

A Historical Perspective on Entrepreneurial Environment and Business-Government-Society Relationship in Cyprus

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ABSTRACT

This article studies the entrepreneurial environment and business-government-society relationship in Cyprus during the Ottoman Empire period (1571-1878) and during the British Colonial period (1878-1960) with an emphasis on Cypriot Turks. These two periods have particular socio-cultural and economic importance in Cypriot history. Furthermore, these periods are significant in terms of setting out the basis of today's entrepreneurial culture and practices in Cyprus. This article presents insights on the governance styles, significant figures and positions within society during those periods. It also discusses the connections between administrative officials and businesses. By doing so, it aims to shed light on the entrepreneurial environment in each of these periods. Extensive research of historical documents and relevant literature suggests quite similar structures in both periods, yet more complicated relationships during the British Colonial period.

Keywords: Entrepreneurial environment, business-government-society relationship, Cyprus, business history, Ottoman Empire period, British colonial period,

1. Introduction

This article aims to shed light on entrepreneurial practices and business-government-society relationship during two of the most recent and influential periods of Cyprus; the Ottoman Empire period and the British Colonial period. This article provides insights to current entrepreneurs and foreign investors to understand the antecedents of business culture, certain practices and structures that originate from those two periods in order to better adapt to the current entrepreneurial environment.

The first section discusses each period, the way entrepreneurial practice and business-government-society relationship were shaped and the second section provides a discussion. This article is concluded with highlights from the findings and contribution of this piece to the current business history literature.

2. Contextual Highlights

Cyprus is the third largest island of the Mediterranean after Sicily and Sardinia and is situated, in the North-Eastern part of the Mediterranean Sea (O'Brien, 2001; Özkul, 2005). Throughout history, Cyprus was an attraction point for states that wanted domination in the Mediterranean and Mediterranean trade because of the Island's commercial, strategic, geo-political and similar other characteristics, (Özkul, 2005). Due to its location in the Eastern Mediterranean, Cyprus was ruled by many states in history; and for that reason, it has been known with different names in different time periods.

Today, there are a number of ethnic groups in Cyprus. The two main ethnicities are Cypriot Turks (18%) and Cypriot Greeks (77%); other ethnicities such as Maronites, Armenians, and British form the remaining 5% of the island's population (US Department of State, 2004; Serter, 1997). Both Cypriot Turks and Cypriot Greeks existed during the periods that are examined.

3. The Ottoman Empire Period (1571-1878)

3.1. Governance Style

During the Ottoman Empire period, the style of governance in Cyprus had changed from time to time. In the beginning of this period, the governance style of the Island was *Beylerbeylik*¹ [Governance of a province by a governor] until 1640. During these years, the salaries of *Beylerbeyi* [governor] and *Sancağ Beyleri* [people who govern 9 to 10 districts – flag officers] were paid from the budget allocated to Cyprus. However, during those years, frequent droughts and similar scarcities; damage as a result of grasshopper attacks and epidemic diseases were weakening the society. Thus, *Beylerbeylik* became a hinder for the budget that was allocated for the governance of Cyprus.

As this issue was approached with sympathy, from *Beylerbeylik*, Cyprus was connected to *Kaptan Paşalık* [the highest martial and executive chief commander of the navy in the Ottoman Empire]. As the navy commander was not living on the Island, he had assigned the governance of Cyprus to administrators called *Musellim* and tax was collected by people that were called *Haraççı*. Besides religious figures, people who held the economic power also had an influence on issues related to the state's governance during this period. This elite group was very powerful especially during the *Kaptan Paşalık* administration. As tax collection was a highly profitable job, a group of economically powerful elites entered into the tax collection business as well. This group applied for the privilege to collect tax for *Kapan Paşalık* and were given this advantage. After they were granted this privilege, they started to collect tax and after they got their cut from the amount collected, they gave to *Haraççı*. This way, an administrative change to better citizens' lives was exploited by a small group of people within the society (Gürkan, 2006).

During 1700s, Cyprus *Kadıılığı* [*Kadıılık* is the body that applies Islamic Law] was given to high-level retired Ottoman administrators or allocated to Istanbul *Kadı* as *arpalık* [subsidy]. However, instead of attending their responsibilities these appointees were sending others as their deputies, and the number of appointees who did this increased gradually. Moreover some of the appointees were also assigning their duty to others in exchange of payment; it can be said that they were selling their own positions. These type of practices decreased public's trust to Islamic Law courts (Özkul, 2005).

