>1</sup>King to Consul General, 6 September 1924, RG 84, CGR Constantinople, NA, file 861.3 Tobacco.

<sup>2</sup>Allen, "Turkish Regie," 13 November 1925, DS 867.61331/9, M353, 66/1279-80.

<sup>3</sup>Hershlag, Turkey, pp. 26-7, 29-30.

<sup>4</sup>King to Consul General, 6 September 1924, RG 84, CGR Constantinople, NA, file 861.3 Tobacco.

Standard Commercial.<sup>5</sup> All of these firms had branches in Izmir.<sup>6</sup> In Izmir, Edward M. Yantis directed Gary's operations, W. P. Johnston led Alston, and Joseph M. English headed American Tobacco of the Orient.<sup>7</sup> In Istanbul, Franklin W. Bell managed Gary's headquarters,<sup>8</sup> and P. E. King ran Alston's operations.<sup>9</sup> In addition to the representatives in Turkey, the men in the home offices remained active. I. C. Gary of Gary Tobacco and Ery E. Kehaya of Standard Commercial were listed as Directors of the Federated American Chambers of Commerce of the Near East.<sup>10</sup>

In 1924, these four companies shipped over 7 million pounds of tobacco worth \$4.3 million from Turkey directly

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<sup>5</sup>Bell to Ravndal, 14 May 1923, RG 84, CGR Constantinople, NA, file 861.3 Tobacco. Alston was still purchasing in Turkey for R. J. Reynolds while Glenn operated in Greece and Macedonia. Tilley, Reynolds, pp. 234-5.

<sup>6</sup>Trade List provided by Consulate General, Izmir, 1 March 1924, RG 84, CPR Smyrna, NA, file 610 Trade Extension.

<sup>7</sup>Frederick G. Bird (Vice Consul, Izmir) to J. M. English; Bird to W. P. Johnston; Bird to Edward M. Yantis, 22 August 1924, RG 84, CPR Smyrna, NA, file 865.86 Manufactures.

<sup>8</sup>Bell to Ravndal, 14 May 1923, RG 84, CGR Constantinople, NA, file 861.3 Tobacco.

<sup>9</sup>Charles E. Allen to P. E. King, 3 September 1924, RG 84, CGR Constantinople, NA, file 861.3 Tobacco.

<sup>10</sup>Letterhead of Federated American Chambers of Commerce of the Near East, Inc., 19 June 1924, RG 84, CPR Smyrna, NA, file 610 Trade Extension.

to the United States (see Table 2). These figures do not include, however, tobacco shipped indirectly to the United States through Trieste. Neither American nor Turkish governmental statistics indicate how much of the Turkish tobacco shipped to Italy was actually destined for the United States. This lack of statistical information makes quantification of Trieste's importance impossible. Its significance, however, is demonstrated by American of the Orient's decision to follow Gary's lead and establish manipulating facilities in Trieste in 1923,<sup>11</sup> and by the start of Alston's operations there in 1924. In 1925, 9.8 million pounds of tobacco were shipped from Trieste to the United States, "but the major portion of the tobacco reported as from Italy consists of transshipments from Turkey."<sup>12</sup>

The Ankara government evidently did not approve of the decrease of manipulation in Turkey. In October 1924 Julian Gillespie reported on a proposed law which would have prohibited the exportation of unmanipulated leaf tobacco.<sup>13</sup>

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<sup>11</sup>George M. Hanson, "Tobacco Industry in Trieste," RG 84, CPR Trieste, NA, file 861.3 Tobacco.

<sup>12</sup>U.S. Tariff Commission, "Trade Agreement Digest," p. 40.

<sup>13</sup>Julian E. Gillespie, "Projected Law Relative to the Creation of a State Tobacco Monopoly in Turkey," Economic & Trade Note, 31 December 1924, RG 84, ER Constantinople, NA, file 860.2 Monopolies and Concessions.

Nationalistic impulses were likely to have played a role in sponsoring this law, but economic motives were certainly equally important, as bringing this law into effect would have created jobs in Turkey. The Grand National Assembly never passed the proposal, so Americans could continue letting financial considerations guide their involvement in the Turkish tobacco trade. Trieste stayed in business.

In 1925 the Turkish government took measures that did have an immediate impact on the tobacco trade. Especially important among these measures was the abolition of the tithe. In the previous year the tithe had provided roughly 40% of the total state revenues. By relieving the peasant majority of this disproportionately heavy taxation and shifting the burden to urban dwellers, Atatürk sought to improve rural life and win the support of this conservative group for his reforms.<sup>14</sup> The tithe had required tobacco growers to give 12% of their harvest to the tobacco monopoly. The abolition of this requirement in February 1925 represented a significant increase in potential earnings for the grower. It also forced the tobacco

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<sup>14</sup>The official 1927 census in Turkey listed the population at 13,600,000. 76% of these people were classified as living in rural settings. Shaw, Reform, p. 375.

monopoly to buy tobacco on the market, a consequence which could only bode well for tobacco prices.<sup>15</sup>

Another major change soon followed. On 28 February 1925 the Turkish government cancelled the tobacco concession long held by the Régie. The Turks paid the concessionnaire 40 million French francs and took control of the monopoly's assets on 1 March 1925.<sup>16</sup> The fate of monopoly, though, was uncertain. Ongoing discussion in the Grand National Assembly brought divergent calls for the banderolle system, for retaining the monopoly under Turkish administration, and even for granting the concession to other foreign commercial interests.<sup>17</sup> The assembly actually passed a law on 25 March 1925 abolishing the monopoly and establishing banderolle system, but the

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<sup>15</sup>Hershlag, "Turkey," pp. 12, 54; Shaw, "Reform," pp. 388-89; Gesellschaft zur Erforschung der Türkischen Geschichte, Geschichte der Türkischen Republic (Istanbul: Devlet Matbaasi, 1935), pp. 348-52.

<sup>16</sup>"Proposal to Extend Government Tobacco Monopoly," TMCA, no. 15 (1925): 1; "Turkish Monopoly Ends Next March," USTJ, vol. 102, no. 7 (1924): 26.

<sup>17</sup>"The Turkish Cabinet; Reported Dissensions," Times, 23 February 1925, p. 11, col. e; "Turkish Government Temporarily Takes over Tobacco Regie," USTJ, vol. 103, no. 25 (1925): 38.



assembly quickly reversed itself, leaving the monopoly in Turkish hands for another year, until 1 March 1926.<sup>18</sup>

The decisions taken by the Turkish government in the first three months of 1925 are significant for several reasons. First, despite the apparent revolutionary character of the decisions, there was as much continuity as there was change. The monopoly was to function in the same manner as it had in the past; only the the destination of the revenues was altered. On the one hand this represented a display of nationalism; on the other it was a pragmatic evaluation of how Turkish revenue resources could best be exploited. Second, the beginning of state control of the tobacco monopoly in 1925 conflicts with the standard interpretation of Turkish economic development. Historians traditionally view the 1920s as a "liberal" period, followed by an "étatist" period after 1929-30.<sup>19</sup> The 1925 rejection of a free-market approach to the tobacco industry represents an earlier adoption of state intervention than

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<sup>18</sup>"Proposal to Extend Government Tobacco Monopoly," TMCA, no. 15 (1925): 1; "Turkey to Abolish Tobacco Monopoly," USTJ, vol. 103, no. 25 (1925): 30; Althoff to Miller DuBrul & Peters Mfg. Co., 30 July 1925, RG 151, FDC Records, NA, file 303 Tobacco-Turkey.

<sup>19</sup>Hale, Political and Economic Development, pp. 33-85; Hershlag, Turkey, passim; Çağlar Keyder, "The Political Economy of Turkish Democracy," in Turkey in Transition, New Perspectives, ed. Irvin C. Schick and Ertugrul Ahmet Tonak (New York and Oxford: Oxford University Press, 1987), p. 33; B. Lewis, Emergence of Modern Turkey, pp. 275-82.

is typically recognized. Third, the plan to continue the monopoly under Turkish administration put a potentially effective tool for social change into the government's hands. One of the republic's foremost economic goals during its first decade was to improve the farmer's condition.<sup>20</sup> If the tobacco monopoly developed a purchasing policy not only according to its manufacturing requirements, but also according to socio-political goals, then the monopoly's ability to affect the market (e.g., by supporting prices) could directly affect American tobacco buying.

The new Turkish tobacco monopoly very quickly had an impact on the tobacco market. Monopoly purchases in August 1925 of 4.4 million pounds supported the market and firmed prices,<sup>21</sup> and the monopoly anticipated making total purchases of over 22 million pounds.<sup>22</sup> In a new tactic, the monopoly began buying directly from farmers in some areas, as opposed to purchasing only from the markets, as it had

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<sup>20</sup>Gesellschaft zur Erforschung, Geschichte, pp. 348-49.

<sup>21</sup>"Turkish Tobacco Market During the Month of August," TMCA, no. 15 (1925): 2.

<sup>22</sup>"The Turkey Tobacco Crop," TMCA, no. 16 (1925): 6-7; "Turkish Tobacco Market During October," TMCA, no. 23 (1925): 7-8.

previously.<sup>23</sup> Thus, the monopoly increased its capability to implement a more politically-minded purchasing program.

On 8 February 1926 the Grand National Assembly extended the life of the new Turkish tobacco monopoly for an additional three-year trial period.<sup>24</sup> The monopoly's trial year had proven successful, according to General Director Seifi Bey, who claimed that LT 11 million in revenues had been collected in the first year and that administrative costs had been reduced. Previously, it had taken four years to amass the same revenues as were collected in this one year. Moreover, the monopoly had improved its ability to resell the tobacco it had purchased.<sup>25</sup> Despite changes and improvements, the monopoly did not greatly affect American tobacco interests, largely because the American companies bought expensive grades of leaf and the Turkish monopoly purchased much lower quality grades; the two were non-competitive participants in the same market.

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<sup>23</sup>"Constantinople Tobacco Market During December, 1925," TMCA, no. 32 (1926): 6-7.

<sup>24</sup>"Turkey," TMCA, no. 27 (1926): 3; "Notes on Countries Supplying United States Tobacco Imports," TMCA, no. 192 (1929): 8.

<sup>25</sup>"Turkey," TMCA, no. 43 (1926): 5; "The Turkish Tobacco Regie," TMCA, no. 49 (1926): 7; "Notes on the Turkish Tobacco Market," TMCA, no. 68 (1926): 10.

In 1925, more acreage under cultivation by more tobacco growers produced a 124 million pound crop in 1925,<sup>26</sup> but even this was much smaller than expected. Drought in the Izmir region reduced the crop there by as much as 40%. The immigrants from Macedonia and Western Thrace once again affected the size of the crop. They had brought with them tobacco seeds which produced a high quality tobacco. This very aromatic type of tobacco produced small, fine leaves, a factor which contributed to the smaller-than-expected harvest.<sup>27</sup> Overall the quality of the 1925 crop was quite good, with little disease and few coarse-leaved tobaccos. As a result of high quality

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<sup>26</sup>Production figures should be taken as guidelines rather than exact facts. The Bureau of Foreign and Domestic Commerce had difficulties in choosing which statistics it should use for the production totals for 1925, because an international agricultural institute at Rome, the Department of Agriculture and the Turkish Monopoly all cited significantly different amounts. Louise Moore to Constantinople Office, 25 July 1928, RG 151, FDC Records, NA, file 303 Turkey; Julian E. Gillespie to Director of Bureau of Foreign and Domestic Commerce, 28 August 1928, RG 151, FDC Records, NA, file 303 Turkey. I have again chosen to use the figures provided by the Turkish Tobacco Monopoly, the only agency to claim that it weighed all of the tobacco produced in Turkey.

