Great Britain
and
The Bagdad Railroad
(1888-1914)

Senior Honors Thesis
Presented by
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Preface

This study by its very title and purpose is concerned with the policy and attitude of Great Britain towards the Bagdad Railroad. Yet in the interest of balance and objectivity, I have felt the need to include the point of view of the other nations concerned with the project. To do this well, it would have been desirable to use non-British sources and documents from other European nations. Unfortunately, my lack of background in foreign languages and the unreasonable difficulty in obtaining these sources, made such research difficult. My major source of information was the British Documents which are available at the Washington and Lee Library. However, this collection has two major drawbacks. In the first place, the dispatches prior to 1898 are not reproduced. In using those that are in print, I was hampered by the numerous time lapses between the documents. Also, I must state that although I would never accuse anyone at Whitehall of dishonesty, I found that the views expressed in the dispatches I read were decidedly pro-British. I have tried to be as objective as possible in this study, but these considerations should be kept in mind: I have in no way exhausted the material on the railroad, and I have not been able to present completely the views of the other Great Powers.

With regard to my personal peculiarities, I assume full responsibility In general, I have left the spellings of the Turkish cities as they appeared during the period under discussion -- thus, for example, Constantinople is used rather than Istanbul and Angora instead of Ankara. For the spelling of certain names upon which the diplomats could not agree, I have selected one and used it throughout (for example Kuwait). For the exacting reader, I should add that I have been informed that the use of "she" with reference to countries is no longer high fashion. However, I have decided to take a conservative stand and to retain the "obsolete" usage throughout.

My advisor for this paper has been Dr. William Jenks, my typist Mrs. Lewis John. However, I claim full credit for all factual, grammatical and particularly spelling errors.

C.C.B.

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I. Britain's attitude towards the Ottoman Empire during the Nineteenth Century.

The lands of Asia Minor, Palestine, and Mesopotamia have always exerted a romantic hold over the European imagination. To the anthropologist this land was the cradle of civilization and the source for some of the greatest cultures of the world; to the theologian it was the birthplace of three major religions of man and the grave-yard for a hundred more; to the pious Christian it meant Bethlehem, the Promised Land, Jericho, and the Holy Scriptures; to the writer it was the setting for the deeds of mythical gods and heroes; to the romantic it meant fabled wealth and beauty, harems, intrigue and adventure; to the historian it was the land of the Assyrians, Chaldeans, Babylonians, and Persians, the home of Sargon, Sennacherib, Nebuchadnezzar, Alexander, and Saladin; to the financier it was an area of great wealth and natural resources; to the common man it was a vague and distant generality with strange names and foreign faces; to the politican it was a headache, a political confusion, and a bone of contention for many of the great powers of Europe. It is little wonder that in an era of imperialism, expanding capital and great industry, the lands of the East should become one focal point of national competition, and that England, the leading industrial, and imperialistic power of the period, would sooner or later become committed to the struggle.

Great Britain was no newcomer to the Levant. Since the time of Elizabeth I and the decline of the Spanish Empire, she had had a vague and loosely defined interest in the region. This mild and rather disinterested view of the Ottoman Empire dissolved and a new, active interest in Near Eastern affairs was born in the British Foreign Office with the acquisition of India in the eighteenth century and the revealing campaigns of Napoleon in Egypt. Early in the nineteenth century it was realized that Turkey must be held back from the brink of dissolution in order to protect India and to avoid the conflicts among the powers that would probably result from a partition. Napoleon's dream of an Eastern Empire demonstrated that any preponderance of enemy interests in Turkey or Egypt could be a potential danger to Britain's imperial and commercial interests. Thus the maintenance of the Ottoman Empire became foreign policy dogma which lasted to varying degrees throughout the nineteenth century.[1]

But, of course, this was not the only reason for a revival of interest in the Ottoman Empire. The revolutionary changes in the technology of transportation and communication were gradually freeing the Near East from the insignificance to which it had been condemned after the early days of the Commercial Revolution. New opportunities to apply improved technology to Egypt and Mesopotamia made it possible to reopen the long-dormant trade routes of the past. By 1838 regular steamship service on

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[1] Great Britain's opposition to Muhammed Ali, her participation in the Crimean War and the content of the Treaties of London (1841) and Berlin demonstrate at least her outward concern for Turkey.

both sides of Suez had been initiated and there was much talk of a direct railroad across Syria and the Tigris-Euphrates Valley.[2] The railroad idea held certain advantages over the sea route via the Suez land strip. It was shorter both in distance and time; it could be used the year round because it was not effected by the monsoon winds of the Red Sea area; and the permanency of tracks would help to consolidate Bitish interests in the Persian Gulf. The failure of an experiment with steamboats on the Tigris and Euphrates Rivers during the 1840's and the initiation of the French Suez project in the 1850's (the canal was formally opened in 1869), caused the dream of a railroad to fade into the background.

The Disraeli Administration of 1874-80 formulated a definite policy for Turkey centered around the major objective of controlling and/or guarding the major routes to India from the West. First of all he wished to expand and secure British interests in the Near East, a policy which in the long run proved most successful. It led to an expansion of earlier acquisitions in Aden, the purchase of Suez shares, the occupation of Egypt, and the control of several islands in the Red Sea and off the Arabian coast and of Cyprus in the Mediterranean (by a convention with the Sultan in 1878). In the Persian Gulf area, representatives of Her Majesty's Government concluded treaties with the local Arab chieftans which generally included a clause to the effect that the sheik would never cede, sell, lend or mortgage any of his dominions to any power

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[2] It is interesting to note that the merchants of Calcutta favored the use of steamships around the Cape of Good Hope, whereas their Bombay rivals argued for direct connection across the land and water routes of the Near East.

save Great Britain. In addition consulates were established in many areas of the Gulf. Thus Britain established control over what was subsequently to become a very strategic wasteland. In addition to political control, Disraeli hoped to enhance the British economic interests in the Ottoman Empire. The Lynch Steamship Co. which had been established by an Imperial firman in 1834, but which had not been able to operate successfully until the 1860's, already held a monopoly for the navigation of the Tigris and Euphrates Rivers between Bagdad and the Persian Gulf. In addition British interests were involved in three small railroads: the Smyrna-Aidin Railroad (begun in 1856), the Anatolian Railroad and the Smyrna-Cassaba Railroad. With these interests already established, Disraeli hoped to gain a dominant influence in the Sultan's counsels; in other words to pose as the party most interested in maintaining the stability of the Ottoman Empire.because of the British interests at stake. This influence at the Porte was to be lost in spectacular fashion by the the Gladstone Administration. In the third place, Disraeli hoped to bolste Turkey against Russian encroachments through diplomatic support and administrative reform. The actions of the British at the Congress of Berlin in 1878 and Salisbury's attempt to reform the military chaos in 1879 demonstrate this policy in action.

The Liberal Cabinet that took over in 1880, however, was not constituted on a particularly generous basis as far as Turkey was concerned. The new Foreign Minister, Granville, immediately recalled the reform consuls who had run amuck anyway. In five years he succeeded in winning the lasting distrust of the Turks. In 1881 Britain supported Greece in

its dispute with Turkey and then did nothing when the French grabbed Tunis. The following year they crowned their double insult of 1881 with the occupation of Egypt. No amount of excuses or explanations could soothe the ministers at Constantinople; it was the beginning of Great Britain's decline as an influence upon the policies of the Turkish Sultan.

When Salisbury returned to office in 1885 he found it impossible to return to Disraeli's policy in full. Moreover, Salisbury did not want to. The public condemnation of Turkey which had been stirred up by Gladstone prevented close co-operation in the first place. Also Salisbury was inclined to listen to his Liberal colleagues like Sir William White[3] who questioned the value of Turkey as a bulwark against Russia and believed that a ring of independent Balkan States supported by Austria or Germany would be more effective. At the same time, however, Salisbury was not anxious to stir up trouble in the Balkans. Thus he developed a policy of general indifference. In a letter to White he stated that he had tried to "discourage the idea that our interest in the Turkish...Empire is on the same level as that of Austria and Italy.[4] ...it is not so imperative and vital as theirs.[5] He did not want to break up the Turkish Empire

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[3] William White was a Near Eastern expert whom Salisbury appointed Ambassador to Constantinople in 1886. Born in Poland, he spent thirty-five years in the British embassies of the Near East.
See: Chapman, Maybelle K. Great Britain and the Bagdad Railway (George Banta Publishing Co: Menash, Wis.) 1948, pp. 9-10.
Also: Hardinge, Sir Arthur H. A Diplomatist in the East (London, 1928), pp. 9-11.