Although society was not prosperous, the Muslim community was paying less tax than the other groups and was dominant thought the governmental structure during the Ottoman Empire period; therefore they were in a better position.

It is a historical fact that, not Orthodox Christians (Cypriot Greeks) but mainly Venetian descendant people who were Catholic Christians were treated worse because of the Ottomans' opposing position in politics against Venetians (Beratlı, 1995). General Luis Plama Di Casnola refers to a group of people called *Linobambaki*. The word means linen and cotton representing a mixture of Christianity and Islam religions. This group existed towards the end of the Ottoman Empire dominance. Although in appearance to the outer world, they acted as Muslims and they were recognised as such; they were Christian practitioners in reality. Their ancestors were believed to accept Islam as their religion to save their lives and their wealth, although they remained faithful to the Latin Church (Beratlı, 1995, p.168-169).

3.2. Consuls and Palace Interpreters

Consuls were active in Cyprus since the beginning of the 18th century. They were active within the field of trade and their influence was visible on the social and political life of the Island. During the Ottoman Empire period, consuls' were considered as equals of *Beylerbeyi* (Gazioğlu, 2000). They were one of the important groups that were part of the Island's population. Although, consuls were living in the *Tuzla - Larnaca* district, due to the privileges they were given, they owned many vineyards, orchards and dwellings all over Cyprus. It is also evident from the records that they were lending money to the community, and from time to time, consuls complained about certain upper-ladder administrators of Cyprus and they had the power to get them punished. (Özkul, 2005; Gazioğlu, 2000).

According to the references from the Ottoman Empire period, many of the Palace interpreters misused the wide opportunities that were given to them and stole from their citizens and in some cases together with the Ottoman Empire authorities in Cyprus. (Özkul, 2005). Because of the rights given to the consuls by the Ottoman Empire, it would not be wrong to say that they had freedom from arrest and they acted however they wanted in Cyprus.

During the Ottoman Empire period, the commercial lines between Asia and Europe were either passing through Cyprus or were passing very close to Cyprus similar to the cases of Malta, Crete and Rhodes. With the privileges given to them by *the Sultan* they not only protected their own citizens, but also the people who were under their protection. Consultates and the buildings they owned had immunity and it was impossible to capture someone if they were to refuge to them. Consuls also had the right to trial their own citizens in Cyprus. In some situations, people who wanted to escape from trials within their own consultates, refuted to other consultates. Consuls were equipped to trial the disagreements between their citizens as well as disagreements between their citizens and others with the permission of the consul of the involved person. Given the scope of the privileges and rights given to consuls, it is evident from history that many times, consuls exploited the rights and privileges given to them, thus causing political and diplomatic tension and difficulties. (Gazioğlu, 2000).

3.3. Entrepreneurial Environment

During the Ottoman Empire period, based on the available documents, 102 different crafts existed that both non-Muslims and Muslims mastered. In spite of this fact, there were some fields which were solely run by Muslims, some examples are; butchery, candle making, coffee manufacturing, duvet making and halvah making. It was also only Muslims who owned inns. (Özkul, 2005).

During that period, an official maximum price was being determined for different products and this price was called *Narh. Kadi* [Islamic Judge] would witness the price determination process where both relevant trades-people and *muhtesip* [municipality officials who were responsible to inspect trade people based on Islamic rules] would be present. While determining the prices, *Kadi* would discuss the expectations of officials and trades people. He would determine different *narh* prices for wholesalers and retailers. During price determination, while keeping the public's interests as priority, the committee would give permission for a 10% to 15% profit margin depending on the labour or raw material requirements. This would become 20% when a product was very hard to produce. (Özkul, 2005, p.346).

Prices for animal products would be determined in spring and autumn bi-annually. Also, there were circumstances that would require the committee to determine new *narh* prices; these circumstances were extraordinary events such as flood, strong winters, famine, grasshopper attacks, war, mobilisation, blockade, or any other natural disasters. Based on old documents, we can see that the price of bread was determined a couple of times in a year especially during drought years. It is evident from the historical documents that trades-people had agreed that once *narh* prices were determined,

they would accept the relevant punishment or fine if they were to sell above the determined price (Özkul, 2005).