<sup>27</sup>These immigrants had other effects on the crop. Julian Gillespie cited newspaper articles which claimed that these immigrants would inaugurate "a new era of tobacco culture" in Turkey. J. E. Gillespie, "Turkish Tobacco Harvest," Economic and Trade Note, 14 January 1925, RG 84, ER Constantinople, NA, file 600 Commercial Relations. This positive result must be weighed in the overall evaluation of the exchange of populations.

and firm demand, prices remained steady for stored tobacco at the markets, and increased 10-15% for purchases directly from growers.<sup>28</sup> The American commercial secretary in Istanbul stated that "practically the whole of the Izmir crop and 8,818,400 pounds of the Samsun crop appears likely to be bought up by American firms."<sup>29</sup>

American cigarette consumption demanded this. On average, Americans smoked over three pounds of tobacco as cigarettes in 1926--more than 1,000 cigarettes per person--representing one-third of all the tobacco used in the United States.<sup>30</sup> Ery Kehaya of Standard Commercial estimated that more than 75% of these cigarettes contained aromatic tobacco,<sup>31</sup> making America by far the largest consumer of such leaf.<sup>32</sup> Thus, the marked changes in the tobacco industry in Turkey did not affect American tobacco companies' buying habits in Turkey as much as did the habits of smokers in the United States.

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<sup>28</sup>"Constantinople Tobacco Market During December, 1925," TMCA, no. 32 (1926): 6-7; "New Turkish Leaf Costs 10% More," USTJ, vol. 104, no. 3 (1925): 3.

<sup>29</sup>"The Turkey Tobacco Crop," TMCA, no. 16 (1925): 6-7.

<sup>30</sup>Milmore, "Tobacco Consumption," 10-11.

<sup>31</sup>"Ery Kehaya, Sailing For Europe, Forsees Bigger Tobacco Market," USTJ, vol. 104, no. 3 (1927): 7.

<sup>32</sup>"U.S. Largest Importer of Oriental Tobacco," USTJ, vol. 104, no. 12 (1925): 46.

Despite increasing consumption, the large Turkish crops of 1924 and 1925 tested the limits of the market's demand. The low prices for the 1925 crop, bought in 1926, caused growers to suffer more than usual from the persistent difficulty of financing their crops.<sup>33</sup> This was probably a factor in the slight reduction of the 1926 crop to 120 million pounds. Reports in 1926 stated that on average, American firms bought about 33 million pounds of tobacco annually in Turkey, including about 20 million pounds per year in Izmir.<sup>34</sup>

In 1926 one American official noted the growing trend of shipping Turkish tobacco directly from Istanbul to the United States, rather than via Trieste.<sup>35</sup> In fact, Gary

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<sup>33</sup>"Turkish Tobacco Industry," TMCA, no. 88 (1927): 5; "Turkey--Financing the Tobacco Crop," TMCA, no. 91 (1927): 4-5.

<sup>34</sup>This compared to estimated purchases of 26.5 million pounds by the Turkish Tobacco Monopoly and 14 million pounds by German importers. "Turkish Tobacco Market During October, 1926," TMCA, no. 76 (1926): 8-9; "Tobacco in Turkey," TMCA, no. 109 (1927): 6.

<sup>35</sup>Raymond A. Hare (Clerk, Istanbul), "Analysis of Declared Export Return for 1926," 11 April 1927, RG 84, CGR Constantinople, NA, file 600 Commercial Relations. This may serve to explain partially the discrepancy between Turkish and American statistics on the tobacco trade for 1926 and 1927. Manipulating tobacco in Turkey meant a delay in the exportation of tobacco grown in one year to the end of the following year, at the earliest. If shipped at the end of one calendar year, 1926 for example, it would appear in Turkish export figures under 1926. Much of this tobacco, however, would not arrive in the United States until early 1927, thus being listed as 1927 imports in

Tobacco discontinued its manipulation in Trieste during 1926.<sup>36</sup> In the same year Gary also reported employing 4,000 Turks in Istanbul, 2,000 in Izmir, and 1,000 in Samsun.<sup>37</sup> Other companies employed another 4,500 Turkish workers in Izmir.<sup>38</sup> By 1926 Turkey was recovering its role as a manipulator of tobacco, but it was not yet capable of ending American reliance on Trieste. Some companies hesitated to invest large amounts of capital to establish manipulating facilities without having the guarantees

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American statistics. The total of American figures for tobacco imports from Turkey for 1926 and 1927 combined is 30.8 million pounds; the total of Turkish figures for tobacco exports to the United States during the same two years is 29.7 million pounds--a relatively small difference. Thus, the apparent discrepancy between Turkish and American figures for these two years might be explained by the increasing American manipulation of tobacco in Turkey.

<sup>36</sup>Howard A. Bowman (Vice Consul, Trieste), "Annual Review of Commerce and Industries in the Trieste Consular District," 5 February 1929, RG 84, CPR Trieste, NA, file 600 Commercial Relations; Howard A. Bowman, "Summary Value of Declared Exports at Trieste," 4 January 1930, RG 84, CPR Trieste, NA, file 600 Commercial Relations.

<sup>37</sup>F. Lamot Belin to R. A. W. Treat, 22 October 1926, RG 84, ER Constantinople, NA, file 851.2 Taxation.

<sup>38</sup>Samuel W. Honaker "Commerce and Industries for 1926," Report No. 69, 29 December 1926, RG 84, ER Constantinople, NA, file 600 Commercial Relations. American of the Orient reported in 1925 that in all of Turkey it employed 30-35 permanent Turkish workers and 700 seasonal laborers at this time, paying wages of over \$2,000 per week during peak season. John H. Lane to Consul (Izmir), 1 July 1925, RG 84, ER Constantinople, NA, file 851.2 Taxation.

provided by formal diplomatic relations.<sup>39</sup> The failure of the Senate to ratify the Turkish-American treaty may have been, therefore, of significant economic consequence for Turkey.

The changes that the Turkish government effected between 1924 and 1926 held considerable potential for influencing the Turkish tobacco market and the American companies in Turkey. In many instances, however, it was unofficial government action that affected the American tobacco companies more deeply, in particular, the creative taxation schemes of local authorities. For example, in July 1925 the "defterdar" (local director of finance) assessed most of the American tobacco companies in Izmir with a school tax. By national law all residents of Turkey could be required to pay as much as 1% of their income for a school tax. John H. Lane, an employee of American of the Orient, objected to the LT 3000 tax on his company on the grounds that the defterdar had innovatively interpreted this law to apply to companies.<sup>40</sup> The Turkish Ministry of

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<sup>39</sup>"U.S. Cigarette Firms Awaiting Decision on American-Turkish Pact," USTJ, vol. 107, no. 3 (1927): 16.

<sup>40</sup>Taxes levied on other companies were as follows: Alston Tobacco, LT 6000; Gary Tobacco, LT 5000; Herman Sperry, LT 5000; Shark Tobacco, LT 5000; Macedonian Tobacco, LT 2000. John H. Lane to Consul (Izmir), 1 July 1925, RG 84, ER Constantinople, NA, file 851.2 Taxation; Honaker to Bristol, 2 July 1925, RG 84, ER Constantinople, NA, file 851.2 Taxation.



the Interior provided an interpretation of this tax law, stating that corporate bodies were liable to the school tax, but according to the amount of capital invested locally, rather than on the basis of its income, i.e., profits.<sup>41</sup>

The major tobacco manufacturers in America incorporated their subsidiary purchasers of aromatic tobacco with a minimal capitalization value. Gary's value, for example, was only \$6,250.<sup>42</sup> The parent companies paid the subsidiaries a paper profit on this amount--profit which was never seen in Anatolia.<sup>43</sup> The buying organizations sold their stocks of tobacco to the corporate parent at cost, so the subsidiaries in Turkey showed no real profits. Thus, the application of the school tax on the tobacco companies may have been proper, but the amounts were inordinately high.

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<sup>41</sup>Translation of article from the Constantinople "Provincial Gazette," 26 August 1925, RG 84, ER Constantinople, NA, file 851.2 Taxation.

<sup>42</sup>Gary Tobacco to Office of the Tax Collector (Galata), 5 December 1925, RG 84, ER Constantinople, NA, file 851.2 Taxation. Glenn's original capitalization value was \$1,000. Radio dispatch, James Harriss to Alston Tobacco, 20 March 1923, RG 84, ER Constantinople, NA, file 850.3 Capital.

<sup>43</sup>American of the Orient received 6% of its capitalization value in profits from the parent company annually. Memo, "Regarding Income Tax Cases Against the American Tobacco Company of the Orient, Inc.", n.d., 1932, RG 1984, ER Istanbul, NA, file 851.2 Taxation.

The school tax was only the beginning of an increasingly exasperating series of tax problems. In December 1925, local Turkish fiscal authorities requested that Gary Tobacco pay LT 15,000 for a military transportation tax. The company claimed that such high taxation was illegal and that a Turkish firm with a comparable capitalization value would only pay LT 30 or 40. Gary demanded a justification for this tax.<sup>44</sup>

Then, at the beginning of 1926, Alston Tobacco became involved in a much more serious case. Local authorities assessed the company's Istanbul office a military transportation tax of LT 10,000. Alston's protests resulted in an immediate reduction of the assessment to LT 7,500, partial proof of the whimsical nature of this tax. Admiral Bristol recommended that the company refuse to pay even this reduced amount, but after Alston employees followed his advice, local treasury department officials seized and sealed the Alston office on 26 January, threatening to sell the furnishings if Alston did not pay within 24 hours. Bristol's endeavors on behalf of the company succeeded in postponing the public auction of Alston's property, but numerous communications with Ankara failed to resolve the

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<sup>44</sup>The outcome of this dispute was not found in State Department records. Gary Tobacco Company to Office of the Tax Collector, 5 December 1925, RG 84, ER Constantinople, NA, file 851.2 Taxation.

dispute.<sup>45</sup> A correspondent for the London Times reported that,

the Turks openly stated to [one of the Alston managers] that this pressure was being put on Americans only, because they had not ratified the treaty of Lausanne, and that there was no intention to deal similarly with British, French, and Italian firms.<sup>46</sup>

The pressure on the Alston company came from as high as the ministerial level in Ankara. Minister of Finance Hassan Bey reportedly said to P. E. King's lawyer that no solution to Alston' case would be found until "conventions were exchanged between the United States and Turkey."<sup>47</sup> Admiral Bristol considered this intransigence to be entirely in character for Hassan Bey, and he therefore turned to Foreign Minister Tevfik Rüshtü Aras, who was better disposed towards American interests. Through this policy of divide and conciliate, the seals were removed from

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<sup>45</sup>Mark L. Bristol to Secretary of State (Kellogg), 7 May 1926, RG 84, ER Constantinople, NA, file 851.2 Taxation; "Turks Oppressing American Firms: Object Said to Be Forcing United States Signature to Treaty of Lausanne," New York Times, 29 January 1926, p. 4, col. 5.

<sup>46</sup>"Taxing Americans in Turkey," Times, 29 January 1926, p. 11, col. e.

<sup>47</sup>R. A. W. Treat to Ernest Linwood Ives (Delegate, Ankara), 21 April 1926, RG 84, ER Constantinople, NA, file 851.2 Taxation.