[4] This refers to the treaty signed by Austria, Italy and England in 1887 to prevent France and/or Russia from upsetting the status quo in the Balkan and Mediterranean areas.

[5] Chapman, Great Britain and the Bagdad Railway, p. 11.

because he feared the ensuing conflict among the European Powers, yet his attitude in the Bulgarian crisis of 1885-86 demonstrates a certain commitment to White's idea. Nor was he particularly interested in maintaining British influence at the Porte.[6] Thus the British attitude toward the Armenian Massacres of the 1890's and their support of the subsequent reform measures forced upon the Ottoman Government by the Powers[7] was decidedly hostile and built up great resentment against Britain in the Turkish capital. This general lapse of interest in the Near East which occurred during the last fifteen years of the nineteenth century was not restricted to political affairs, however. After the purchase of Suez shares in 1878 and the occupation of Egypt, most talk of an alternate railway route also lapsed. During the last decades of the century British investors sold their control of the Anatolian and Smyrna-Cassalia Railroads to French and German interests.

The causes of this general economic and political lapse of interest in Turkey are not hard to find. Turkey was not particularly sound financially and did little to inspire confidence in investors. Moreover the Sultan, Abdul Hamid II, was not very cooperative, particularly after the Egyptian affair. A dispute developed between the Sultan and the British railroad investors during the 1880's over the basic aims of railroad construction. The investors' major objective was increased trade, and a railroad across Mesopotamia would not only connect the Mediterranian

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[6] "Can anyone have that leading influence for more than a month together?" Salisbury's answer to his own question was that such an idea was a "chimera." Ibid., p. 11.

[7] See: Gooch and Temperley, British Documents on the Origins of the War (London, 1928) Vol. V., Chapters XXX-XXXII. (Henceforth the volumes of this set shall be cited as B.D.)

and the Indian Ocean for faster transportation, but offer opportunities to develop the hinterland. Abdul Hamid had a different idea which was purely strategic. He wanted tracks fanning out from Constantinople to the outlying regions of his empire to speed mobilization and to pull the isolated areas into his orbit. It was from this dispute that German interests were able to win the concession to build from Constantinople to Angora in 1888. Yet even if these problems had not existed, it is doubtful that Britain would have maintained interest in the affairs of Turkey. This was the high point of her "splendid isolation," and with Salisbury, the high-priest of noninvolvement, as the head of the Foreign Office, heavy commitments in Turkey were naturally unlikely. Moreover, Britain's imperialistic policies were taking her investors elsewhere, particularly into Africa and the Far East. The development of better steamships and the acquisition of Suez enabled Britain to carry her investments and commerce farther afield. Her only interest in the Near East was in the status quo. The dangers of French and Russian encroachments in this area were counterbalanced by her cordial relations with Germany. Indeed she was glad to see German interests involved in Turkey, for now they could assume some of the burden of maintaining the status quo. It must be remembered that it was not until after the turn of the century that German and British interests began to clash seriously in the Near East.

Germany was the new actor on the Ottoman stage. Before the Congress of Berlin, Austria had carried the weight of any Teutonic Drang Nach Osten (or Nach Süden for that matter), and Bismarck was content to leave it

this way. But the tide of German imperialism was rising, and during the 1880's it appeared in Constantinople, coinciding almost perfectly with the British loss of influence after 1882. Germany's penetration differed radically from her Austrian predecessor's. The latter's policy toward the Ottoman Empire had always been rather negative in nature. With the exception of many Roman Catholics who hoped that Austrain control of the peninsular would lead to the reclaiming of its Orthodox inhabitants for the Church of Rome, Austria's major objective was domination of the Balkans, not primarily for the sake of domination, but rather to keep Russia from doing it first. The capture of Constantinople was not an historical mission for her. Germany's policy, on the other hand, was affirmative, dynamic, and expansionist in nature, and it was this difference which brought her ultimately into conflict with Great Britain. The rise of German political influence in Constantinople was dramatically demonstrated by Kaiser Wilhelm's two visits to Turkey during his first ten years on the throne. Germans were sent to reorganize the army, and German businessmen won major concessions from the Turks for railroad construction and other investments. During the years 1888-1897 German shipping to Turkey increased 95 per cent while her British competitors gained only 58 per cent. British exports to Turkey in 1888 consisted of 43 per cent of the Ottoman Empire's total imports. In 1900 this figure had dropped to 34 per cent. Yet for all this, Britain remained unconcerned and did not interfere. There was really little cause for alarm. The rapid decline could be explained by the fact that several large British trading companies had moved out of Turkey during this period. Volume

was still high in 1899 and even so, what had been lost in one place could be made up elsewhere in the expanding world market. In fact one of Britain's biggest headaches was the steady accumulation of capital which had to be kept active through investment. The floating capital actually rose in the last thirty-five years of the century from $7,000,000,000 in 1860 to $21,000,000,000 by the mid-nineties.[8] Thus there was a great impetus for foreign investment, and as we shall see, the Ottoman Empire offered its share of promises, as well as hazards.

In summary, Britain's outlook toward the Ottoman Empire was one of intelligent and interested inaction. Her major concern was the protection of India which had been secured fairly well through her territorial acquisitions in the area. Her interests in Turkey consisted of trade and shipping, which, in spite of the decline during the last years of the century, still maintained a comfortable lead over its German competitors. Moreover, the rapid accumulation of capital in England held out the prospect for future investments. There were also the vested interests such as the Smyrna-Aidin Railroad and the Lynch Company, which seemed securely entrenched in their respective areas of operation. As for the danger of French and Russian encroachments, she now could look to Germany for assistance in thwarting their efforts. With her major attention diverted elsewhere, Britain was pleased to have the competition of Germany, if in return for this competition the newcomer would assist her in maintaining the status quo.

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[8] The figures used here are from William Langer's Diplomacy of Imperialism, Vol. I. (New York, 1935), pp. 72-74.

II. Turkey Invites Exploitation.

The Ottoman Empire, with its strategic position astride the Straits, extended in theory from Austria-Hungary in Europe southeast to the Persian Gulf and Arabia and westward across North Africa. It possessed a huge potential for great wealth and strength. Yet in the last half of the nineteenth century no amount of potential or theory could compensate for the political weakness of Sultan or the basic instability and sectionalization of his realm. The strategic importance of the empire and the lure of investment opportunities and profits made it almost inevitable that Constantinople, Smyrna, Mesopotamia, Kuwait and the lands of North Africa would be staked out by the empire builders of Europe as fair game for imperialism and national aggrandizement. There was little the Sultan could do about it.

In principle the Ottoman government was a theocratic and absolute monarchy headed by a Sultan who united in his person all political and ecclesiastical power. He was the temporal autocrat of the Ottoman dominions and, as Khalif, the successor and vicegerent of the Prophet and the spiritual head of the orthodox Moslem world. The Sultan during the period that concerns us was Abdul Hamid II (1876-1908) of the Osmanli Dynasty. The machinery of government which he controlled was an outgrowth of the old Imperial Divan, a board of high dignitaries of State presided over by the Grand Vizier. By the Organic Law of 1868, which was modified several times in the next forty years, the Divan split into two groups.

The first was the Council of Ministers consisting of the department heads responsible directly to the Sultan. The Council dealt with administrative and police policies, foreign policy, and, theoretically, financial policy. The Grand Vizier, though no longer the first minister of the Empire, presided over the Council and acted as the Sultan's official mouthpiece. The second body was the Council of State, a deliberative body with no power of initiation appointed directly by the Sultan. The whole affair was known as the Sublime Porte. The provincial administration consisted of vilayets, a rather arbitrary provincial delimitation, which was divided three more times in turn, each section under an official appointed by the Porte. The whole administration was severely limited by the intervention of the European Powers who by group action over the years forced their will upon the weak government. What was left to the Turks was corrupt to the core and maddeningly inefficient.[1]

Abdul Hamid's long reign was beset with problems which were not alleviated in any way by the Sultan's suspicious and dominating nature.[2] It began in war and ended in revolution. During the intervening thirty years, he had to contend with domestic dissension and foreign intervention. His subjects were a heterogenious mixture of Balkan Slavs, Turks, Arabs, Armenians, Kurds, Jews, and Greeks, all with a variety of religions,[3] customs

[1] For a complete summary of the Turkish government and the various officials see: B.D., V, Chap. XXX, pp. 1-47.

[2] Sir Edward Grey's opinion: "His rule has been bad for his country in every way, morally and materially. To save his own life and retain power he surrounded himself with a clique of scoundrels, whom he allowed to exploit his country...." It is no wonder Grey had difficulty coming to terms with Turkey. B.D., V, 319 (No. 219).