However, in spite of the importance given to *narh* and tight controls, and furthermore despite entrepreneurs' promise that they would obey *narh* prices, it was often the case that trades-people would charge whatever they wanted to, rather than *narh* prices without any sanctions. This was true especially during those years when there was inflation and when the balance of currency would fluctuate (Özkul, 2005).

The process of disintegration and collapse of the Ottoman Empire also overlaps with this period; therefore corruption at institutional and administrative levels, which were very crucial to keep the empire together, impacted on Cyprus. A wrecked society which was already depressed as a result of natural disasters was pushed to the edge of burst by governors who were only collecting tax and would not show effort to solve societal problems (Gürkan, 2006).

Even though the Sultan issued commands from time to time to relieve the society's burden during those times, people who were in charge did whatever they wanted rather than following these commands (Gürkan, 2006). According to Mariti (1909) who was on the Island during that period, "Cyprus had suffered for many years from the incessant, heavy and unjust burdens imposed on its inhabitants by the caprice of successive Governors, in spite of the commands issued by the Sultan to prevent such exactions" (p. 94).

4. British Colonial Period (1878-1960)

4.1. Consuls

It would not be wrong to say that consuls' importance in Cyprus history continued during all periods. A. A. Asaf, the consul of Turkey who was assigned to Cyprus in 1925, was a person who followed the leader of the modern Republic of Turkey, M. K. Atatürk's principles closely. He also developed a close and tight relationship with a group of people in Cyprus known as, *Halkçılar* who were carrying out activities to achieve closer relations with "Motherland" Turkey. Within this context, he was supporting the campaign with sympathy against Mehmet Münir (also known as Sir. Münir who was the father-in-law of the first president of Turkish Republic of Northern Cyprus - R. R. Denktaş) who was known as being the number one man of the colonial administration. (Gazioğlu, 1996).

The following example is very useful in understanding the impact and importance of consuls in Cyprus history. On 24 March 1930, Turkish Consul Asaf Bey sent a letter to Hasan Hilmi, an *Evkaf* [Islamic religious organisation that accumulated properties for that purpose since 1571 in Cyprus] official, questioning why required accounts have not been sent to Cafer Paşa Vakfı Trustees [Cafer Pasha Foundation] although a year had past. This letter was initiated by Cafer Paşa Vakfı Trustees' complaints to the Turkish Consul. (Gazioğlu, 1996).

Hasan Hilmi, replied to the Republic of Turkey Consul by saying that in accordance with *Evkaf* delegates M. Munir and Police Commander Gallagher's orders delegates, he sent the accounts to relevant people. Based on Hasan Hilmi's reply, Consul Asaf Bey sent another letter to Hilmi on 9 April 1930 asking him to send accounts directly to the Trustees without waiting for the approval of *Evkaf* delegates. *Evkaf* delegate Mehmet Munir who was also known as being close to the Colonial administration made a complaint to the British Governor Storrs, about Republic of Turkey consul A. Asaf considering his letters as outside intervention to *Evkaf*'s activities and asked for a precaution from Storrs. Upon M. Munir's complaint, Governor Storrs, wrote a letter to Minister of Colonies, Passfield informing him about the situation and suggested to demand A. Asaf's withdrawal back to Turkey. In his letter Storrs said, after being appointed as a consul for the second time in 1928, instead

of giving his attention and focus on the Turkish citizens here; he inclined to encourage native Muslim people (Cypriot Turks) to be closely interested in politics in Ankara [capital city of Republic of Turkey,

where parliament is] and awaken their Turkish national consciousness. He continued in his letter that although there was no evidence that he was acting beyond his responsibilities and was abusing his power, his articles which can be considered as making propaganda of Turkish nationalism were being published in the Cyprus Muslim press and the celebration of the Republic of Turkey's foundation started after A. Asaf became Cyprus consul of Turkey. Storrs wrote that according to his opinion, these activities were happening because of Asaf's individual interference (FO 371/ 14854/ E 2903).

4.2. Entrepreneurial Environment

When we look at the general entrepreneurial environment, towards the end of the British Colonial period, there were only a few Cypriot Turk entrepreneurs left in the Nicosia Bazaar. The Nicosia Bazaar was like a school for the entrepreneurs where people from mixed backgrounds were working together (i.e.: Cypriot Greeks, Cypriot Turks, Armenians and the like). (Hikmetağalar, 2005). The environment was suitable to learn the craft, how to trade and interpersonal relationships. It also provided the environment to learn different languages where respect, bonds and supporting each other was above anything else. Elder entrepreneurs who have been working longer in the Bazaar were considered as people with wisdom and knowledge; therefore they were the ones that other entrepreneurs consulted when they needed guidance (Hikmetağalar, 2005). A good level of understanding of the entrepreneurial environment of the British Colonial Period can be achieved through different examples reflecting the business environment and crafts of that time.

