Politics and Profit: The National Bank of Turkey Revisited*

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As part of her research into European economic activity in the Middle East in the early 20th century, Marian Kent published an article in 1975 on the National Bank of Turkey entitled “Agent of empire? The National Bank of Turkey and British foreign policy”.¹ Using Foreign Office documents and the private papers of some of the key civil servants involved, Kent comprehensively analysed the creation and chequered existence of this troubled enterprise, which was registered in Istanbul but founded with British capital. The National Bank enjoyed the initial support of the British and Ottoman governments, which were both keen to benefit financially and politically from improved commercial relations. Soon after its foundation in 1909, however, the National Bank's directors realized that they faced stiff competition from French interests, largely in the form of the Imperial Ottoman Bank, and that the Foreign Office would not jeopardize the entente cordiale by supporting competition with French business. Kent concluded that: “The British Government’s firm attachment to the policy of Anglo-French co-operation meant that the [National] Bank [of Turkey] received neither leadership nor true independent support from the Foreign Office, but a vacillating and half-hearted toleration”.²

By studying the significant collection of the National Bank's internal records held as part of the Sir Henry Babington Smith collection, however, it is possible to add to and qualify Kent’s analysis so that a measurably different picture emerges.³ While it is true that the National Bank did not receive “true

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³ I would like to thank the Master and Fellows of Trinity College, Cambridge for permission to quote from the private papers of Sir Henry Babington Smith. For biographical details on
independent support” from the Foreign Office, the private correspondence between Babington Smith, a career civil servant who was made President of the National Bank, and one of its founding shareholders, the influential financier Sir Ernest Cassel, suggests that those involved with the enterprise were all along aware of this, and that the National Bank, far from loyally towing the British line, was in essence a commercial not a political venture.4

In August 1909, the London press applauded the appointment of Babington Smith as President of the National Bank. He was a respected, competent and, apparently, well-liked administrator who answered the British government's call for help in leading the new banking enterprise in Istanbul, a city with which he was well-acquainted having previously served as British representative in the Ottoman Public Debt Administration.5 The appointment of a civil servant to such an important post would have sent a clear signal to the financial world that the National Bank enjoyed the support of the British government. According to press reports, the recruitment of such an admired figure was a triumph for British diplomacy.6 One correspondent went so far as to say: “It may be accurately predicted that the National Bank of Turkey will be the harbinger of a fresh regime in our foreign policy in the Near East”.7 The Morning Post struck a more cautionary, but insightful, note when it warned that Babington Smith’s appointment “does not of course imply any Government guarantee”.8 Indeed the real force behind the appointment was not the Foreign Office — it was Cassel, who had been trying to persuade a reluctant Babington Smith to accept the job since late 1908.9

In fact, Babington Smith had at first refused the offer of the National Bank’s presidency. Privately, this devoted family man did not want to disturb his children’s education; he was concerned that leaving the Civil Service would affect his pension rights; and he was unclear as to how he would be employed on his return. Underlying his initial refusal, moreover, was a basic lack of confidence in Britain’s position in the Ottoman empire and, as made


5 Babington Smith had served as president of the council in 1901.


8 Morning Post, 10 Aug. 1909.

9 However, Sir Edward Grey, then foreign secretary, did meet Babington Smith on 4 Dec. 1908 to discuss the position.