Alston's Istanbul office on 6 May 1926 although the tax had not been paid.<sup>48</sup>

The London Times stated that a wave of Turkish nationalism was responsible for many of the foreign companies' problems. Although laws of the Turkish Republic guaranteed the rights of all minorities and foreigners in Turkey, there was considerable anti-Christian and anti-foreign sentiment. Calls for "Turkification" of the economy and "Turkey for the Turks" were widespread and not limited to uneducated peasants;<sup>49</sup> even some Turkish government officials encouraged the elimination of foreign tobacco firms in Turkey.<sup>50</sup> Recalling the claims of Seifi Bey, the director of the tobacco monopoly, one might be led to think that the monopoly's increasing efficiency would make it capable of replacing the foreign buying organizations in Turkey.

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<sup>48</sup>Bristol to Secretary of State (Kellogg), 7 May 1926, RG 84, ER Constantinople, NA, file 851.2 Taxation; Ernest L. Ives to R. A. W. Treat, 7 May 1926, RG 84, ER Constantinople, NA, file 851.2 Taxation; memo, J. P. [Jefferson Patterson], 30 December 1929, RG 84, ER Constantinople, NA, file 851.2 Taxation.

<sup>49</sup>"Foreign Traders in Turkey," Times, 20 March 1926, p. 11, col. a.

<sup>50</sup>"Turks and Treaty at Lausanne," Times, 8 February 1926, p. 11, col. b.; Allen, "Turkish Regie," 13 November 1925, DS 867.61331/9, M353, 66/1286.

But Hassan Bey's blunt approach to foreign policy was not characteristic of Atatürk's foreign policy.<sup>51</sup> On the contrary, historians Roger Trask and John A. DeNovo praise Turkey's behavior during the interwar years for its use of legal, rather than martial, implements in its international intercourse, even in events simultaneous to the Alston lockout, such as the resolution of the Mosul question.<sup>52</sup> Incidents such as the Alston case, however, show that nationalism could influence Turkish foreign policy in a most undiplomatic manner, and that commerce and diplomacy were perceived to be inextricably intertwined.

Such dubious taxation methods as outlined above may not have reflected official Turkish policy, but did reflect popular opinion. Many Turks did not believe the claims of low profits made by the subsidiary tobacco-buying companies; they viewed the companies as deserving of taxation.

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<sup>51</sup>Bristol to Secretary of State (Kellogg), 7 May 1926, RG 84, ER Constantinople, NA, file 851.2 Taxation.

<sup>52</sup>The "Mosul Question," for instance, was resolved at this time. A League of Nations' council successfully arbitrated this conflict. In reference to the Mosul question, Trask writes: "Much to Turkey's credit, a potentially dangerous problem had been settled peaceably by compromise. Turkey illustrated the spirit which it was to demonstrate frequently during the interwar period." Trask, U.S. Response, pp. 218-19. In summarizing the United States' interaction with the international politics of the Turkish Republic between the wars, DeNovo states: "the two nations shared the belief that orderly diplomatic processes should govern international change." DeNovo, American Interests, p. 249.

The companies' claims of low profits were nominally correct. But low profits on small assessed values did not seem realistic to many Turks, who saw these companies spend millions of dollars on tobacco each year. Higher taxes were appropriate, according to the Turkish view.

A conflict of cultures was another factor leading to these unacceptable taxes. An encounter during July 1925 between Rufus W. Lane--a businessman, former American consul and long-time resident of Izmir--and a local tax collector illustrates this conflict. The tax collector informed Lane that he, like the tobacco companies, had to pay the school tax. The ensuing conversation took place:

Question (Lane): What is your authority?

Answer (Tax Collector): From the Defterdar.

Q: Who decided how much I should pay?

A: Five residents of Bournabat [Lane's home village].

Q: Who gave this commission authority to decide my tax.

A: The Mudir [village leader].

Q: Is there a law authorizing him to do that?

A: I never heard of such a law.

Q: How did all of this come about then?

A: Well you see we needed Ltqs. [Turkish lira] 11,000 for the schools in Bournabat and the Mudir decided we should collect it as was being done in other villages in Turkey. He therefore named a committee who decide how much each resident should pay, to make up that sum.

Q: On what basis did they decide how much I should pay?

A: I don't know but I understand that it is based on the manner of living of each person. The opinion of each delegate was taken and they decided that Ltqs. 80 would be about right for you.

- Q: It is then within the power of this committee to decide, absolutely at their own description [sic], how much every one must pay?
- A: Yes it is so.
- Q: Then having taxed me Ltqs. 80 this year they can make it Ltqs. 800 or 8000 next year, if they wish so. Is that so?
- A: Yes it is so but they probably will not do that.
- Q: Does the committee not give notice so a tax payer can present his side of the situation?
- A: Yes your names and the amount of the tax were posted on the door of the Mosque fifteen days before the tax was due.
- Q: Was any publication or notice given through the newspapers?
- A: No.
- Q: Will the same procedure be followed this year?
- A: No we will give notice in the papers or individually.
- Q: What will happen if I refuse to pay you?
- A: The Defterdar will take your furniture from your house in Bournabat and sell enough to cover the tax.
- Q: When will this be done?
- A: Within the next few days.

Following this conversation, Lane paid the tax under protest.<sup>53</sup>

The conflict expressed in this encounter runs much deeper than the eternal desire to evade the tax man; it is a genuine cultural conflict. Although Turkish society was being revolutionized, it still moved informally, with religious overtones, and with an understood sense of obligations. The two ways of thinking expressed in this conversation undoubtedly were paralleled in encounters between

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<sup>53</sup>Rufus W. Lane to Samuel Honaker, 12 July 1925, RG 84, ER Constantinople, NA, file 851.2 Taxation.

tobacco companies and the local authorities. This represented a classic, multifaceted conflict: a western, individualistic, legalistic view of man clashed with an eastern, communal, traditional view of society.<sup>54</sup>

Though very real conflicts existed, the highest-ranking American diplomats in Turkey often understated the severity of problems to the State Department. As Admiral Bristol once wrote to Secretary of State Hughes:

the difficulties encountered every now and then are not different in degree from those difficulties to which, during the Sultan's regime, they [American interests in Turkey] had become accustomed, and . . . the Turkish authorities in settling these difficulties have been found to be reasonable and well disposed.<sup>55</sup>

An Alston Tobacco employee concurred, noting that the difficulties of the 1920s generally stemmed from the overzealousness of a subordinate official and could generally be solved by going higher up the administrative ladder.<sup>56</sup> Whether problems were great or small, the American tobacco companies frequently turned to their official representatives for support. The response of the American government to these difficulties varied according to the request made

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<sup>54</sup>Robinson, First Turkish Republic, pp. 39-62.

<sup>55</sup>Bristol to Hughes, 8 December 1923, FRUS 1923, 2, 1150-51.

<sup>56</sup>H. W. Harvey (Alston Tobacco) to J. V. A. MacMurray (Ambassador), 17 March 1936, RG 84, ER Istanbul, NA, file 610.1 Survey of American Interests.



by the tobacco company involved. In relatively minor cases, such as the school tax incident, a company informed consular officers of a problem, but did not request official action. In more serious cases, e.g., the Alston closure, a company requested immediate representation by an American diplomat or consular official. In both types of cases the American State and Commerce Department officers in Turkey served the tobacco companies' interests well; when necessary, Admiral Bristol used the full authority of his office in support of the American tobacco interests.

American tobacco companies faced problems that ranged from the serious to the ridiculous. As an example of the latter, W. H. Day of Standard Commercial wrote to Admiral Bristol about a case involving his company's attempt to ship 300 kilograms of tobacco from Istanbul to Hamburg, Germany. It took from 11 May to 17 May 1926 for the Turkish officials to decide how to administer the export tax on this transaction. On 18 May they determined that a 2.5% tax would suffice. Then, stamps proving payment of the tax, which amounted to LT 4191.30, had to be attached to the shipment's invoice. Unfortunately, the only stamps available were of very small denominations, mostly one and two liras with only a few tens. It took seven men from 10:00 in the morning to 7:00 in the evening to attach the hundreds of stamps to the invoice, which finally measured

almost five feet wide by over four feet high. The invoice was finally approved, but the Turks requested that this bureaucratic nightmare not be sent with the tobacco to Europe, fearing the ridicule that it obviously deserved.<sup>57</sup> As Day pessimistically remarked in his letter to Bristol:

I believe that you will readily see that a continuation as [conditions] exist at present can only result in the eventual complete destruction of commerce. The papers are full of contradictory announcements concerning the application of the [export] tax and the city is full of rumours. All merchants are hesitant about shipping and I am informed that many ships that usually leave here with full cargoes are now leaving with no cargo whatsoever.

For your further confidential information we have not purchased neither do we intend to purchase any tobaccos of the 1925 crop.<sup>58</sup>

Though one 1927 consular report names Standard Commercial

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<sup>57</sup>W. H. Day (Standard Commercial) to Mark L. Bristol, 26 May 1926, RG 84, ER Constantinople, NA, file 851.2 Taxation. This inefficiency contrasts sharply with the official Turkish account of the orderly and sane conditions resulting from Atatürk's reforms. The Türk Tarihi Tetkik Cemiyeti (Society for the Research of Turkish History) had the self-proclaimed mission of bringing "Turkish national history into the light of truth." (Gesellschaft zur Erforschung, Geschichte, p. 328) In its 1935 Geschichte der Türkischen Republic, the society published before-and-after photographs of a land registry office in order to represent Turkey's pre-revolutionary chaos and post-revolutionary efficiency. Presumably, reality in Turkey was somewhere between Day's despair and the society's sycophancy.

<sup>58</sup>Day to Bristol, 26 May 1926, RG 84, ER Constantinople, NA, file 851.2 Taxation.

as an exporter from Izmir,<sup>59</sup> there are no State or Commerce Department records of this company buying tobacco on the Turkish market after 1925, though the company remained active in aromatic tobacco trading in other countries. Turkish harassment may not have been the only cause for Standard Commercial's departure, but it cannot be overlooked.

In October 1926, Turkish officials again asked Gary Tobacco to pay the military transport tax, this time in the amount of LT 8000. Turkish officials insisted that the Gary office would be closed down--à la Alston--if it did not pay the tax immediately. Gary employee F. B. Stem informed the American High Commission that he had received orders to quit all operations in Turkey if such action were taken.<sup>60</sup> There are no reports of either the Turkish threat or Gary's counterthreat being carried out, but the conflicts resulting from the changes in Turkey--especially the subjugation of American companies to Turkish taxation--would not go away.

Uncertainty concerning the fate of the Turco-American Treaty of Amity and Commerce also plagued American tobacco

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<sup>59</sup>John Corrigan, Jr., "Tobacco Industry of Smyrna," Report No. 34, 1 June 1927, RG 84, CPR Smyrna, NA, file 861.33 Field Crops-Tobacco, p. 25.

<sup>60</sup>Belin to Treat, 22 October 1926, RG 84, ER Constantinople, NA, file 851.2 Taxation.

companies in Turkey during this time. Despite the consistent support that the American high commission in Turkey provided the tobacco companies in coping with the far-reaching changes in Turkey and the occasional harassment, the lack of formal Turkish-American relations impeded the companies' work, as mentioned before. From the signing of the treaty in August 1923 until the Senate's action on the treaty in 1927, the State Department worked hard in support of the treaty's ratification,<sup>61</sup> and State Department officers in Turkey and the United States called upon men in the tobacco trade for assistance in this effort.