In 1946-1957 the first fizzy drink factory was launched in a rented mansion by Kemal Rüstem. According to his statement, until Coca-Cola came to the Cyprus market in 1953, this factory continued to manufacture fizzy drinks. Later on, with the advertisements, competition and modern technological advances that Coca-Cola used, all of the small businesses in this sector, closed down. (Hikmetağalar, 2005, p.37).

Another interesting business was *Debbağlık* which consisted of processing animal skin to produce leather and shoe soles. There was a street called *Tabakhane* within city walls, where majority of the residents were *Debbağ* [Person whose occupation is *Debbağlık*] who were Nicosia's important and wealthy families. *Debbağ* masters would not teach their craft to non-Turks, also non-Muslims were not welcomed to *Tabakhane*. This is the reason why there were no Cypriot Greek *Debbağ* in the past times. After the 1900s, younger generations started to lose interest in this occupation. Furthermore, competition gradually increased between the local manufacturers and importers as Cypriot Greeks' and Cypriot Armenians' started to import leather and shoe soles from overseas. Given the decrease in the business, a Cypriot Turk *debbağ* was convinced by two wealthy businessmen, Cypriot Greek Yanni Klama and Cypriot Armenian Kuyumcuyan to work for them and they have invested in this line of business. However, later on the craft was stolen by other people that worked in the factory and it no longer was solely done by Cypriot Turks. This incident also coincides with the first modern *Tabakhane* factory named Cyprus Leather Factory in Larnaca. (Hikmetağalar, 2005).

By the 1950s, the Island's economy was shaken as a result of EOKA's² activities, production halted, and importing and exporting greatly decreased. Although during the British Crown Colonial Administration Cypriot Greeks benefited significantly from British existence and opportunities on the Island, with an order announced by EOKA headquarters every British product was boycotted and other than necessity items, nothing was imported from Great Britain.

During this period, the number of Cypriot Turk entrepreneurs who were doing import and export decreased significantly and they became middlemen between the end-consumer and Cypriot Greek importers. They started to buy from Cypriot Greek trades-people and sell to customers. However,

after the tension that further developed between Cypriot Greeks and Cypriot Turks, and after Cypriot Greeks stopped buying from British, Cypriot Turks started to take entrepreneurial steps in small scales. This is a very important timeline as the campaign which encouraged Cypriot Turks to buy only from Cypriot Turks started with these events; the campaign was named as “From Turk to Turk”. Later on it was forbidden to buy from anyone but Cypriot Turks. During this period, Cypriot Turk entrepreneurs started to bottle lemonade and buy from Cypriot Greeks to pack and resell necessities like washing powder, canned milk, matches and things that did not need large amounts of investment. Later on, Cypriot Turk entrepreneurs started to produce “Taksim Cola” [Partition Cola – symbolising the idea of a partitioned Cyprus] in bottles with crescent and star symbol. This was followed by ironmongers, metal workers and construction building masters who advanced within the society (Hikmetağalar, 2005).

5. Analysis and Discussion

5.1. The Ottoman Empire Period (1571-1878)

When we look at the business-government-society relationship during the Ottoman Empire period, we can see that privileged, elite people were advantaged and benefited from the structure. Among these people were foreign consuls and the Palace interpreters who also interfered with the business transactions during those times and gained personal benefits. Therefore, the business-government-society relationship during the Ottoman Empire period can be depicted through this PESLC (political, economic, social, legal, and cultural) figure.