[3] Turkey was a mecca for European missionaries of all faiths and sects. Earle claims they hindered the growth of Turkish nationalism, strengthened separatist ideas, and weakened the autocracy with Occidental ideals and customs. "In no country more than in Turkey have the emissaries of religion proved to be so valuable...as advance pickets of imperialism." See: Edward Earle, Turkey, the Great Powers and the Bagdad Railway (New York, 192 p. 6.

and languages. Some minorities were supported from without (Christians), some were in open revolt (Arabs), and some could never be tied down by any law or order (Kurds). The possibilities of bringing his realm into a unified whole was further diminished by goegraphical factors. Distances were huge, and the mountain barriers (which were a haven for guerrillas and outlaws) and the desert regions (where whole tribes could lose themselves without effort) made communication, let along control, practically impossible. Cultivation was archaic and stagnant because of this lack of communication and exchange, and it was made worse by the great need (and equally great lack) or irrigation. What water there was flowed in rivers which were for the most part unnavigable. Industry was likewise backward and inert. What was needed most was capital to spark industry, improve irrigation and create communication. Yet the financial condition of Turkey was the gloomiest of all. The finances were under the direct control of the Ottoman Public Debt Administration which was composed of foreigners. It had been set up in an attempt to stabilize the Turkish treasury so that foreign capital would feel secure enough to invest in Turkish projects.[4] But the Public Debt Administration was not the only manifestation of foreign control. The French were firmly entrenched in Tunis, the English in Egypt; the Italians were casting hungry eyes on Tripoli; the French controlled the major bank of the land -- the Imperial Ottoman Bank; the majority of the business enterprises in the country

[4] The financial crises of the 1870's in Turkey had led the powers to take steps to protect their investments. The Sultan was compelled to accept the establishment of the Council for the Administration of the Ottoman Public Debt. It was formally constituted by Imperial decree on December 20, 1881, and consisted of representatives of Britain, France, Germany, Austria-Hungary, Italy, and Turkey. It was to take over the finances of the Empire and establish order. In line with this, it assumed the collection, administration, and disbursement of revenues in the Turkish salt and tobacco monopolies, proceeds from stamp duties, liquor sales, silks, and the provincial tributes. It soon became the most efficient department of the Turkish government, although it remained a private agency under law.

were underwritten abroad; and always beyond the borders lurked the perpetual Russian menace. The major powers felt free at any time to make agreements among themselves and force reforms or reprisals upon the hapless Sultan. In short the soveriegnty of Turkey was maintained by the rivalry of the Great Powers for influence and control within the Empire.

Yet for all its problems, Turkey offered much to entice the foreign investor. Its ore deposits were varied and important: antimony and chrome which were used in making armor and shells, lead, zinc, nickel, manganese and such valuable abrasives as emery. There was coal in Anatolia which would supply a railroad; there was oil in Mesopotamia and Syria which was surveyed by German investors shortly after the turn of the century. Moreover, the climate was perfect for cotton farming if it could be irrigated properly. In fact most of the land of Mesopotamia possessed a great farm potential dependent only upon the water supply. But there were two conditional factors: transportation and political stability. Although the solutions suggested for these problems were numerous, they all were incomplete because the situation was one of continual causality. Improved transportation particularly in the form of railroads would mean better communication, which would yield better farm profits and commerce, which would mean more taxable wealth, which in turn would increase the nation's ability to pay off her debts, improve irrigation (and hence farm profits again) and most importantly stabilize the government. But railroads required capital, and only foreign capital was available in sufficient sums to count. Yet foreign investment depended upon political stability and a sound treasury which could guarantee the investment. It was a question of who would take a chance. There were many Europeans and Turks on the Public Debt Administration and else-

where who worked sincerely for the rehabilitation and well-being of Turkey.[5] Their hope centered around the co-operation of the European powers in forming an investment syndicate powerful enough and sufficiently backed by their governments to take the risks and overcome the anticipated losses and construction difficulties. Railroads had a great future in Turkey but someone had come forth to accept the opportunities and the hazards.

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[5] There were of course many others who sought only profits or national aggrandizement. Then too there was Abdul Hamid II with designs of his own.

III. The Bagdad-Berlin Railroad is Born.

The last thirty years of the nineteenth century was an era of railroad construction. The Trans-Siberian, the Trans-Caspian, the Trans-Persian, the Trans-Caucasian, the Trans-Continental systems in the United States and the Trans-Balkan Oriental Railroad were all conceived during this period. In addition a host of smaller lines were constructed, principally with foreign capital, in South America, Africa and the Far East. Yet these tracks did not yield trade and profits alone. Particularly in the case of the larger projects, these railroads often lost their exclusively commercial nature and became outposts for imperialism and the tentacles of exploitation and control in the regions they traversed. The friction that grew out of trade rivalry came to involve national prestige, the foreign offices and the alliance systems. Thus railroads in the prewar period did much to cause at least one war (Russo-Japanese War), one major diplomatic crisis (Fashoda) and an incalculable amount of friction and ill-feeling. It is therefore necessary in a study of such an enterprise as the Bagdad Railroad project to involve ourselves, not only in its economic, but also its political and strategic manifestations.

In 1888 the Oriental Railroad across the Balkans was opened for service. Paris, London (via Calais), Berlin, and Vienna now had access to direct communication by railroad to the capitals of the east -- Belgrade, Sofia, and Constantinople. But this major step forward only served to

show up the deficiencies of the Turkish Railway systems in Asia Minor. Anatolia had a few short lines, principally the British Smyrna-Aiden Railroad, the French Smyrna-Cassaba Railroad, and a short section south of Constantinople from Haidar Pasha to Ismid (about 50 miles). Syria, Mesopotamia and Palestine did not have a single mile of commercial track. The Ottoman Public Debt Administration was painfully aware of this deficiency. It had been stimulated by the ideas of one Wilhelm von Pressel, a German engineer who was employed as a technical advisor for the Turkish railway systems. He projected a plan for a railroad from Constantinople to the Persian Gulf with branch lines to the outlying dominions. This was not a new idea. Since the 1830's similar schemes had been advanced, principally by the British, but they had all failed to materialize primarily because of lack of funds. The Public Debt Administration hoped that by careful planning it could set aside enough money to subsidize and guarantee foreign investments and thus avoid the pitfalls of former projects. They fully recognized that foreign investment, even when subsidized by the Turkish Treasury, would increase the heavy debt which already plagued the Empire, but it was generally felt that the profits and future benefits of a successful railroad would more than justify the debts. They recommended this course of action to the Sultan.

Abdul Hamid, for all his faults, was nobody's fool. He too had been captured by von Pressel's dream of a trunk line from the Bosporus to the Gulf. He too saw the dangers of subsidies and foreign investment which would further mortgage his empire. But he also saw great advantages of a railroad, beyond the purely economic possibilities. Such a system would increase his authority over outlying areas, enable him to levy more

troops and collect more taxes, and maybe even build a national unity powerful enough to challenge foreign intervention and rid him of the troublesome European advisers.[1] Essentially Abdul Hamid and the Ottoman Public Debt Administration had the same goal but with different motivations.[2] Thus soon after the opening of the Oriental Railroad in 1888, Abdul Hamid, with the support of the Public Debt Administration, moved to expand the railroad systems of his Empire.

His first step was to interest the existing railroads in Anatolia in extending their tracks. He offered them large concessions to build with a promise of substantial subsidy from the Ottoman Treasury. In addition he gave a French syndicate the right to build a new railway from Beirut to Damascus.[3] But the Sultan's real dream was the scheme of von Pressel, and he therefore concentrated on the small Haidar Pasha-Ismid Railroad. In 1888 he tried to interest its lessees, Alt and Seefelder, in extending their line to the southeast, promising them large subsidies and preferential treatment. But these two men were unable to

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[1] In the late 1890's he began a sort of holy crusade to build a railroad from Damascus to Medina and Mecca. Appealing to national pride and religious sincerity he solicited some $15 million from his Moslem subjects between 1900-06. By 1908 when he fell, the tracks had been laid to Medina. This Moslem religious revival led by the Sultan frightened the British and French who had Moslem subjects of their own in North Africa. See: Earle, op. cit., p. 27. ftnote 21.

[2] As we shall see, Abdul Hamid's motives had much to do with his inclination to support German, rather than British, projects.