President Calvin Coolidge submitted the treaty to the Senate on 3 May 1924,<sup>62</sup> and both pro and con forces marshalled information and troops. The tobacco companies joined other commercial interests, missionary groups, and educators in Turkey in providing statements in favor of the treaty. With this ammunition in hand, Secretary of State Hughes told William E. Borah, chairman of the Senate Foreign Relations Committee, that "it is the unanimous opinion of the Americans who have interests in Turkey,

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<sup>61</sup>Trask, U.S. Response, pp. 240-5.

<sup>62</sup>Ibid., p. 36.

whether philanthropic or commercial, that the ratification of the Treaty is of the highest importance."<sup>63</sup>

The treaty did not, however, receive unanimous support in the United States. Opponents of the treaty had a full arsenal of powerful arguments. The treaty failed to require the new Turkish regime to accept any responsibility for the massacres of Armenians that the Ottoman government had supposedly committed during World War I; indeed it included no mention of the Armenian question. The treaty did not address the question of minority rights, as the Allied-Turkish treaty had. It accepted Atatürk's abolition of the capitulations and restrictions on church and missionary work in Turkey.<sup>64</sup> Prominent foes of the treaty included Armenian-Americans, Episcopal bishops, and Senator William H. King of Utah, who were more vocal and more effective than the treaty's proponents.<sup>65</sup>

Though no action was taken on the treaty in 1924-- indeed it never left the Senate Foreign Relations Committee --it remained a controversial political issue. The Democrats condemned it in their 1924 presidential plat-

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<sup>63</sup>DeNovo, American Interests, p. 160.

<sup>64</sup>Gordon, American Relations, pp. 210-1.

<sup>65</sup>Trask, U.S. Response, p. 37-40.

form,<sup>66</sup> lending weight to the belief that the treaty was not opposed so much for its content, but for its domestic political relevance. Democrats, in a move intended to damage the Coolidge administration, used the "Terrible Turk" stereotype to support their rejection of the treaty.<sup>67</sup>

The treaty remained in committee for most of 1925. It was reported out, but the Senate returned it to committee after only three weeks. Meanwhile, a new round of information and support-gathering began under the new Secretary of State, Frank B. Kellogg.<sup>68</sup> Meanwhile, in 1925 several internal disturbances rocked Turkey. Kurdish revolts in the southeast led to the government's assumption of dictatorial powers in March. The central government also had to act quickly to quash conservative groups that opposed the Ankara regime's reforms. The brief life of a second political party--opposing Atatürk's Republican People's Party--was snuffed out in June.<sup>69</sup> None of these disturbances affected American tobacco buying, but they

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<sup>66</sup>Ibid., pp. 158-9.

<sup>67</sup>Ibid. pp. 37-45.

<sup>68</sup>Kellogg became Secretary of State in March 1925 following the Hughes's resignation. DeNovo, American Interests, pp. 161-2; Trask, U.S. Response, pp. 37-45.

<sup>69</sup>Shaw, Reform, pp. 380-1.

underscored the fact that American companies were still without the protection of formal Turkish-American diplomatic relations if they needed them.

On 29 January 1926 the Senate committee finally recommended the treaty to the full Senate. Fearing that ratification was not imminent, however, Secretary of State Kellogg requested Bristol to negotiate a "modus vivendi" with the Turkish government that provided for mutual most-favored-nation treatment in commercial matters. Kellogg felt that a temporary agreement on commercial matters was necessary even though the treaty would have provided the most-favored-nation status. Bristol fulfilled Kellogg's request by an exchange of notes with Turkish Foreign Minister Tefvik Rüshtü Aras in February 1926.<sup>70</sup>

Kellogg's fears were soundly based as the Senate did not take up debate on the treaty before adjournment. Instead, discussion was scheduled for December 1926. This prompted Grew, in his capacity of acting secretary of state,<sup>71</sup> to ask Bristol to seek an extension of the February commercial modus vivendi. In advising Bristol how

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<sup>70</sup> Bristol to Tewfik Rouchdi [Tefvik Rüshtü Aras] (Minister for Foreign Affairs), 17 (18?) February 1926, Papers Relating to the Foreign Relations of the United States, 1926 (2 vols., Washington, 1938), 2, 999 (hereafter cited as FRUS 1926); DeNovo, American Interests, p. 162.

<sup>71</sup>Grew, the Undersecretary of State, assumed the duties of Secretary when Kellogg was away.

to parry any Turkish rebukes or threats for the slow progress on the treaty, Grew told the high commissioner to emphasize Turkey's economic interest in maintaining good relations with the United States.

For example, you should point out that should our fig and tobacco markets be open to the products of Turkey on less favorable terms than at the present time, the economic consequences in Turkey could not fail to be other than unfortunate.<sup>72</sup>

Leading State Department officers had reason to believe that American firms in Turkey needed the protection of these interim agreements, as some of the negative aspects of Turkish nationalism continued to vex American operations. In fact, local Turkish authorities shut down Alston company's Istanbul office in 1926 "because [the Americans] had not ratified the treaty of Lausanne"<sup>73</sup> (see p. 98). Even more serious, the London Times reported that "there are Turks . . . who declare that they are determined to oust the foreigner even at the cost of national prosperity."<sup>74</sup>

In 1926, the tobacco men intensified their efforts in

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<sup>72</sup>Grew (Acting Secretary of State) to Bristol, 24 June 1926, FRUS 1926, 2, 981-3.

<sup>73</sup>"Taxing Americans in Turkey," Times, 29 January 1926, p. 11, col. e.

<sup>74</sup>"Foreign Trading in Turkey," Times, 20 March 1926, p. 11, col. a.



support of the treaty.<sup>75</sup> Employees of American tobacco companies in Turkey--including I. C. Gary, F. B. Stem, and F. W. Bell of Gary Tobacco and W. P. Johnston and P. E. King of Alston Tobacco--signed a petition in support of ratification that was sent to the secretary of state in January.<sup>76</sup> In the United States, Standard Commercial Trading Company, Liggett & Myers Tobacco Company, and Lorillard Tobacco Company were just a few of the groups that signed another petition in favor of the treaty and sent it to the Senate in April.<sup>77</sup> The American tobacco manufacturers with extensive interests in Turkey obviously believed that the treaty was in their best interest.

Likewise, the State Department intensified its efforts. Undersecretary of State Joseph C. Grew gave one senator a list of reasons why the treaty should be ratified, including the statement that all the Americans in Turkey wanted ratification:

They see no reason why the work to which they and their predecessors have given many years of

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<sup>75</sup>DeNovo, American Interests, pp. 162-5; Grew, Turbulent Era, 1, 674-81.

<sup>76</sup>Council on Turkish-American Relations, "The Treaty With Turkey, Why It Should Be Ratified," pp. 70-4.

<sup>77</sup>DeNovo, American Interests, pp. 163-4.

effort should be lightly thrown overboard by the failure of ratification.<sup>78</sup>

Though this sentiment was true for the tobacco interests, the State Department may have gone beyond the bounds of discretion in obtaining evidence of the tobacco industry's support for the treaty. Admiral Bristol asked Charles E. Allen, the American consul in Istanbul, to write a letter of support for the treaty for the use of F. B. Stem, the vice-president of Gary Tobacco. An abbreviated, but almost verbatim version of Allen's letter appeared as a letter bearing Stem's signature in the pamphlet "The Treaty with Turkey: Why it Should Be Ratified."<sup>79</sup> In June 1926 the Council on Turkish-American Relations gave this tract to

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<sup>78</sup>Grew to Senator Charles Curtis, 20 May 1926, FRUS 1926, 2, 980.

<sup>79</sup>Allen's 11-page document began: "I have known Turkey for years under both the Young Turks and the Republican regimes. Being in the business of buying tobacco and preparing it for export to the United States I have been forced to come into contact with every class of the population from the peasant who grows the tobacco up through the merchant class to the government official." Stem's only change in the beginning of his 3-page document was to quantify his years in Turkey by including a "fourteen." Allen concluded: "I can see only two alternatives open to us: ratification and the consequent assumption of a position of equality with the other powers; or a complete rupture of relations for which there is not the slightest justification." Stem evidently agreed, he left Allen's version unchanged. Council on Turkish-American Relations, "The Treaty With Turkey, Why It Should Be Ratified," (New York, 1926), p. 98-100; memo, Charles E. Allen, 1 May 1926, RG 84, CGR Constantinople, NA, file 710 Political Relations-Treaties.

every senator and congressman and to 220 newspaper editors around the country.<sup>80</sup> Although the letter contained Stem's real sentiments regarding the treaty, Allen's authorship demonstrates a questionable degree of collusion among the pro-treaty forces.

After much maneuvering (and much delay), the Turco-American Treaty of Amity and Commerce came up for debate in the United States Senate in December 1926. The same arguments for and against the treaty that had been bandied about since 1923 were heard once more. Pro-Armenian pressure groups played on "emotional and uncritical prejudices" in their opposition to the treaty.<sup>81</sup> Democratic Senator King denounced the treaty and called for an inquiry, charging that the primary advisors of the American diplomats at Lausanne "were agents of oil and tobacco interests," and that these interests were behind the sellout of Christians in Turkey that this treaty constituted.<sup>82</sup>

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<sup>80</sup>DeNovo, American Interests, p. 164.

<sup>81</sup>Ibid., p. 166.

<sup>82</sup>"Asks an Inquiry on Lausanne Deal: Senator King Says 'Oil and Tobacco' Interests Forced the Cabinet to Accept Compact," New York Times, 24 December 1926, p. 4, col. 1. King's Senate resolution calling for an inquiry may be found in Congressional Record, 69 Cong., 2 Sess., 68, pt. 1, 910-1.

Finally, on 18 January 1927--three and one-half years after being signed--the treaty came to a vote. One Farmer-Labor, five Democratic, and forty-four Republican Senators voted for the treaty. One Republican and thirty-four Democratic Senators voted against it. Although this constituted an absolute majority of the votes cast, the count was six votes short of obtaining the two-thirds majority necessary to ratify a treaty. Partisan politics defeated a treaty that was both grounded in economic and political realities, and beneficial to American commercial interests.<sup>83</sup> As a result, Turkish-American relations remained uncertain.

In conclusion, the period from 1924-26 presented numerous challenges to American participants in the Turkish tobacco trade. Many of these complications did not arise from planned Turkish reforms, but from spontaneous problems with local authorities. The rapid development of some minor conflicts into crises threatening the entire operations of a tobacco company demonstrated the fragility of the American presence in Turkey. To augment the security of their investments, American tobacco manufacturers advocated ratification of the Turkish-American treaty. Their support for the treaty indicated that they

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<sup>83</sup>Galbraith, "Smyrna Disaster," p. 103; Trask, U.S. Response, pp. 44-45.

accepted the changes in Turkey, but that they were convinced of the necessity of Turkish-American diplomatic relations. That the American tobacco companies continued to operate in Turkey despite these many obstacles implied that the Turkish-American tobacco trade represented a mutual economic dependency. Both sides had incentives for making their commercial relationship work.

## Chapter Six

### New Beginnings, 1927-29

Not satisfied with the Senate's rejection of the Turkish-American treaty, the Coolidge administration established formal diplomatic relations with Turkey through executive action in February 1927. This important turning point in Turkish-American relations affected several aspects of the Turkish-American tobacco trade, but it did not end the problems of American tobacco companies in Turkey. This chapter examines the diplomatic rapprochement and the ongoing changes in Turkey between 1927 and 1929, and the tobacco companies' response to these changes.