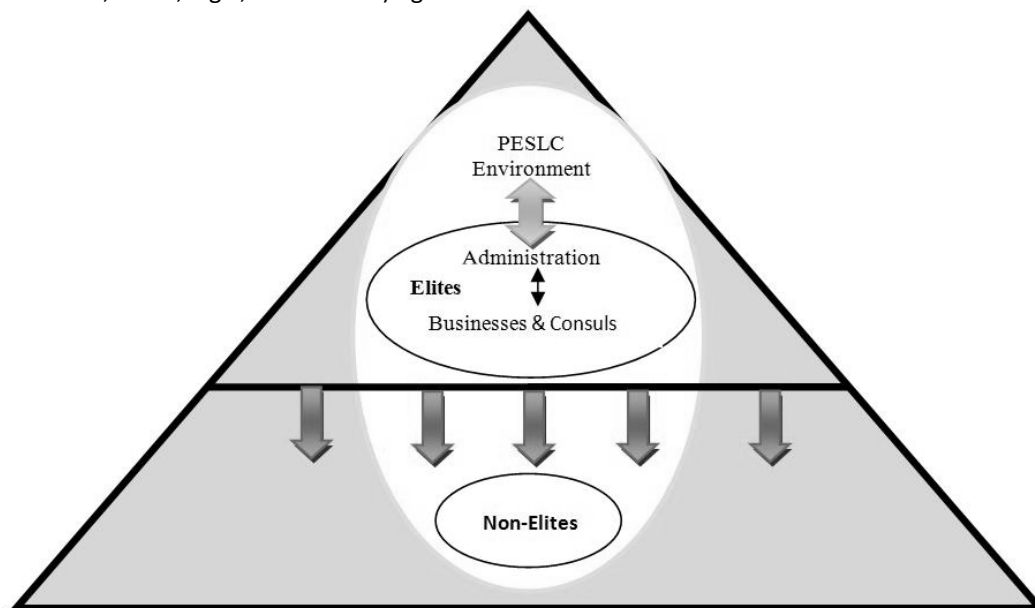


Figure 1 Business-government-society relationship during the Ottoman Empire period

It is evident that, during this period consuls and people who held the economic power were given privileges and rights which were exploited for personal gain; therefore impacting on political, economical, social and legal environments in different scales.

When entrepreneurial behaviour during the Ottoman Empire period is examined, especially during challenging economic periods; they were applying their own prices without any sanctions. Furthermore, although *narh* prices cannot be generalizable to every individual who traded during the Ottoman Empire period, it is an indication of the ethical behaviour. Yet, given the limited depth of information available and limited data on other factors which might have been an influence on their

behaviour during those days, it would be wrong to draw conclusions on this type of behaviour. *Narh* pricing was in place during the Ottoman Empire period to be fair to the public and provide affordable prices for necessities such as bread. Even today this is the practice in North Cyprus. The Ministry of

Finance and Union of Bakers determine a *narh* price for bread and none of the bakers can sell above or below this price.

Although limited, the available data on the Ottoman Empire period do not necessarily confirm negative behaviour of entrepreneurs towards *narh* prices. It is more likely that other decision-making factors such as personality traits, individual experiences, morality and the like impacted on their behaviour. However, it is notable that the tendency to act unethically was more significant when there was economic regression.

5.2. British Colonial Period (1878-1960)

It is evident from the historical documents that during the British Colonial period, business-government-society relationship became very much complicated than it was during the Ottoman Empire period. Instead of two levels, during British period, there were three distinct levels. The first level (level 1) was the general public who was implicated from any activity of the other two levels and the political, economic, social, and legal environment. One level higher in the pyramid (level 2) there were elites who were society’s well-educated people such as; lawyers and doctors, with more opportunities and benefits. These prominent members were the ones who actually started to publish newspapers, had direct connections with the highest level of the pyramid and could impact on the political, economic, social, and legal environment through their actions and connections. The highest level (level 3) consisted of members of the Colonial Administration such as the governor, and 1920s onwards Republic of Turkey consuls who had direct impact on elites (level 2), on general public (level 1) and political, economic, social and legal environment.