[3] This was the beginning of a large French railway interest in Syria. See: Earle, op. cit., p. 30.

raise foreign capital and had to withdraw from the bidding.[4] Meanwhile Sir Vincent Caillard, the Chairman of the Public Debt Administration tried to interest an Anglo-American syndicate (with a few Italians included in it) in the project, but without notable success. The French at Constantinople who controlled the Imperial Ottoman Bank were also eager to get the concession, but the wily Sultan was not eager to have them. The French were already too strongly involved in the financial affairs of the Empire for his liking. There was really no one to whom the Sultan wished to grant this important concession.

It so happened that a Dr. Alfred von Kaulla of the Württembergische Vereinbank of Stuttgard was in Constantinople at the time selling Mauser rifles to the Minister of War. He heard of the impasse which had been reached in the bidding and informed Dr. Georg von Siemens of the Deutsche Bank. Together they formed a syndicate and on October 6, 1888 the German interests received a concession to purchase the Haidar-Pasha-Ismid Railroad

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[4] Once these two current owners of the line declined to extend their concession, it was within the Sultan's rights to take over the line and grant the extension concession to another (provided, of course, Alt and Seefelder got the compensation due them under the concession contract.) Perhaps it would be wise here to explain the term "concession" as well. The Sultan had the sole right to grant to any foreign or domestic group the rights and privileges to construct anything for, and in the name of, the Turkish Government. Such a grant usually involved some sort of subsidy and/or guarantee to the lessee by the Turkish Government. It was common for the concession to be granted first "in principle" and then to be confirmed after the lessee had presented concrete plans and surveys to the Sultan and had them approved.

from its present owners and extend it to Angora.[5] The Sultan granted them a subsidy of 15,000 francs per kilometer to be raised from the districts through which the railroad would pass by taxes collected and administered through the Ottoman Public Debt Administration. The Germans incorporated the concession under Turkish law as the Anatolian Railroad Company in 1889. A holding company known as the Bank für orientalischen Eisenbahnen was formed at Zurich which proceeded to float a loan of 80 million francs on the European securities exchanges to work the concession.[6] Soon thereafter, the holding company bought controlling interest in the Oriental Railroad. Thus the idea was born of a railroad from Berlin to Bagdad to the Persian Gulf through a series of German controlled lines.[7]

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[5] Sir Vincent Caillard, who was having difficulty with his syndicate made a deal with the Germans to withdraw his competition in order to prevent the French from winning the concession. In return for supporting the Deutsche Bank, Kaulla promised to hold for Caillard a share of the German investment. He was added to the Board of Directors of the Anatolian Railroad Company ostensibly to gain the support of the Public Debt Administration.

[6] British interests bought up £1,000,000 and gained three seats on the Board of Directors. In 1890, however, the Baring Brothers, Britain's largest foreign investment house, had serious financial troubles in South America. As a result British investors, including Baring Bros. sold most of their shares in the Anatolian Railroad.

[7] Earle, op. cit., p. 33.

IV. The Honeymoon Period and After (1888-1903).

During the last ten years of the nineteenth century, the construction of railroads in Asiatic Turkey proceeded quietly and successfully. The Deutsche Bank syndicate worked their concession without much opposition. What opposition they did encounter was of an economic rather than political nature. The vested interests of France and England working in the area did not always appreciate the presence of German competition, and they did what little they could to hamper German progress. But in no case were the foreign offices or the governments of either Britain or France more than by-standers, perhaps at times incidently and momentarily involved. However, the seeds of future political conflict were being laid, and as the German concessions expanded, through the 1890's, peaceful co-operation and even disinterested observation became less and less likely. By 1903 Great Britain was in open opposition to the German project.

In 1892 the line from Ismid to Angora was completed by the German syndicate. Also in that year a survey for extention beyond Angora was presented to the Board of Directors of the Anatolian Railroad. It revealed that it would be far more profitable in the long run to run the next leg of track south to Konia and to exploit that area, than to continue eastward across the difficult and sparsely populated territory to Sivas. If this were done, however, it would take the rails across the area where the French and British railroads moving east from Smyrna had projected extensions. Thus the Germans would face increased opposition from its

competitors. Moreover the Deutsche Bank was confronted with the combined opposition of the French controlled Imperial Ottoman Bank which had lost out in the bidding of 1888 and the Russians who wanted nothing accomplished that would strengthen, even potentially, her Turkish enemy.

In spite of these threats, however, the German syndicate applied for a concession to build to Konia in 1892. The negotiations lasted nearly a year. The Germans were primarily hampered by the intrigue at the Sultan's court where officials in the pay of French, German, and British interests vied for Abdul Hamid's approval. In the last months of 1892 the British Ambassador in Constantinople, Sir Clare Ford, also became involved. He wished to block, or at least delay, the awarding of the Konia concession to the Germans in deference to the British interests in Western Asia Minor. It is not likely that the British Government in London was involved, or even knew about, Ford's activities. The Foreign Office had not developed any clear policy towards the railroad concessions. In addition it needed German good will in her quarrel with France and Russia over the Egyptian matter. The German Government, however, upon hearing of Ford's activities in Constantinople, immediately moved to support the Deutsche Bank. It communicated its information to Roseberry, demanded an explanation, and maintained an unneccessarily rough attitude in its handling of the affair. Roseberry had no desire to create an incident. He ignored the rudeness of the Germans and instructed Ford to stop doing whatever he was doing and not to interfere.[1] Thus on

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[1] It is probably correct to assume that Roseberry had little knowledge of the concession negotiations or of Ford's delaying tactics. At any rate he did not consider the matter serious enough to risk an incident with Germany. See: Chapman op. cit., p. 29.

February 15, 1893, the concession to build a branch line to Konia was granted to the German interests. The concession promised the same 15000 franc per kilometer subsidy for the 444 kilometers between Eski Shehr (where the branch left the Angora trunk) and Konia. In addition to this concession, the French were granted the right to assume complete control of the Smyrna-Cassaba Railroad[2] and to extend it eastward to the Konia concession.[3] Also a French syndicate was awarded a concession to lay tracks from Damascus to Aleppo.

The period between 1893 and 1899 witnessed a lull in negotiations for concessions to build in Asiatic Turkey. The leg to Konia was finished in 1896 but plans for extending it to Aleppo and beyond were as yet incomplete. The French were happy with their concessions of 1893 and the British seemed totally uninterested. In addition, there was little agitation in Europe to invest in Turkish railways because of the strain that had developed between the powers and Abdul Hamid over the Armenian Question. It was during this time that the expansion of German economic interests

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[2] Until 1893 British investors still owned shares in the railroad in addition to controlling the Smyrna-Aidin R.R.

[3] This French extension was not connected with the Anatolian R.R. The Germans and the Sultan had no desire to see trade from the south diverted to Smyrna on the Mediterrainian, although it would have been shorter than routing it to Constantinople. So the two lines met at Afiun Karahissar but did not connect. Trade from the south going to Smyrna had to be unloaded and carried across town to the French terminus. This impasse was not settled until 1908.

and the increasing influence of the German Government began to make itself felt.

It is probably only fair to say that the German promoters of the Anatolian Railroad were motivated basically by economic gain. During the early 1890's German investments in Turkey began to pay off. Exports from Germany to Turkey rose 350 per cent and Turkish imports to Germany climbed an amazing 700 per cent.[4] New German interests began to respond to the promise of profits during these years as well. In the years after 1890, a steamship line out of Bremen and Hamburg opened direct service to Constantinople; Krupp industries received large arms contracts from Turkey; German bicycles flooded a market dominated by Americans and undercut their rivals; and the Deutsche Palästina Bank opened branch services throughout the Near East.

Yet if the German investors were motivated chiefly by the profits to be gained, the implications of their investments, particularly with regard to railroad construction, went far beyond. Germany was the strongest military power on the continent with a growing population, industrial capacity and trade potential. At the same time her navy and colonial "empire" were small. This meant first of all that any trade by sea ran the risk of British naval interference and secondly, that, since her political colonies were inconsequential, she must attempt to gain economic predominance within other soverign nations. Turkey met both these considerations. Railroads in this financial and political weakling could yield trade and profits through exclusively land routes. In addition,

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[4] Earle, op. cit., p. 36.

should trouble develop with England, railroads in Turkey could effect rapid troop concentrations for a spring-board campaign against Egypt and the Suez Canal. There was also the huge grain and oil potential of Turkey which could be exploited by railroads and which could make Germany more self-sufficient in case of war with France or Russia.[5] These strategic and political implications of railroads in Turkey were not overlooked by the German Government, and the 1890's gave witness to its growing interest.