On 18 January 1927, the same day that the Senate rejected the Turkish-American treaty, Secretary of State Frank B. Kellogg telegraphed instructions to Admiral Bristol, ordering the high commissioner to assure Turkish Prime Minister Ismet Inönü that the United States still desired good relations with Turkey. Kellogg directed Bristol to negotiate an agreement restoring diplomatic

relations between the two countries.<sup>1</sup> An exchange of diplomatic notes at the executive level would allow Kellogg to bypass the Senate, as this did not require congressional approval. Sending and receiving ambassadors was a constitutional right of the president.

On 17 February 1927, only one month after the disappointing Senate vote, High Commissioner Bristol and Turkish Foreign Minister Aras exchanged notes that established full diplomatic relations and prolonged the commercial modus vivendi of February 1926. The agreement regularizing diplomatic relations stated that the "essential provisions of the Turkish-American treaty . . . shall constitute the basis for the treatment, which . . . shall be accorded the nationals of the United States of America in the territory of Turkey."<sup>2</sup> Thus, the Coolidge administration obtained many of the defeated treaty's benefits while circumventing the domestic political opposition that had wrecked the treaty itself. While some of the same voices that had opposed the treaty in the

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<sup>1</sup>Kellogg to Bristol, 18 January 1927, Papers Relating to the Foreign Relations of the United States, 1927 (3 vols., Washington, 1942), 3, 766-8 (hereafter cited as FRUS 1927).

<sup>2</sup>Bristol to Rouschdy [Aras], 17 February 1927, FRUS 1927, 3, 794-5.

United States spoke out loudly against the new agreement, in general it was well-received.<sup>3</sup>

In his February 1927 telegraph to the high commissioner, Secretary Kellogg also ordered Bristol to inform İnönü that the economic interests of both Turkey and the United States required reciprocity in commercial matters. In particular, Kellogg instructed Bristol to caution İnönü that the president of the United States could retaliate against Turkish restrictions on American goods. Bristol was to say, indirectly, that the best targets for retaliatory measures were the most important Turkish exports of figs and tobacco.<sup>4</sup> Of these two products, tobacco was the more important as it comprised almost 50% of direct American imports from Turkey in 1927 (see Table 3), while figs and raisins together accounted for only 7%.<sup>5</sup> Bristol's velvety message emphasized the tobacco trade's larger importance.

Indeed, the aromatic tobacco was important in several ways. Tobacco was by far Turkey's most valuable export, and by 1929, the tobacco monopoly provided almost 10% of

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<sup>3</sup>Trask, U.S. Response, pp. 52-3.

<sup>4</sup>Kellogg to Bristol, 18 January 1927, FRUS 1927, 3, 766-8.

<sup>5</sup>Kazdal, "Trade Relations," p. 63.



the Turkish regime's income.<sup>6</sup> In the United States, taxes on cigarettes provided the federal government with more than \$900 million in revenues from 1927-29, and the states took in another \$27 million in tax revenues.<sup>7</sup> Most of the cigarettes so taxed contained aromatic tobacco. In addition, import duties on aromatic leaf from Turkey brought in \$14 million during this period. Again, these figures do not consider the economic consequences of the indirect tobacco trade, which equalled the direct trade's volume,<sup>8</sup> nor the hundreds of thousands of jobs provided by the tobacco industry in Turkey and the United States. This broad, well-recognized importance made the tobacco trade a diplomatic concern yet again in this period.

In May 1927, President Coolidge named Joseph C. Grew as the ambassador to Turkey, succeeding High Commissioner Bristol as the highest-ranking American representative there.<sup>9</sup> One of Grew's immediate concerns was commercial

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<sup>6</sup>Hershlag, Turkey, pp. 51, 68.

<sup>7</sup>The federal tax on cigarettes at this time was \$.06 per pack. The Tobacco Institute, The Tax Burden on Tobacco, Historical Compilation, vol. 19 (Washington, 1984), pp. 3-8.

<sup>8</sup>Corrigan, "Tobacco Industry of Smyrna," Report No. 34, 1 June 1927, RG 84, CPR Smyrna, Supplement, NA, file 861.33 Field Crops-Tobacco, p. 25.

<sup>9</sup>The appointment of Grew--career diplomat, signer of the 1923 treaty, and persistent advocate of better Turkish-American relations--boded well for American standing in Turkey. Trask, U.S. Response, pp. 54-60.

relations. In lieu of a commercial agreement between Turkey and the United States--something the 1923 treaty would have provided--it was necessary to maintain the commercial modus vivendi which provided mutual most-favored-nation trading status. Grew negotiated an extension of this agreement, for the period May 1928 to April 1929,<sup>10</sup> but this limited life-span meant that the problem of yet another extension would appear within months. The question whether Turks or Americans should broach the subject of negotiations on commercial matters was a sensitive one. If Turkey did not take the initiative, the United States would be left in a "hat-in-hand" posture that Grew wanted to avoid of asking for an arrangement.<sup>11</sup>

Grew wrote to Secretary Kellogg that Turkish Foreign Minister Aras had good reasons to open negotiations on commercial relations. The United States was the largest buyer of Turkish goods and the balance of trade between the two countries favored Turkey heavily. Any disruption of the American trade would harm Turkey. Without the tobacco trade, neither of these would have been true. At the same

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<sup>10</sup>Papers Relating to the Foreign Relations of the United States, 1928, (3 vols., Washington, 1942-43), 3, 950-4 (hereafter cited as FRUS 1928).

<sup>11</sup>Trask, U.S. Response, p. 110.

time Grew pointed out why Aras might not be inclined to open negotiations. If the modus vivendi lapsed, Turkish law would automatically increase duties on American imports into Turkey. If this occurred, however, the United States' willingness to respond with retaliatory tariffs on Turkish goods was questionable. Grew wrote:

The American tobacco interests alone would doubtless have something to say on this subject. If the Turkish Government is aware of this situation, there might be no great incentive to induce Turkey to take the initiative in the matter under discussion.<sup>12</sup>

In the fall of 1928, to Grew's relief, Aras requested negotiations for a commercial treaty.<sup>13</sup> Kellogg countered by proposing an indefinite extension of the commercial modus vivendi. As the reason for this move, Kellogg noted that lingering domestic political conflicts made Senate ratification of a treaty difficult. Kellogg argued for Turkish acceptance of his plan, stating again the importance of the American trade to the Turks and emphasizing the American president's legal ability to retaliate against any country discriminating against American commerce.<sup>14</sup>

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<sup>12</sup>Grew to Kellogg, 12 September 1928, FRUS 1928, 3, 958-60.

<sup>13</sup>Grew to Kellogg, 2 October 1928, FRUS 1928, 3, 961.

<sup>14</sup>Kellogg to Grew, 26 December 1928, FRUS 1928, 3, 962-4.

Both countries wished to protect their commercial interests and in formulating their negotiating positions, both countries perceived the tobacco trade as an effective weapon in their respective arsenals. Turkey would suffer from tariffs imposed against its tobacco. On the other hand, tobacco interests in America might make the imposition of such tariffs politically impossible. The tobacco trade was a double-edged diplomatic sword which was better left sheathed. Recognition of this fact, along with a new willingness in the Senate to view favorably a simple commercial treaty with Turkey, led to renewed treaty negotiations in 1929, despite the rejection of ratification by the Senate as recently as 1927.<sup>15</sup>

These negotiations led to the signing of a commercial treaty on 1 October 1929,<sup>16</sup> providing additional diplomatic support for the tobacco trade. The new treaty provided most-favored-nation status for customs and other duties. Some provisions of the treaty were open to different interpretations. Article I, for example, mandated taxation of foreign companies on the same basis as native companies. The Turks interpreted this article as not

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<sup>15</sup>Trask, U.S. Response, pp. 110-1.

<sup>16</sup>Text of the treaty found in Papers Relating to the Foreign Relations of the United States, 1929, (3 vols., Washington, 1943-44), 3, 838-40 (hereafter cited as FRUS 1929).

applying to taxes on profits and incomes of foreign firms. Though these taxes were conceivably included in Article I by the phrase "other duties and charges affecting commerce,"<sup>17</sup> Ambassador Grew accepted the Turkish interpretation. This gave the Turks a degree of liberty in taxing American corporations operating in Turkey, that became an important concession in view of later events. Both the State Department and tobacco interests, however, considered this treaty necessary. Some of the same groups that opposed the 1923 treaty spoke out again in 1930, but as Grew later put it, "by that time the Armenians . . . had shot their bolt."<sup>18</sup> After extensive lobbying by the State Department, the Senate ratified the commercial treaty without debate on 17 February 1930. This marked another new beginning, as it was the first approved treaty between Turkey and the United States since the 1917 break in relations.

This period witnessed another new beginning as well. For the first time, each of the four major American tobacco manufacturers had active subsidiaries in Turkey with no other serious American competitors operating there. In December 1927, the Big Four all maintained offices in Izmir

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<sup>17</sup>FRUS 1929, 3, 841-2.

<sup>18</sup>Trask, U.S. Response, p. 114.

to buy tobacco: Alston represented P. Lorillard; Gary, Liggett & Myers; American of the Orient, American Tobacco; and Glenn, R. J. Reynolds.<sup>19</sup> One American tobacco journal reported that these firms collectively bought from 17 to 22 million pounds of tobacco there each year. Three of these companies purchased from 6.5 to 9 million pounds around Samsun,<sup>20</sup> where they employed ten American tobacco buyers in 1927.<sup>21</sup> This new beginning, however, was not a consequence of renewed Turkish-American diplomatic relations and the security these ties represented. Rather, it represented the culmination of gradual changes over more than a decade, during which the subsidiary buying agent system had proven itself economically.

In contrast to the effect of diplomacy on American buying of Turkish tobacco, the renewal of diplomatic ties affected Turkey's manipulating role in the Turkish-American tobacco trade. In 1927 three American firms employed 3500

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<sup>19</sup>"Crop Prospects in Turkey," TMCA, no. 108 (1927): 9.

<sup>20</sup>In general, these companies sent 75% of their Turkish purchases to America, discarding the remainder as unfit or reselling it to buyers who did not demand leaf of a high quality--mostly Europeans. "The Tobacco Industry of Smyrna," TMCA, no. 113 (1927): 9; "Turkish Tobacco," TMCA, no. 166 (1928): 8.

<sup>21</sup>"Crop Prospects in Turkey," TMCA, no. 108 (1927): 9. The Glenn Company had no permanent employees in Samsun. Ed Leight, interview with author, Walkertown, NC, November 1985.

workers for manipulation in Izmir,<sup>22</sup> but new manipulation facilities there were essential. Existing structures were unsatisfactory makeshift buildings, lacking proper ventilation, lighting, and sanitary conditions.<sup>23</sup> These poor conditions resulted from two factors: the ongoing shortage of buildings since the 1922 fire, and an American unwillingness to construct new buildings given the "uncertainties of experimental tax legislation."<sup>24</sup> Following the renewal of diplomatic ties, however, two American companies made plans to build their own warehouses and manipulation plants in Izmir. Thus, as one consular pointed out, diplomatic initiatives did have an effect on the tobacco trade. The regularization of relations strengthened

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<sup>22</sup>Corrigan, "Tobacco Industry of Smyrna," Report No. 34, 1 June 1927, RG 84, CPR Smyrna, Supplement, NA, file 861.33 Field Crops-Alkaloid Plants, p. 14.