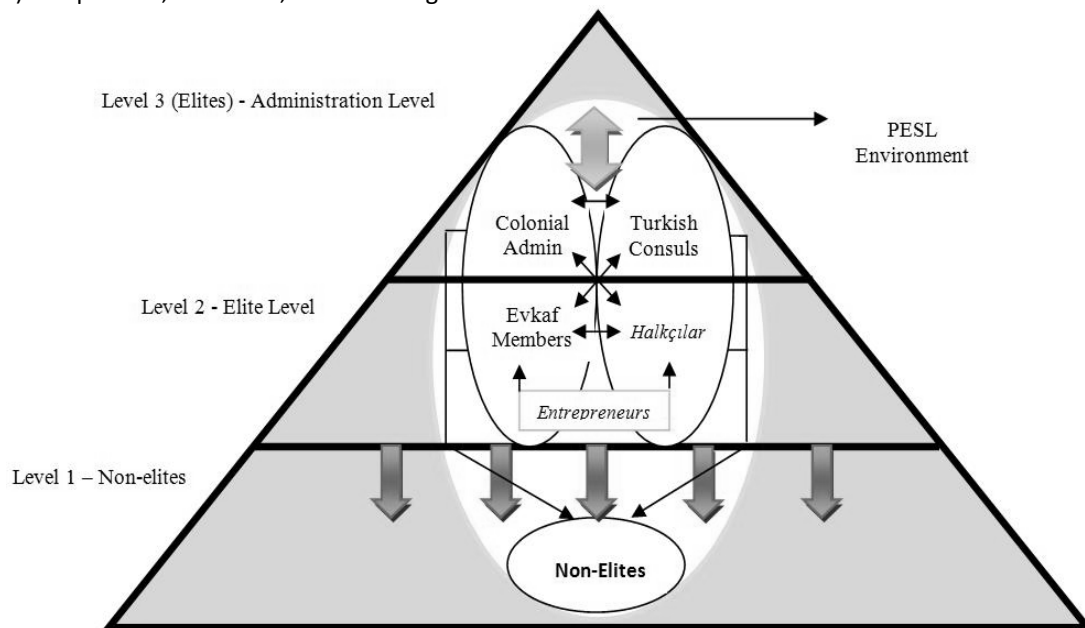


Figure 2 Business-government-society relationship during British Colonial period

Elite people of the British Colonial period were a group of intellectuals who were *Halkçılar* as described before and *Evkaf* members such as M. Munir, who had great impact on society as it is evident from the Turkey consul A. Asaf example which was discussed previously. Entrepreneurs were considered to possibly belong to any of the abovementioned two elite groups or had close

connections with members belonging to these two elite groups. Although the depth of their relationships are unknown, it is a fact that during this period, entrepreneurs were considered as elites since they have used opportunities and ties which were not available to rest of the public for their own benefit.

It is confirmed later on by groups who benefited from the “From Turk to Turk” campaign, which forbade Cypriot Turks to buy anything from Cypriot Greeks that they actually maximised their profit because of the conflict situation. Although this campaign started during British Colonial period, it continued during the 1960s as well. As a result of this campaign, rich people started to emerge. People who were close to power misused the resources available to them and enhanced their individual gain. Although it was clearly stated that it was forbidden to Cypriot Turks to buy from Cypriot Greeks, these Cypriot Turk entrepreneurs bought necessities themselves and sold these to Cypriot Turks with a profit. Even today, those who made significant capital during 1950s-1970s through this campaign control serious capital and entered into various lines of business as a result of the capital they have acquired during that period.

6. Conclusion

Existing documents provided us with a glimpse of how deep and complicated the entrepreneurial environment was during 1571-1960 as it is now. Commonalities between different time periods have been highlighted in this article. During both Ottoman and British periods there was a top to bottom enforcement which shaped political, economic, social and legal aspects of the entrepreneurial environment. This was more simplistic and had a more direct impact during the Ottoman Empire period. It is also evident that capital was controlled by a few people especially during the British Colonial period; however this enforcement was more complicated with different agents of influence during the British Colonial period. There was also more emphasis on importance of politics in achieving a sustained entrepreneurial success. This raised issues of ethicality of certain practices alongside the ones discussed in this article. A shift from a religious centred identification to a nationality-centred one is very visible during the British Colonial period. In certain business settings, religion, nationality or political stance can still be an important factor influencing an entrepreneur's success. When an evaluation is done on how understanding of past entrepreneurial environments can influence today, discussed aspects can provide an understanding on reasons behind certain practices or behaviours that still exist today, such as *narh* prices. If we utilise the experiences and understand the failures of previous eras, we can provide a fairer entrepreneurial environment for businesses and a more just business-government-society interaction structure where the general public also has a significant say in the processes.

Notes

¹ Words written in *Italic* represent original terms used during the Ottoman Empire period. English meanings are provided in brackets.

² EOKA: National Organization of Cypriot Fighters - It was established by the right-wing nationalists on 1 April 1955. It started as a campaign of violence against the British rule, which later on turned into a movement against Cypriot Turks (Gazioğlu, 1996).

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