Germany already had military advisers in the Ottoman Empire. Since 1883 General von der Goltz had won great prestige at the Sultan's court for his work in re-organizing the army, building a general staff and officer training corps, and creating an adequate system of reserves. In 1889 the young Kaiser Wilhelm visited Constantinople to dramatize Germany's "esteem" for Turkey. This visit resulted in a commercial treaty of 1890 which gave Germany highly favorable terms for trade. Bismarck, however, was not at all happy about the Kaiser's visit or the increasing German investment in Turkey. In a letter to von Siemens of the Deutsche Bank he stated the government's attitude: "The danger involved for German entrepreneurs must be assumed exclusively by the entrepreneurs, and the latter must not count upon the protection of the German Empire against eventualities connected with precarious enterprises in foreign countries."[6] But after 1890 this reservation was removed, and the German Government

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[5] This was a major consideration after the Franco-Russian accords of 1894. I need not mention the threat posed to Russia by a military re-surgance of Turkey with the aid of Germany.

[6] Earle, Ibid., p. 41.

actually did become actively involved in Turkish affairs. Throughout the decade, the German consulate at Constantinople was always at the immediate service of German businessmen, a model for other nations to follow. The favorable trading rights of the Germans and the easy access to loans through the Deutsche Palästina Bank made German businessmen an enviable class in Constantinople.

In 1897 Baron Marschall von Bieberstein became Ambassador to the Sultan's court. An experienced and capable diplomat, he was supposed to be in political exile, but being an active Pan-German and an advocate of German economic and political ties with Turkey, he was a very active exile indeed. He arrived at an opportune moment. Abdul Hamid was in the European international doghouse for his treatment of the Christians in Armenia and badly in need of friends. Bieberstein engineered a visit by the Kaiser in 1898 which turned into a theatrical pilgrimage. The visit won the everlasting gratitude of the outcast Sultan because the Kaiser had braved the moral condemnation of Europe to come.[7] Germany was thus safely enthroned in a position of influence for the remainder of his reign.[8]

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[7] Actually there was little objection in England or France, although Russia was immensely displeased (which pleased the English immensely). At any rate the Kaiser could not have anticipated the reaction beforehand and this to Abdul Hamid was an indication that Germany was a true friend.

[8] 1898 is an interesting year for Germany: Bismarck died and the Kaiser was thus rid of his nagging second guessing; Germany received important concessions in China, which launched her Far Eastern ventures; the first Naval Law was passed and the naval rivalry with ENgland ensued.

Although the period 1893-99 was characterized by lull in the competition for concession, it is obvious from what has just been said that when the Germans again applied for a concession to build beyond Konia in 1899, they had the support of a government which was the dominant political influence in Constantinople.

In order to maintain its favored position in the councils of the Sultan, the German Foreign Office recognized that it would have to initiate the construction of a railroad beyond Konia through central Asia Minor. Since the Sultan considered such a railroad of primary importance, the syndicate that would build it was bound to have special privileges. In the ten years since the original concession had been awarded the Deutsche Bank group, it had laid down more than 1000 kilometers of track. There was no reason, so far as the Foreign Office in Berlin could see, why this German group should not continue to the Persian Gulf and thereby realize von Pressel's dream and Abdul Hamid's pet project. Consequently, late in 1898 a survey team set out to study the economic, strategic, and geographical possibilities for such an extension. While this survey was being made, the Deutsche Bank began looking for financial support for the railroad. German investors alone could not underwrite the entire project, particularly the mountain regions of the Taurus and Amanus Ranges.[9] Von Siemens approached British investors in London without notable success.

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[9] They could have avoided the Amanus RAnge entirely by building from Adana to Alexandretta and across to Aleppo. But Abdul Hamid refused to permit the route. Alexandretta was on the Mediterranian and he wanted no part of his railroad to be within the range of British gunboats. So he insisted on the far more expensive and difficult mountain route.

So in the spring of 1899, he turned to the French interests. The French had been, and still were, the German's strongest competitor both in trade by rail and in the bargaining for concessions. When von Siemens made his overtures, however, they decided in light of the growing German strength and influence in Turkey that the time for competition was past, and that now they had better negotiate before they lost out altogether. There followed a series of meetings in Berlin during May, 1899 between representatives of the German Deutsche Bank and the Anatolian Railroad Company, and the French Ottoman Bank and the Smyrna-Cassaba Railroad Company. The result of this conference was a merger. It was decided that a new company -- the Bagdad Railway Company -- would be formed to apply for and work a concession east of Konia. The stock was to be divided as follows: 20 per cent for the Turks, 40 per cent for the French and German interests, and, should British capital profess an interest, and equal number of shares taken equally from the French and German interests, for them.[10] In addition, the settlement established a commission to study means of settling the impasse at Afiun Karahissar. To insure that both railroad companies would continue their co-operation, the respective boards of directors were interlocked. With the French opposition effectively removed, the new syndicate applied for a concession to be based on the findings of the survey team.

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[10] The new syndicate maintained its basically German character because of the influence they maintained over the Turks. Their combined strength gave the Deutsche Bank effective control.

Meanwhile, the British began to show a competitive interest in the concession. During the early summer, a Mr. Rechnitzer, representing a group of British bankers, submitted a request for a concession based on a plan to lay track from Alexandretta to Bagdad and the Persian Gulf. He received a good hearing partly because the subsidy he wanted from the Turkish Treasury was far less than that which the Anatolian Railroad had received and partly because he reinforced his arguments with lavish gifts to Turkish officials. The negotiations dragged on through the summer and into the fall. An Austro-Russian project fostered by Pobedonostsev in conjunction with several Austrain bankers was added to the bidding. A settlement was finally brought about in November when the British project lost the support of Her Majesty's Government. The Kaiser, on a visit to London in the fall of 1899, met with Chamberlain and officials of the Foreign Office. Hostilities had just begun in South Africa, and Chamberlain was much more interested in Rhodes and Boers than in Rechnitzer and the Turks. At the Kaiser's urging, he instructed Sir Nicholas O'Connor, the Ambassador in Constantinople, to inform the Sultan that the British Government had withdrawn its support for Rechnitzer's project.[11] Thus with the British project abandoned by its government and the Russian project decimated by the opposition of Count Witte,[12] the Sultan awarded the concession "in principle" to the Franco-German group on December 23, 1899. The final concession was withheld pending the results of the survey and the formulation of definite plans.

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[11] It must be remembered that even at this late date, Great Britain had no real objection to German interests in Turkey. See Earle. Ibid., p. 86, ftnote 9.

[12] Witte's opposition to the entire idea of a railroad to Bagdad (of which we shall hear more later) was based mainly on his fear of any foreign railroad so close to the Russian projects in Persia. His opinions were respected because of his reputation as a capable railroad builder and financier.

Abdul Hamid's reasons for choosing the German company went deeper than they appeared at the time. During the last years of the century, he was developing his ideas for a pan-Islamic movement which were to manifest themselves in the Mecca railroad project of the next decade.[13] Such a religious revival would be aimed at strengthening his national power. The Russians with their eternal coveting of Constantinople could be counted on to oppose such ambitions. The French and English were not likely to approve of this by virtue of their rule over Moslem subjects in Algeria, Tunis, Egypt and India. The Germans, on the other hand, were new-comers to the world of imperialism and not at all unwilling to see Turkey strengthened by a Moslem religious revival or any other means. Their clean slate commended them to the Sultan. These considerations never reached the surface in 1899, however, and therefore the concession to the Germans, at least in the eyes of Europeans, was granted because of the dominant influence and interest of Germany in Turkey. The French Government offered no objection. Delcassé was content to allow private French interests invest in the Bagdad Railroad so long as it did not tie his hands in North Africa, an eventuality which seemed remote as long as the French interests in the railroad remained purely economic in nature.

Great Britain, pre-occupied with their problems in South Africa and re-insured by the cordial visit of the Kaiser that they had nothing to fear from the Germans, were content to let matters in Turkey ride. In light of the attitude of English newspapers three years later, it is interesting to note that they had nothing but good will towards the German

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[13] See above: Chapter III, ftnote 1.

project in 1899. The London Times was most sympathetic: "In this country we can have nothing but good wishes for the success of the Emperor's journey and for any plans of German commercial expansion which may be connected with it....We can honestly say that if we were not to have these good things for ourselves [ie. trade and influence in Turkey], there are no hands we would rather see them in than in German hands." The Morning Post was no less pleased: "So long as....the door there is open...it may not be at all a bad thing to give Germany a strong reason for defending the integrity of Turkey...."[14] The diplomatic dispatches also expressed a certain pleasure in the concession. O'Connor reported that for the present difficult negotiations stood between the Germans and the definitive concession and that they would appreciate any support that could be given by the British Government. He urged British support for the project, either moral or financial, provided of course they could participate on fair and equal terms if they did invest.[15] There were only two sour notes to break this harmony. During the summer in a debate in Parliament an M.P. requested Her Majesty's Government to communicate to the Porte its opinion that in light of the heavy British interest in the Persian Gulf area, British capital should be given the right to build the rail-road section between Bagdad and the Gulf. Although no such communiqué was sent, this remark marks the first mention of a very ticklish subject

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[14] Earle, Ibid., p. 66.