<sup>23</sup>This presents a sharp contrast to a November 1923 report in which H. G. McMillan, a Commerce Department officer in Turkey, reported that magazines where tobacco was processed and stored were "very clean, orderly and the work systematically directed." H. G. McMillan (Clerk to Trade Commissioner, Istanbul), "Smyrna Tobacco," Special Report No. 39, 14 November 1923, RG 84, ER Constantinople, 861.33 Field Crops-Tobacco.

<sup>24</sup>American companies had other concerns as well; as late as 1927 most of them still carried war-risk insurance on their property and tobacco in Izmir.

American companies' faith in Turkey as a site of the manipulation industry.<sup>25</sup>

But renewed diplomatic ties may not receive all of credit for this industry's gradual return to Izmir, because conditions in Trieste were influential as well. For instance, a 1927 currency revaluation in Italy made the Italian lira more expensive for Americans. The Italian Fascists opposed American companies' attempts to lower wages in response to this change. Increased shipping costs,<sup>26</sup> warehouse rental rates, and Magazzini Generali fees all contributed to making Trieste less attractive.<sup>27</sup> These factors did not immediately drive American firms out of Italy; American of the Orient and Alston still manipulated tobacco in Trieste, and Gary stored tobacco there in 1927.<sup>28</sup> American shipments from Izmir to Trieste

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<sup>25</sup>Corrigan, "Tobacco Industry of Smyrna," Report No. 34, 1 June 1927, RG 84, CPR Smyrna, Supplement, NA, file 861.33 Field Crops-Tobacco, p. 14.

<sup>26</sup>Shipping to America via Trieste was generally handled by Italian shipping firms, whereas, according to Dick English, American bottoms carried most of the shipments directly from Turkey. "Trieste Leaf Exports to America Increase," USTJ, vol. 109, no. 3 (1927): 39.

<sup>27</sup>"Trieste Leaf Exports to America Increase," USTJ, vol. 109, no. 3 (1927): 39; "Trieste Tobacco Receipts Decline," USTJ, vol. 109, no. 22 (1928): 27.

<sup>28</sup>Bowman, "Annual Review of Commerce and Industries in the Trieste Consular District," 5 February 1929, RG 84, CPR Trieste, NA, file 600 Commercial Relations; Bowman, "Summary Value of Declared Exports at Trieste," 4 January 1930, RG



increased through 1927,<sup>29</sup> and in that year, \$6 million worth of the Turkish tobacco shipped to Italy was actually destined for the United States.<sup>30</sup> But Trieste's economic boom of the mid-twenties was almost at an end.<sup>31</sup> Shipments of tobacco from Trieste to the United States reached their peak in 1927, and generally declined thereafter (see Table 7).<sup>32</sup> Ultimately, economic considerations determined where and how American tobacco manufacturers did business.

American tobacco companies demonstrated their reborn faith in Turkey as a target of investment. Tobacco companies' holdings made up 20% of all American investment in commercial and industrial enterprises in Turkey by mid-

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84, CPR Trieste, NA, file 600 Commercial Relations.

<sup>29</sup>Correspondingly, Corrigan cited a decrease from 1925 to 1927 in invoiced tobacco exports from Izmir to America. John Corrigan, Jr., "Annual Declared Export Return of the Consulate at Smyrna, Turkey, for the Calendar Year 1927," 1 January 1928, RG 84, CPR Smyrna, NA, file 600 Commercial Relations.

<sup>30</sup>"Turks Will Exploit Their Tobacco Here," USTJ, vol. 112, no. 20 (1929): 37.

<sup>31</sup>"Trieste To-Day," Times 24 December 1927, p. 7, col. a. The Times reported incorrectly that most of the American companies had left Trieste by 1927.

<sup>32</sup>Shipments from Turkey to Trieste decreased dramatically after 1926. (Kazdal, "Trade Relations," p. 203). But this was not solely due to changes in American shipping habits. The creation of a large tobacco trust in Germany in 1927 also influenced Trieste's trade because the trust began importing aromatic tobacco through Hamburg and decreased shipments through Trieste. "The Manipulation of Eastern Tobacco in Trieste," USTJ, no. 304 (1931): 1-2.

1929. This included \$100,000 apiece for Alston and American of the Orient, and \$500,000 for Gary. In the first half of 1929, Gary bought a building valued at \$450,000 for manipulating and storing tobacco in Izmir.<sup>33</sup> The speculation that American tobacco firms would make large investments in Turkey after the restoration of diplomatic relations became reality. Gary's purchase was a manifestation of faith.

One should note, however, the words that Franklin W. Bell of Gary Tobacco wrote to Admiral Bristol in February 1922. Less than five months after the fire ravaged Izmir, Bell stated: "It is our plan to continue manipulation at Izmir so long as it is possible for us to do so."<sup>34</sup> This same Bell was still in Istanbul in 1929.<sup>35</sup> Full diplomatic relations had not triggered the incentive or willingness to invest in Turkey, as they had been there all along. In the end, the effect of the improved diplomatic relations must

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<sup>33</sup>Memo, K. Carlson, "A Study of the Economic Life of Turkey," n.d., March 1930, RG 84, ER Constantinople, NA, file 850 Turkey-Economic Life of; V. Hall (Clerk, Izmir), "Survey of American Interests," 14 October 1933, RG 84, CPR Izmir, NA, file 610 Trade Extension, p. 9.

<sup>34</sup>Bell to Bristol, 3 February 1923, RG 84, ER Constantinople, NA, file 851.2 Taxation.

<sup>35</sup>Memo of conversation between Ambassador Grew and Franklin W. Bell, n.d., 1930, RG 84, ER Angora, Correspondence, NA, file 350 Claims.

be considered in conjunction with the economic factors that played a role in Gary's decision.

Of course, since diplomacy was not the only factor affecting the Turkish-American tobacco trade, the consequences of the Turkish government's reforms must also be analyzed. The efforts of Atatürk's government had no more effect than Turkish-American diplomatic relations had had, and both appeared rather insignificant in comparison to the role of market forces. Supposedly, the Turkish tobacco monopoly exercised "rigid control" over the tobacco trade in 1927 by supervising all phases of tobacco cultivation, transportation, manufacture and sale,<sup>36</sup> but this control was dubious at best. For example, the financial condition of tobacco growers remained desparate, in part because the government failed to alleviate the growers' chronic indebtedness. Despite a seventeenfold increase in loans by the Agricultural Bank since 1922,<sup>37</sup> the republic was incapable of stabilizing tobacco produc-

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<sup>36</sup>Corrigan, "Tobacco Industry of Smyrna," Report No. 34, 1 June 1927, RG 84, CPR Smyrna, Supplement, NA, file 861.33 Field Crops-Tobacco, p. 15.

<sup>37</sup>The Ottoman government established the Agricultural Bank in 1888 as an organ of the central government. In 1923, the republican regime re-organized the bank as a joint-stock company. In 1926 the government instructed the Agricultural Bank to organize agricultural credit cooperatives on the village level. The bank was reconstituted as a government institution in 1937. Robinson, First Turkish Republic, pp. 105, 107.

tion by ensuring adequate financing.<sup>38</sup> Growers in 1927 were still at the mercy of usurers who frequently were the head men of the villages.<sup>39</sup>

The Turkish government's ineffectiveness is especially glaring when compared to the effect that Americans had on the Izmir tobacco market in 1927. Normally, the tobacco merchants and American exporting companies began buying directly from growers on an agreed upon date in late September, by which time the majority of the crop was harvested and cured. The 1927 market, however, was not normal. Edward M. Yantis, the manager of Gary Tobacco in Izmir, initiated a bidding war by secretly instructing his agents to begin buying on Sunday, 21 August, at a price of 40 piasters per pound, 10 piasters above the average price of production.<sup>40</sup> Telegraphed reports that Gary buyers had made extensive purchases reached the other American firms in the evening of the same day. Feeling cheated and deceived, the rival companies immediately joined the fray and instructed buying agents to top Gary's opening offers. The frenzied competition drove prices to 48 piasters in a

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<sup>38</sup>Hershlag, Turkey, p. 56.

<sup>39</sup>Corrigan, "Tobacco Industry of Smyrna," Report No. 34, 1 June 1927, RG 84, CPR Smyrna, Supplement, NA, file 861.33 Field Crops-Tobacco, p. 11.

<sup>40</sup>100 piasters equal 1 lira. The average rate of exchange during 1927 was TL 1 = \$.51. Ibid., pp. 8-9.

few days, 83 piasters in a few weeks, and to as much as 107 piasters per pound for some tobacco. These inflated prices were for crops still growing in the fields. Growers were delighted, obviously, and a local paper praised Yantis "as a man with the brain power required for one of Napoleon's marshals." But this sweet harvest soon turned sour.

In the Izmir region many growers who had sold their crops in the field, did not put great effort into timely harvesting, carefully curing, or selectively sorting their tobacco. Instead, they delivered much unripened, poorly dried leaf to the purchasers, a portion of which was rain and disease damaged. The entire crop was regarded as inferior; as much as 25% of it was damaged. Naturally, the foreign buyers, and especially the Americans who demanded the highest grades of tobacco, would not pay for inferior goods and returned the low quality leaf to the growers. The growers demanded the agreed upon price for their entire crop, waste and all.

Some growers were angry and defiant, and their reactions were overtly nationalistic. In Akhisar, inland from Izmir, the vice-president of the local branch of the

"Türk Ocagi" (Turkish Hearth organization)<sup>41</sup> made a radical speech, exhorting the tobacco growers to action:

Farmers, you know that the American tobacco companies must have your tobacco. Are you men? Are you Turks? If the foreigners do not take it, let us drive them out of our country. You have guns; don't you know how to use them? Prove that you are Turks.<sup>42</sup>

Ambassador Grew relayed this information to Secretary Kellogg, but he downplayed the threat to American interests. Statements such as the above did not represent the official views of "Türk Ocagi," wrote Grew, and the American tobacco firms in Izmir had not even notified their superiors in Istanbul of any problems. Grew said, however, that anti-foreign sentiments existed, caused by the unusual 1927 tobacco market. Some growers had become suddenly wealthy, while others had suffered severely. These economic tensions did produce hostility, but this was not a product of sanctioned forms of Turkish nationalism.<sup>43</sup>

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<sup>41</sup>"Türk Ocagi" was a social and cultural society founded in 1912 which espoused Turkish nationalism. Heyd, Foundations, pp. 34-5; Shaw, Reform, pp. 301, 375-6.

<sup>42</sup>John Corrigan, Jr. to Joseph C. Grew (Ambassador), 12 November 1927, DS 867.61331/10, M353, 66/1293.

<sup>43</sup>Corrigan to Grew 12 November 1927, DS 867.61331/10, M353, 66/1293; John Corrigan, Jr., "Tobacco Market of Smyrna," 15 November 1927, RG 84, CPR Smyrna, Supplement, NA 861.33 Field Crops-Tobacco, pp. 2-3; Joseph C. Grew to Secretary of State (Kellogg), 21 November 1927, DS 867.61331/10, M353, 66/1288-90.

Thus, American participation was a dominant factor in the Turkish tobacco market, and in 1927 certainly more influential than the Turkish government's efforts. Rivalry among American companies affected not only price, but also the quality of the tobacco crop. The American presence, in this instance, also brought out the destructive side of Turkish nationalism.