[15] B.D., II, p. 175 (No. 526).

which was to become the cornerstone of British opposition to the railroad after 1903.[16] The other ominous problem was the Boer War which was soon to drive a wedge between the cordial Anglo-German relations and eventually affect the British attitude toward the railroad. But for the moment at least there was every reason to believe that the British would soon be participating in the project.

The honeymoon was soon over, however. Between November, 1899 and April, 1903, the feeling in England toward the railroad was completely reversed. The antagonisms between Germany and England cannot be dealt with here in any detail. Suffice it to say that the German rebuff of treaty overtures in the last years of the 1890's, the phenomenal rise of German commercial competition, the belligerent attitude of the German press during the Boer War, and the ominous conception of the German Navy after 1898 all combined to sour British opinion toward anything German. This gradual estrangement did not really alter the British Government's desire to participate in the Bagdad Railroad during the period 1900-1903. It was of course more suspicious of German intentions and more anxious to mitigate the German character of the railroad, but it was not until the Spring of 1903, when public opinion, whipped along by a decidedly anti-German press, demanded that the government refuse point-blank to participate, that Great Britain became committed to blocking the completion of the line. Up until this time, however, the British policy was merely

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[16] O'Connor also mentioned this problem after learning that von Siemens wanted a terminus on the Gulf at Kuwait where Britain had become deeply involved. O'Connor, fearing that mention of a German railroad in Kuwait would frighten off British investment, suggested that von Siemens should not press the point until the railway had gotten farther along. B.D. II, p. 175 (N. 24).

passive, rather hesitant, and not belligerent.

Following the preliminary concession "in principle" in December 1899, detailed negotiations and surveys had to be carried out as to how the project would be financed, where precisely the tracks would be laid, and what towns and stations would have to be built or used for the construction and operation of the line. The route the railroad would take was settled by an accord in March, 1900, which granted the company the rights to build on the left bank of the Tigris. The track was thus to run south east from Konia, through the Cilician Gates in the Taurus Mountains, west across the Amanus Mountains, then south to Aleppo, across the Tigris-Euphrates Valley to El Helif and Nineveh, and finally down the banks of the Tigris to Bagdad. It took three years to definitively settle upon the exact land rights of the railroad and the financial means to support the difficult construction.

The financial problem was the most thorny. The Bagdad Railroad had to raise money for the construction while at the same time the Turkish government had to float loans to subsidize and guarantee the investments in the Railroad Company. In its negotiations to solicit foreign investment, the Deutsche Bank could count on the co-operation of the French interests because of their agreement with the Ottoman Bank in 1899. But Great Britain was another problem. Not only did the directors of the Bank have to contend with the worsening relations between Germany and Britain, but also they had to take into account the Sultan's cordial hatred for

England.[17] Moreover the British Foreign Office was being very non-committal adopting a "wait-and-see" policy towards any German overtures. Thus von Siemens and his associates had to proceed with the utmost caution and tact to avoid offending anyone too much. British investment, important though it was, might have been by-passed and the railroad built without it had not another matter been raised. The Turkish Treasury wished to float a bond issue to raise the funds needed to subsidize the railroad. But before the bond series could be issued Turkey had to provide enough money to pay the interest rates on them. Even with the assistance of the Public Debt Administration's efficient and creative staff, the Sultan found it impossible to produce the necessary money. The only possible way to get it was to increase the customs rate on imports. This too was under foreign control, however, and the Sultan had to secure the approval of all the powers before he could tamper with the custom revenues. Hence Great Britain had to be approached on another count by the Deutsche Bank, this time on behalf of Abdul Hamid. Britain, for her part, could be expected to demand certain compensations in return for her approval.

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[17] This problem was made worse in 1901 because of a disagreement over the little wasteland of Kuwait. This small sheikdom on the Persian Gulf was nominally under the sovereignty of Turkey, but in 1898 the Sheik had asked Great Britain to establish a protectorate over it. This was done by secret treaty in 1899 -- secret because Britain wished to avoid an incident. By this treaty Britain assumed responsibility of protecting the Sheik's "sovereignty" against the encroachments of Turkey. In 1901 the Sheik went to war with the Amir of Nejd and the Turks rushed to the support of the latter. Britain was forced to send a warship to Kuwait and a note to the Porte declaring their intention to prevent a Turkish attack, by armed force if necessary. Turkey backed down with a protest, but the ill feeling remained. B.D., I, p. 333, Appendix I.

In January 1901, von Siemens went to London to meet with British officials and investors.[18] The meeting with the Foreign Office produced nothing because of its pre-occupation with the Boer War. The series of conferences with English bankers proved equally fruitless. They declined to join the project until Her Majesty's Government had given assurances that their investments would not be jeapordized by political complications. This the Government was unwilling to do at the time. The remainder of the year produced more negotiations and more temporizing.[19] Great Britain's major concern was to see to it that if British capital was invested, it would be able to participate on equal terms with the French and the Germans. This meant among other things that the distinctly German character of the railroad would have to be replaced by some form of international control. Here is the first mention of an internationalized railroad, a problem which was to become, along with the Gulf terminus dispute, the major objections of the British public to the railroad.

In January 1902, with the survey for the extention completed and approved, the Sultan awarded the final concession by Imperial Decree. But this settlement still left something to be desired. The concession

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[18] He had wanted to go in 1900 but the German Government had asked him to wait. Germany feared that a hasty agreement (which was not likely in any case) with England would upset Russia. It must be remembered that Russia also had to approve the customs increase.

[19] Von Siemens died during the negotiations and Dr. Artur von Gurner replaced him as Managing Director of the Deutsche Bank.

was awarded to the Anatolian Railroad Company without the right to transfer its grant to another company. This meant that any new investor -- in this case the British -- must be allowed to reap the profits of the existing track (which it had no hand in building) while underwriting the extension. It also left the proposed Franco-German Bagdad Railroad Company which had been planned in 1899 in a very vague legal position. The Deutsche Bank went to work to settle these difficulties at once. Lord Lansdowne, the new British Foreign Minister, was pleased to see the concession finally settled and anticipated the entry of British capital. He decided to withold Britain's approval of the customs increase and of the participation of British investors until the problems raised by the January decree had been settled.[20] Lansdowne himself, as well as several ranking British diplomats were very anxious to have Britain participate, but in light of the recent troubles with Germany, they had to be assured of the exact share British interests would get before they would commit the government.[21] But until the Government gave practical proof of its confidence in the prospect and in the investment of British capital, British financiers were not likely to come forward in sufficient numbers to form a syndicate. 1902 was a recession year and money was tight. This coupled with the public hostility toward Germany, created a hesitant attitude which did not inspire much confidence for economic collaboration.

Russia posed another problem. She publically opposed the entire project and was doing all in her power "to frustrate its realization."[22]

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[20] B.D., II, p. 177 (No. 204).

[21] See: B.D. II, p. 177 (No. 203) and p. 178 (No. 205 - Minute by Lansdowne).

[22] B.D., II, p. 175 (No. 239) and p. 176 (N. 203).

This Russian opposition placed her French ally in a very awkward position. Delcassé never gave more than tacit support of French collaboration in deference to Russian feelings, although private French investors were openly involved in the railway. As for England, the Russians played on her fear that a customs increase would hurt the consumer prices in England and her trade profits with Turkey. Although O'Connor and others discounted this threat, feeling instead that the railroad would create a greater trade demand,[23] it probably had something to do with the lack of British capital willing to invest.

Negotiations between the Franco-German syndicate and the Sultan and between the Deutsche Bank and the English dragged on through the summer and fall of 1902. In February, 1903, the French and German investors agreed to modify their accord of May 1899 in order to give Britain an equal share. The Bagdad Railroad Company was to be formed to operate between Konia and the Gulf with 25 per cent of the shares allotted to each of the groups representing the three big powers. The remaining quarter was divided between the Anatolian Railroad Company (10 per cent) and other interests. There was to be a thirty-man board of directors, eight Germans, eight Frenchmen, eight Englishmen, three from the Anatolian Railroad, two Swiss, and one Austrian.[24] Thus Great Britain could enter on equal terms. The result of this arrangement, was the formation of a British syndicate in late February headed by Ernst Cassel representing a

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[23] B.D., II, p. 176, (N. 31).

[24] This agreement also clarified the legal status of the Anatolian and Bagdad Companies. If the Sultan agreed to this modification, the Anatolian Railroad would remain an independent organization with partial control over the separate Bagdad Company. The concession to build east of Konia would be given the Bagdad Company in this case.

private bank, and Charles Dawkins representing the Morgan Company. Lansdowne gave the group his blessing. It seemed only a matter of time and negotiation before Britain would join the project. The road to entry was further cleared on March 5, 1903 when the Sultan approved the Bagdad Charter, the definitive settlement of the concession granted the year before. By this Charter, the new Bagdad Railroad Company was given the sole right to construct the railroad east of Konia with branch lines into Syria, Mesopotamia and Anatolia, a total distance of 3,773 kilometers (or 2,400 miles). The Bagdad Railroad Company was incorporated under Turkish law with a capital of 15 million francs. The concession was to remain in effect for ninety-nine years with a stipulation for an extention of the deadline in case of war or financial problems. Until the railroad could stimulate immigration and development,[25] it was necessary for the Turkish government to guarantee its safety through a subsidy. Under the Charter, Turkey agreed to pay the Bagdad Company 275,000 francs per kilometer, payable at the rate of 11,000 francs per kilometer annually. This money was to be raised by a bond issue to be floated on the European market by the Imperial Ottoman Bank. The four per cent interest rate and the sinking fund on these bonds was to be paid by Turkey from revenues collected from the districts effected by the line, and if this proved insufficient, from an increase in the customs rates (provided the powers agreed). In addition, the Sultan guaranteed the railroad an annual income of 45,000 francs per kilometer. If the gross receipts fell below

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[25] The economic conditions of the area to be crossed have already been described. The figures for the population density, however, are revealing: East Anatolia, 27 per sq. mile; Syria, 31; Mesopotamia, 13. See: Earle op. cit., p. 90, ftnote 45.

this figure, the Turkish Treasury would make up the difference. Any excess over this amount up to 10,000 francs went to the government; any excess over the 45,000 francs which amounted to more than 10,000 francs was divided, 60 per cent to Turkey, 40 per cent to the Bagdad Railroad Company.[26] The company was also granted tax exemption, land for the right-of-way and construction purposes, the use of government timber, quarry gravel, and sand free of charge, the use of all mines within twenty kilometers of the track, and the authorization to search for objects of art and antiquity along the route. Two provisions of the concession were to return to haunt the Bagdad Company. It was granted the right to port facilities at Basra on the Persian Gulf and the navigation rights on the Tigris and Euphrates Rivers. Basra was dangerously close to Kuwait and the British interests there, while the navigation rights were held by the Lynch Bros. Steamship Company already. These two incidental concessions were to fire the British public against the railroad in the coming months.

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[26] For these figures consult Earle, Ibid., pp. 77-78 and p. 90, ftnote 47.

V. Great Britain Refuses to Participate.

The agreement between German and French interests in February and the definitive charter of March did much to clear the way for British investment in the Bagdad Railway. In February Lord Lansdowne communicated to Cassel a list of three concessions his government was willing to make to facilitate negotiations: 1) to allow the India mail to be carried by the Bagdad Railroad; 2) to aid the German promoters by other than financial means to get a terminus at the Gulf in or near Kuwait; and 3) to allow Turkey to raise her customs duties to meet her financial obligations to the railroad. In return Lansdowne wished to see the entire line from Constantinople to the Gulf (including the Anatolian Railroad) placed under an international directorate.[1] On February 24, Lansdowne, with the approval of both Cassel and Dawkins, asked the Baring Brothers and Company, an old and respected London investment firm, to head the British group seeking participation.[2] He probably did this in order to make the syndicate more respectable both at home and abroad since the Morgan Company was in the bad graces of the English public for participation in an unpopular shipping combine and Cassel was a naturalized German.[3] Lord Revelstoke, the representative of the Baring Brothers, became a

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[1] B.D., II, p. 179 (No. 206).

[2] B.D., II, p. 181 (No. 208).

[3] B.D., II, p. 196 (No. 224).

central figure in the negotiations of March with Gwinner of the Deutsche Bank.

On March 20, Revelstoke returned from a meeting with Gwinner bearing a letter which listed Lansdowne's three commitments of February as those the Deutsche Bank desired.[4] Lansdowne was most pleased and wrote Gwinner that these would become the basis for negotiation.[5] The Germans, in return for the three British concessions, soon agreed to the internationalization of the railroad from the Bosporus to Basra with 75 per cent to be held in equal shares by the Germans, French and Germans, and the remainder of the shares to be divided among the Turks, the Anatolian Railroad, and other interests. The way now stood clear for Britain's inclusion.

These agreements had been kept from the public pending a final settlement, but in early April news of them began to leak out. The newspapers immediately picked up the rumors and initiated an anti-investment campaign. The Spectator on April 4 demanded that the Government give the nation "an early assurance that the rumors as to their contemplated action have no foundation; and that if at any time they are approached by Germany on the subject of the Bagdad Railroad they are determined to meet all projects of co-operation with a decided negative.'"[6] The National Review ran an editorial condemning His Majesty's Government for falling under the wing of the German Foreign Office. The public picked up the attack, and Lansdowne was forced to inform Revelstoke that in view of the agitation which was "based on misapprehensions," the British Government would not be able to come out in open support of the syndicate's participation.[7]

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[4] B.D., II, p. 184 (No. 212).

[5] B.D., II, p. 185 (No. 213).

[6] Chapman, op. cit., p. 53.

[7] B.D., II, pp. 185-86 (No. 214).

On that same day -- April 7 -- Mr. Gibson Bowles rose in Parliament and questioned Prime Minister Balfour about the Bagdad negotiations and the commitments, if any, the government had made to the Germans. Balfour replied that negotiations were in progress, but that nothing was definite as yet. He also stated that if the negotiations proved successful, the Parliament would be asked to allow the government to grant the customs increase and to adopt a favorable attitude towards a terminus at Kuwait.[8] He was immediately attacked on the floor. Bowles claimed that the railroad was a threat to British interests in Egypt and the Gulf area, that it was financially unfeasible, and worse of all that it was German. Balfour defended his position. He declared that Parliament must consider whether they would not rather see the terminus in Kuwait where Britain could exert control, than in some more remote spot, and also whether, in view of the trade and profits that would be gained, it would not be better for Britain to be in on the ground floor. He also declared that with or without British investment, the railroad would be built, and when it did reach the Gulf the British would then have to contend with it anyway.[9] But the speech had little effect. The German newspapers hailed Balfour's presentation, but this did little to soothe his countrymen. Parliament adjourned for the Easter recess on April 8, and the matter of British entry into the Bagdad project was left in abeyance.

But if Parliament was content to let matters ride, the press was not. The London newspapers took up Bowles' cause during the recess and drove

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[8] B.D., II, pp. 186-87 (No. 215).

[9] Earle, op. cit., p. 181-182.

home a vicious attack. The anti-investment campaign centered around three major themes: the feeling against a German project of any kind; the danger of arousing Russia unneccessarily; and the lack of stable financial guarantees. The Manchester Guardian foresaw only entanglements in tribal wars and court intrigue; The London Times urged the government to use its vote on the customs issue to keep Germany in line; and The Spectator hinted that this was England's chance to retaliate for Germany's hostility during the Boer War.[10] Letters flooded in from Gibson Bowles, representatives of vested interests, and aroused citizens denouncing the cabinet and the whole scheme. The climax to the attack came on April 22, when The Times used the provisions of the March Charter to demonstrate that there was no one who would benefit by the railroad except Germany, Britain's chief rival and enemy.

Throughout this attack, Lansdowne still hoped to be able to calm the press and the public and to conclude negotiations for Britain's entry. He saw no other happy alternative. It would be impossible to remain neutral, unless the violent hostility toward the project expressed in the press could be called neutral. If he yielded to the public dictates and opposed the line, he would be placed in an extremely awkward position. If other European governments came to terms, Britain would be isolated and when the tracks reached the Persian Gulf and terminated outside Kuwait (which he fully expected), the British would be hard put to maintain its opposition without looking ridiculous.[11] This Lansdowne would never permit.

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[10] Ibid., p. 185-86.

[11] B.D., II, p. 187 (No. 216).

The Cabinet, however, would. On April 22, the same day that The Times damned the project, Balfour met his ministers, and they decided not to weather a public debate and a vote in Commons. On April 23, Balfour rose in the house and announced his government's decision not to support the British participation.