The heavy demand for aromatic tobacco in 1927 was the result of several factors. Shortages in Greece in 1926 made American manufacturers seek compensation in the 1927 crops.<sup>44</sup> Stocks of aromatic leaf in America dropped to dangerously low levels in 1926 as cigarette consumption in the United States steadily increased.<sup>45</sup> The Turkish tobacco market of 1927 shows that improvements in the American cigarette market did not imply improvement in the lot of the Turkish tobacco farmer. Turkish tobacco production reached a record 153 million pounds in 1927, but due to the volume and the relatively low quality of the

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<sup>44</sup>Raymond A. Hare, "Analysis of Declared Export Return for 1926," 11 April 1927, RG 84, CGR Constantinople, NA, file 600 Commercial Relations.

<sup>45</sup>This is a possible explanation for the exceptionally high tobacco imports from Turkey and Trieste in 1927. Bowman, "Annual Review of Commerce and Industries in the Trieste Consular District," 5 February 1929, RG 84, CPR Trieste, NA, file 600 Commercial Relations.

crop, and despite the initial flurry of buying, many growers could not cover their costs of production.<sup>46</sup>

Atatürk was re-elected president of the Turkish Republic in November 1927,<sup>47</sup> and his program of reforms continued. Of direct relevance to the tobacco industry was a program begun by the tobacco monopoly in 1927. A technical bureau sponsored by the monopoly gave instruction in seed selection and provided free seeds to growers. The farmers that followed the monopoly's growing advice sold the seed they produced back to the monopoly, which then distributed that seed to other growers.<sup>48</sup> Other reforms that affected the tobacco trade less directly, but were nonetheless important to Turkey's integration in the western world, were the introduction of Arabic numerals in June 1928<sup>49</sup> and a Turkish alphabet based on Latin letters in August 1928.<sup>50</sup> In 1928, however, none of the reforms

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<sup>46</sup>"Review of the United States Tobacco Import Trade for 1928," TMCA, no. 192 (1929): 2; "Notes on Countries Supplying United States Tobacco Imports," TMCA, no. 192 (1929): 8.

<sup>47</sup>Gesellschaft zur Erforschung, Geschichte, p. 459.

<sup>48</sup>John Corrigan, Jr., "Tobacco Industry of Smyrna," Report No. 10, 31 January 1928, RG 84, CPR Smyrna, NA, file 861.33 Field Crops-Tobacco. Hershlag reports that farmers often sold the free seeds they received from the government, but Hershlag was making a general comment not necessarily related to tobacco growers. Hershlag, Turkey, p. 149.

<sup>49</sup>Gesellschaft zur Erforschung, Geschichte, p. 305.

<sup>50</sup>Ibid., pp. 317-19.



introduced by the Turkish government, not even the tobacco-specific reforms of the monopoly, had a decisive influence on the tobacco market in producing stability or prosperity.

Turkish growers reduced their plantings of tobacco in 1928 by 50,000 acres--fully one quarter--from the 1927 level, due to the poor marketing of the 1927 crop.<sup>51</sup> The harmful consequences of the "embarrassingly" large crop of 1927 demonstrate just how "uncontrolled" tobacco production in Turkey actually was, despite the tobacco monopoly's supervision.<sup>52</sup> But the decline in production from 153 million pounds in 1927 to 95 million in 1928 was not solely due to reduced planting. Much of the 1928 crop was damaged by "ak Damar" (white vein disease), brought on by hot north winds and high night-time temperatures during the growing season. Affected tobacco brought very low prices, below the cost of production, and in some districts crops failed completely.<sup>53</sup> In the worst-hit areas, American buyers chose to forfeit the advances they had paid to growers for

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<sup>51</sup>"Notes on Countries Supplying United States Tobacco Imports," TMCA, no. 192 (1929): 8.

<sup>52</sup>"Tobacco in Turkey," TMCA, no. 109 (1927): 6.

<sup>53</sup>John Corrigan, "Annual Declared Export Return," Report No. 4, 31 December 1929, RG 84, CPR Smyrna, NA, file 600 Commercial Relations; John Corrigan, "Survey of Commerce and Industries During 1929 in the District of Izmir," Report No. 15, 31 March 1930, RG 84, CPR Smyrna, NA, file 610 Trade Extension, p. 11.

options on crops, rather than to buy the damaged tobacco.<sup>54</sup>

The 1928 tobacco crop represents proof that market forces and growing conditions, not Turkish nationalist efforts, were still the primary determinants of tobacco production.

In 1928 only about 40% of the Izmir tobacco was of an acceptable American grade, that is, of a high quality, and American companies purchased tobacco at an average price of \$.30 per pound. The Turkish tobacco monopoly, by comparison, gave farmers \$.045 per pound for the tobacco they could not sell elsewhere. The monopoly used this tobacco in its own cigarette factories or sold it in Europe.<sup>55</sup>

Such efforts show that the Turkish government attempted to carry out a social policy through the tobacco monopoly, but that these efforts fell far short of supporting the tobacco growers when the market failed them. This failure takes on special significance because it occurred in an industry supposedly under the Turkish government's "rigid control."

The consequences of the tobacco trade's subjugation to free market forces became even more severe in 1929. The poor prices growers received for their 1928 tobacco made

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<sup>54</sup>John Corrigan, "The Tobacco Crop of the Smyrna District," Report No. 6, 15 January 1929, RG 84, CPR Smyrna, Supplement, NA, file 861.33 Field Crops-Tobacco, p. 7.

<sup>55</sup>John Corrigan, "Preliminary Survey of the Commerce and Industry of the Smyrna District in 1928," Report No. 20, 1 January 1929, RG 84, CPR Smyrna, NA, file 600 Commercial Relations.

them overly dependent on money lenders in 1929, who demanded rates from 60 to 120%. The financial difficulties in Izmir led to a harvest about half as big as the 1927 crop. The same results held true for the entire country. Growers produced only 80 million pounds versus the 153 million harvested in 1927.<sup>56</sup>

As usual, the American companies were among the first buyers in Izmir, one of the perquisites of paying the highest prices. There was, however, lively competition between the American companies to fill their requirements, especially during a year of shortage such as 1929. By mid-December American of the Orient had already purchased 7 million pounds in Izmir; Gary, 4.8 million; and Glenn, 5.7 million. In all, the American companies bought over 18 million pounds of the 32 million-pound Izmir crop at an average price of \$.66 per pound.<sup>57</sup>

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<sup>56</sup>Corrigan, "Survey of Commerce and Industries During 1929 in the District of Izmir," Report No. 15, 31 March 1930, RG 84, CPR Smyrna, NA, file 610 Trade Extension, p. 11.

<sup>57</sup>Corrigan, "Survey of Commerce and Industries During 1929 in the District of Izmir," Report No. 15, 31 March 1930, RG 84, CPR Smyrna, NA, file 610 Trade Extension, p. 11; "The 1929 Smyrna Tobacco Crop," TMCA, no. 256 (1930): 5-6; John Corrigan, "Smyrna Tobacco Crop," Report No. 67, 10 December 1929, RG 84, CPR Smyrna, Supplement, NA, file 861.33 Field Crops-Tobacco, p. 2, 7. The statistics for tobacco imports into the U.S. for 1929 are confusing. American consular invoices showed 6.4 million pounds shipped to the U.S., while official Turkish statistics report 5.2 million pounds of tobacco exported to the U.S., not an abnormal difference for these two statistics. Foreign Commerce and

The advantages American companies enjoyed in the Turkish tobacco market came not only as a result of paying higher prices for tobacco, but also from paying their Turkish employees much more than the tobacco monopoly could. Experts for the monopoly who scouted the tobacco as it grew and provided estimates of production and crop damage received between 80 and 100 Turkish lira per month. The Turkish employees in the field for American companies received 200 to 1000 lira per month. Understandably, it was "difficult for the monopoly to retain the services of competent men in the face of attractive offers from private business."<sup>58</sup> The American tobacco companies knew the tobacco crops more thoroughly and could, therefore, prepare more effective buying strategies than their competitors.

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Navigation of the United States reports 4.2 million pounds imported into the U.S. in 1929. However, figures in the U.S. Tariff Commission's "Trade Agreement Between the United States and the Republic of Turkey" of 1939, however, show that 22.5 million pounds were imported (p. 37). This is explained by a footnote which states: "Data revised since publication in Foreign Commerce and Navigation of the United States." There is a clear contradiction between the 4.2 million and the 22.5 million pound figures, a contradiction complicated by the fact that both sources state that the total value of all goods imported from Turkey into the U.S. in 1929 was \$12.2 million (p. 19). I am at a loss to explain this contradiction.

<sup>58</sup>Corrigan, "The Tobacco Crop of the Smyrna District," Report No. 6, 15 January 1929, RG 84, CPR Smyrna, Supplement, NA, file 861.33 Field Crops-Tobacco, p. 3.

Superior personnel was crucial to success in this foreign market and culture.

Despite the economic boon that the tobacco trade represented to Turkey, and despite the new diplomatic and commercial agreements that provided guarantees to American firms in Turkey, the tobacco companies did not receive all the cooperation from the Turkish government that they might have hoped for. Events in 1929 made this quite clear.

American tobacco companies paid local Turkish authorities taxes on profits according to arrangements made individually between a company and tax officials. American of the Orient, for example, normally paid a profits tax in Izmir for its branches in Turkey, both in Izmir and in Samsun. The Samsun branch then officially notified the Samsun fiscal authorities of this payment. According to the company's charter, American of the Orient received as profit 6% per annum on the capital invested in Turkey for equipment. This capital amounted to \$60,000 in 1928, \$40,000 in Izmir and \$20,000 in Samsun. Profits, then, would amount to \$3,600 for the whole country. In other years Turkish authorities levied 16% of this profit as a small profits tax.

American of the Orient paid the tax for 1928 in the usual manner, but through a "clerical oversight" failed to notify the Samsun authorities of this payment by the proper

time, March 1929. In October 1929, only days after the commercial treaty's signing, the local tax authorities served a summons for the Samsun branch of American of the Orient to pay LT 112,019.20 within fifteen days, or the company would be closed down. This sum was almost as large as the company's total capital investment in Turkey. One half of the amount represented a tax on the profits made on tobacco shipments for 1928, and the other half was a fine. The problem, as the American consul in Izmir later wrote, was that the Turkish authorities refused to believe that American companies were not making profits similar to those of any other tobacco merchant, between 5 and 10% on all tobacco purchases. Therefore, these authorities calculated what they believed to be a suitable tax and ignored the company's charter. This, of course, was not a new problem.

American of the Orient quickly turned to the American embassy, and diplomatic support staved off Turkish threats to shut down the company. Appeals to several courts, however, brought no favorable decision for American of the Orient, and the Turkish minister of finance stood behind the local authorities' demands for payment of the tax. At this point, in early January 1930, Russell Henry Kuhn, the assistant general manager of American of the Orient, came from company headquarters in Athens to Istanbul on his way to a meeting with Joseph M. English in Ankara. Kuhn made

it clear to Ambassador Grew that America of the Orient would withdraw all operations from Turkey if this "radical departure in method of taxation" continued. According to its own claims, American of the Orient purchased more Turkish tobacco in each year between 1926 and 1929 than any other foreign concern. Kuhn emphasized that his company could buy in Greece, Bulgaria, or the Soviet Union, leaving Turkey without one of its very best customers.<sup>59</sup>

So despite the 1927 exchange of notes and the 1929 commercial treaty, American companies in Turkey still faced uncertain business conditions. Such apparently arbitrary taxation demonstrates why American business had supported the retention of the capitulations during the negotiations in Lausanne. The Americans believed that only independence from Turkish fiscal control would bring security. On the

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<sup>59</sup>The case dragged on for several years. No indication of the outcome, however, is in the American consular or embassy records. But American of the Orient continued operations for many, many years, so it may be presumed that this dispute was satisfactorily resolved. P. W. Flanagan (American of the Orient) to Ambassador (Grew), 19 October 1929, RG 84, ER Angora, Correspondence, NA, file 350 Claims; memo of conversation between Russell Henry Kuhn (American of the Orient) and Ambassador (Grew), 3 January 1930, RG 84, ER Angora, Correspondence, NA, file 350 Claims; Herbert S. Bursley (Consul, Izmir) to General Charles H. Sherrill (Ambassador), 25 June 1932, RG 84, ER Istanbul, NA, file 851.2 Taxation; memo, "Regarding Income Tax Cases Against the American Tobacco Company of the Orient, Inc.," n.d., 1932, RG 84, ER Istanbul, NA, file 851.2 Taxation.

Turkish side, the presence of these well-off foreign companies making tremendous profits from the fruit of Turkish soil, while paying only token taxes was reminiscent of the capitulations and the affront to Turkish sovereignty that they represented.

The Turks assumed that these companies, or at least the parent companies of these tobacco-buying agents, were profitable. They did not know that American cigarette manufacturers earned excessive profits, which they usually did,<sup>60</sup> but they sensed that these profits were not returning to their source. Resentment of this relationship brought about cases such as the one involving American of the Orient, and this resentment threatened the future of the Turkish-American tobacco trade.<sup>61</sup>

In conclusion, negotiators of the various Turkish-American agreements between 1927 and 1929 repeatedly acknowledged the political clout of tobacco. As the dominant factor in the Turkish-American trading relationship, tobacco also was an influential element in the political relationship of the two countries. The product of these

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<sup>60</sup>Tennant, American Cigarette Industry, p. 385.

<sup>61</sup>This was not the only case in late 1929. Gary Tobacco was assessed another military transportation tax on 30 December, which Gary did not intend to pay. Memo, J.P. [Jefferson Patterson], 30 December 1929, RG 84, ER Constantinople, NA, file 851.2 Taxation.



negotiations were several diplomatic achievements that may have encouraged American investment in Turkey. Diplomacy, however, was not the sine qua non for investment in Atatürk's republic; economic considerations played an equally important role.

In Turkey, the regime's efforts to control the tobacco trade were unsuccessful, despite the tobacco monopoly's continuing regulation of all phases of the tobacco industry. Much more influential were factors such as weather, growing conditions, international demand for Turkish leaf, and especially American buying habits. The drastic swing from peak production in 1927 to low in 1929 vividly demonstrates the Turks' lack of control over the trade.

There were new beginnings in the late 1920s. Treaties and diplomatic notes laid the groundwork for a stable relationship between Turkey and the United States. At the same time, however, many of the traditional difficulties remained. Nationalist Turkey's hostility to any condition perceived as exploitative was a potential powderkeg, especially in times of economic stress.<sup>62</sup> New beginnings did not end old problems.

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<sup>62</sup>Osman Okyar, "Development Background of the Turkish Economy, 1923-1973," International Journal of Middle East Studies, 10 (1979): 330, 336.

## Conclusion

The tobacco trade played a crucial role in Turkish-American relations between 1923 and 1929. Growing demand for aromatic tobacco, especially after World War I, prompted American cigarette manufacturers to establish extensive buying organizations in Turkey. Through these subsidiary companies, the manufacturers imported millions of pounds directly from Turkey, and an equally large amount indirectly from Turkey, via other ports such as Trieste, Italy. As the most important Turkish commodity imported into the United States, tobacco also carried diplomatic significance, and both countries' statesmen perceived the trade as an economic means to broader political ends.

The American tobacco-purchasing companies' presence in Turkey left them vulnerable to the momentous changes taking place there in the 1920s. The Greco-Turkish War (1919-22) disrupted tobacco production and destroyed large amounts of the companies' property. The creation of a revolutionary republican regime in Turkey altered the rules of the game formerly played by foreign businessmen during Ottoman times. The radical changes agreed to at the Lausanne Conference (1922-23), such as the expulsion of minority populations and the abolition of the capitulations, wreaked

havoc in the tobacco industry, and also also subjected American tobacco companies to Turkish taxation that was frequently discriminatory and excessive.

But the Turkish-American trade remained perceptibly independent of both diplomatic initiatives and Turkish regulation, and in many ways the American tobacco buying in Turkey was more of a leading force in the tobacco trade than a passive presence. The economic importance of the trade brought it respect. American diplomatic initiatives during this period consistently supported the tobacco trade's welfare. Turkish leaders had to restrain their natural anti-foreign tendencies to allow the American companies to continue their operations in Turkey. This independence derived from the mutual economic benefits that the trade devolved upon both countries.

At the same time, however, the Turkish-American tobacco trade was a fragile enterprise. The Izmir fire and a distrust of Atatürk's regime caused the American companies to relocate the manipulating industry outside of Turkey. On several occasions, Turkish harassment led American companies to the brink of despair, and they threatened to quit all operations there unless the illegal annoyances were discontinued. The political rapprochement between Turkey and the United States did not resolve the many tensions created by the presence of profitable

American tobacco companies working in a war-ravaged, impoverished Turkey, but the trade's profitability, and the desire of millions of Americans to smoke fine tobaccos, made tobacco one of the fundamental and enduring links between Turkey and the United States.

The outline of tobacco's history, as provided here, will be sufficient to indicate that, despite its many vicissitudes, the "divine herb" has displayed an unusual virility. Man will not willingly relinquish the plant which supplies the means of satisfying the most social of his appetites.<sup>1</sup>

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<sup>1</sup>Jerome E. Brooks, The Library Relating to Tobacco Collected by George Arents (New York: New York Public Library, 1944), p. 15.

## Appendix

Table 1

### Tobacco Production in Turkey

	Total production in lbs.	Ave. output (lbs./ acre)	Acres of tobacco planted	Number of growers	Ave. acres/ grower	Ave. lbs./ grower
1923	57,518,086	719	79,795	125,542	.64	458
1924	114,352,510	777	146,193	175,962	.83	650
1925	124,105,530	816	150,877	179,651	.84	691
1926	119,751,920	748	159,086	169,266	.94	707
1927	153,448,740	757	201,134	178,496	1.13	860
1928	94,874,398	621	150,297	110,782	1.36	856
1929	80,475,190	670	119,510	81,550	1.46	987
1930	104,081,120	641	160,843	99,704	1.59	1,044

Source: Istatistik Yilligi, 1941-1942, vol. 13 (Ankara), p. 175.

Table 2

### Tobacco Exports from Turkey to the United States (According to Official Turkish Records\*)

	Pounds (in thousands)	Turkish Lira (in thousands)
1923	4,370	. . .
1924	7,127	. . .
1925	11,647	11,562
1926	14,189	10,675
1927	15,485	11,517
1928	16,105	12,998
1929	5,203	3,125
1930	13,785	10,423

Source: Istatistik Yilligi, 1934-35, vol. 7 (Ankara), p. 409.

\*Omissions indicate no data given

Table 3

Total Value of General Imports of Merchandise from Turkey to the United States and Percentage of these Imports Consisting of Tobacco  
(According to Official American Records)

	Dollars (in thousands)	
1910-14* (ave.)	19,251	. . .
1915-19* (ave.)	5,219	. . .
1919	37,003	41.8%
1920	39,767	49.1%
1921	20,143	46.9%
1922	21,693	57.0%
1923	13,009	14.6%
1924	14,616	29.9%
1925	14,648	38.1%
1926	16,832	32.9%
1927	20,070	49.6%
1928	18,388**	41.7%
1929	12,166	16.8%
1930	11,637	49.5%

Source: United States Department of Commerce, Bureau of Foreign and Domestic Commerce, Foreign Commerce and Navigation of the United States (Washington: Government Printing Office, 1923, 1924, 1925, 1926, 1927, 1928, 1929, 1930).

\*These two amounts are given for fiscal years, the rest of the amounts refer to calendar years.

\*\*This amount refers to "Turkey in Asia" only, "Turkey in Europe" is not included.

Table 4

Tobacco Imported into the United States  
(According to Official American Records\*)

	Total Imports		Imports from Turkey	
	Pounds (in thousands)	Dollars	Pounds (in thousands)	Dollars
1919**	. . .	. . .	14,973	15,469
1920**	. . .	. . .	21,817	19,512
1921**	. . .	. . .	13,780	9,441
1922**	. . .	. . .	19,649	12,368
1923	20,222	13,773	2,986	1,896
1924	36,965	33,134	6,995	4,375
1925	47,025	33,281	12,085	5,582
1926	36,159	22,519	9,812	5,530
1927	69,820	41,207	20,957	9,953
1928	40,335	20,614	15,624	7,664
1929	31,004	18,072	4,162	2,042
1930	39,872	17,725	14,280	5,758

Source: United States Department of Commerce, Bureau of Foreign and Domestic Commerce, Foreign Commerce and Navigation of the United States (Washington: Government Printing Office, 1923, 1924, 1925, 1926, 1927, 1928, 1929, 1930).

\*Omissions indicate no data available. Cigarette leaf tobacco statistics were isolated after 1923, and the cited statistics include only cigarette leaf from 1923 onward.

\*\*Includes Greece in Asia.

Table 5

## Profits of the Turkish Tobacco Monopoly

Dollars (in thousands)	
1926	9,746
1927	11,238
1928	11,366
1929	12,194
1930	11,460

Source: Istatistik Yilligi, 1934-35, vol. 7 (Ankara), p. 577.

Table 6

## Cigarette Leaf Tobacco Imported from Specified Consular Districts

	<u>Izmir Consular District</u>		<u>Istanbul Consular District</u>	
	Pounds	Dollars	Pounds	Dollars
1921	9,546,585	5,121,126	4,430,090	3,364,559
1922	13,264,245	7,497,293	4,663,754	4,210,805
1923	1,591,123	1,006,526	224,763	277,384
1924	7,959,115	4,395,425	103,210	119,908
1925	10,404,548	4,554,945	778,767	454,773
1926	9,431,612	4,276,733	3,679,025	3,432,155
1927	9,816,727	3,890,273	7,192,717	4,115,970
1928	14,104,918	6,617,935	3,039,951	2,002,946
1929	3,069,794	1,418,556	3,286,673	1,551,965
1930	10,416,621	3,684,350	5,087,546	2,377,788

Sources: Annual Declared Export Return, 1921-31 RG 84, CPR Smyrna and CGR Constantinople, NA, file 600 Commercial Relations.



Table 7

## Tobacco Imports into the United States from Trieste, Italy

	Pounds	Dollars
1921	none	none
1922	54,784	32,683
1923	3,194,385	1,858,064
1924	7,649,331	4,509,054
1925	9,777,883	6,256,197
1926	15,141,257	5,911,617
1927	16,785,129	7,025,004
1928	8,906,159	3,254,868
1929	10,083,529	4,585,531
1930	12,267,901	4,731,214

Source: Annual Declared Export Return, 1921-31, RG 84, CPR Trieste, NA, file 600 Commercial Relations.

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## Biography

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