> The alternative arrangements which have lately been under our consideration were...designed to place the railroad including the Anatolian R.R. throughout its whole length from sea to sea, under international control, and to prevent the possibility of preferential treatment for the goods or subjects of any one country....After careful consideration of these proposals, His Majesty's Government have come to the conclusion that they do not give to this country sufficient security for the application of the principles above refered to; and they have therefore intimated that they are unable to give the suggested assurances with regard to the policy which they might hereafter adopt as to the conveyance of the Indian mails by the projected route, as to the facilities at Koweit, or as to the appropriation of a part of the Turkish customs revenue in aid of the contemplated guarantee.[12]

The British syndicate could be expected to withdraw immediately since they had never been willing to invest without the full support of the government.[13]

On the surface it appears that the government was swayed by public opinion alone in making its decision. Yet behind the voices of protest were powerful vested interests and imperial defense considerations which exerted a direct and indirect influence upon Balfour and his cabinet. Gibson Bowles himself was the spokesman in Parliament for the Smyrna-Aidin Railroad which had faced the prospect of extinction since the union of

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[12] B.D. II, p. 191 (N. 219).

[13] For a good summary of these events, see J.A.C. Tilley's Memorandum of 1905 B.D., I, pp. 322-337, Appendix I.

French and German interests in 1899. The Lynch Brothers were another powerful influence. Since the middle of the nineteenth century, this company had held a monopoly on the navigation rights on the Tigris and Euphrates Rivers between Basra and Bagdad. They were not loved by the inhabitants of either city because of their high prices and poor service. As was indicated above, the Charter of 1903 granted the Bagdad Railroad Company navigation rights as well. The Lynch Brothers did not like this competition, so H. F. B. Lynch, a member of Parliament with a reputation for being an expert on the Near East, carried the Union Jack to the floor of Commons. A third group which was agitating against the railroad was the shipping companies that carried the India mail, a monopoly which amounted to a regular government subsidy and which the Bagdad Railroad hoped to take over. But rather than try to uphold this rather selfish interest, these shippers tactfully proclaimed the ill effect the customs increase would have on British trade. Whether these vested interests were correct in their estimations or not is of little consequence. The fact was that they merely had to drop discrete intimations to the newspapers or in Commons and they were immediately picked up and broadcast by the agitated press.

Besides the vested interests, the considerations for the defense of the empire had to be taken into account. India was the keystone to her empire, and its protection had always occupied a foremost place in the councils of defense.[14] The penetration of a German railroad into the

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[14] The Suez Canal had threatened India, so Britain bought it. To guard its approaches she occupied Egypt and established protectorates in Aden and the Persian Gulf region. To protect these she maintained outposts at Gibraltar, Singapore, Cyprus, Malta, andin Persia. This chain of defenses meant that a threat to any one of them was in effect a threat to India.

heart of her system of protectorates could not be ignored. It posed a potential threat to India and the outposts that guarded it. If the railroad was completed, it would penetrate the Gulf area and possibly Kuwait. It ran dangerously close to her interests in Persia where the quarrel with Russia made the situation unstable (and continued to do so until 1907). With regard to Suez and Egypt, the defenders of the empire saw a threat in any Moslem resurgence and a potential military danger in a railroad system across Anatolia and Palestine. Moreover the British were too experienced as imperialists and too suspicious of Germany to take the latter's economic assurances at face value. The kilometric guarantees gave German bankers a decided grip on Turkish finances, and after all this was how British occupation in Egypt had begun. Again, it is not so important to decide whether these defense considerations were a valid appreciation of the problem, since right or wrong they exerted quite a heavy influence on Balfour's decision. It is one of those cases where official judgement can be questioned, but the effects of that judgment cannot be altered.

The government's judgment was praised by the press and the public, but many experienced members of the diplomatic corps denounced the decision. A good example of the reaction of these intelligent and experienced men can be found in Sir Nicholas O'Conor, the British Ambassador to Constantinople (1898-1906).[15] Before he received official word of Britain's withdrawal, he telegraphed Lansdowne that he had heard rumors to that effect and that if this were the case, he categorically deplored the

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[15] It should be borne in mind that most of these men were in foreign capitals and therefore were less affected by the press campaign. Also they were in no real danger of losing their jobs should the Commons vote the Balfour Government out of office. I have selected O'Conor because his opinions strike me as being both realistic and honest, and because his opinions are best represented in the British Documents.

move.[16] A few days later he communicated to the Foreign Office a long letter couched in the most reserved and correct language (which however hardly disguised his bitter denouncement of the withdrawal).[17] In the first place he felt that opposition in the press and Commons was based on "movements of opinion due to causes which are probably less permanent in their character," whereas the Bagdad Railroad would have long range, permanent effects on British interests in a crucial area, and further that the government had allowed itself to be swayed by harangues of petty minds instead of protecting the best interest of the Empire as a whole. In the second place he noted that if the Anatolian Railroad had refused to give up its German character for the internationalized control of the Bagdad Company as had been agreed, the British could then have refused to allow a terminus in Kuwait. Moreover he observed that the Anatolian Railroad would not be able to survive long without merging with the Bagdad Railroad, and even if it did, Britain could then have built a branch to Alexandretta and thus boycotted Anatolian tracks. In the third place, the kilometric guarantee from the Turkish Treasury protected the investors better than usual in such cases. Without this subsidy the construction of the railroad was problematical.[18] Lastly, O'Conor predicted that German interests would now become so firmly intrenched in the Ottoman Empire that Great Britain would have to be satisfied with a lesser

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[16] B.D., II, p. 191 (No. 220).

[17] B.D., VI, pp. 325-327 (No. 217); also reproduced in part in B.D., II, pp. 191-193 (No. 221).

[18] This is what Britain counted on later when she continually refused to approve the customs increase.

position of influence permanently. In effect, to O'Conor, Britain had voluntarily placed herself in an awkward and unprofitable position.

Great Britain had certainly overlooked many benefits which the railroad could have produced. Moreover, she had exaggerated many of the minor drawbacks. Had the customs increase produced a burden on trade, it would have fallen on all nationalities equally, and it is probable that the railroad itself would have more than compensated for any hardship in this respect. In protecting the Lynch Brothers monopoly, the government overlooked the probability that with the coming of the railroad, not only would river trade have increased, but the Lynch Brothers would have been compelled to offer better service and rates in face of the German competition. Discrimination by the Germans would have been very unlikely, indeed impossible, had the British owned 25 per cent of the company. The danger of a German-dominated railroad was enhanced, not decreased, by the British withdrawal. As far as defence matters go, the British were probably justified in fearing the railroad, although as a matter of conjecture, they could probably have controlled the military use of the railroad much better from the Board of Directors than from the sidelines. The Bagdad Railroad would hardly have brought the German soldier to Basra in any case.

The judgments of hindsight are of course easy, and in all fairness to Balfour and his government, one cannot simply dismiss the massive effect which the public hostility, the press attacks, the vested interests, and the strategic fears must have had on their decision. O'Conor, being far removed from the scene of conflict, was much better qualified to make

the cool judgement and establish the alternatives. No matter how much Balfour and Lansdowne might have wanted to keep the question of British participation out of the political sphere, the press and the public by their noisy outcry forced them to make a political decision, and of course politicans want to stay in office. Once they had made the decision to withdraw, they had no recourse but to oppose the railroad. The question of a customs increase allowed them to do no other -- either they approved it or they denied it. Public opinion and national interests (now that they could not participate) dictated denial. Thus Great Britain began nearly a decade of open hostility to the railroad project. Although they succeeded in delyaing construction, in the end they failed and had to come to terms.

VI. Great Britain in Opposition (1903-1908).

The British withdrawal took the German and French investors by surprise. Questions were immediately raised as to whether this decision was final or was subject to reconsideration pending further negotiations. All doubt as to the British position was dispelled on May 5, however, when Lord Lansdowne in a speech to Parliament declared that Great Britain would "regard the establishment of a naval base or a fortified port in the Persian Gulf, by any other Power as a very grave menace to British interests," and that further Britain must work to ensure the dominance of her trade in Persian waters.[1] This speech set the tone for the British attitude for the next nine years. She would not countenance any rival nation in or near the Persian Gulf. To keep the Germans from reaching the area via the Bagdad Railroad, she did all in her power to prevent the tracks from going any farther east of Konia than she had to. Her chief target became the unstable financial support of the Railroad, particularly the Turkish kilometric guarantees.

The Bagdad Railroad, which had been set up by the Franco-German agreement of February with British participation in mind, had to reshuffle the distribution of shares. A new 27-man Board of Directors was established with eight Germans, eight Frenchmen, four Turks, two Swiss, one Austrian, and one Italian. The stock was divided accordingly with the Anatolian Railroad remaining an independent company owning 10 per cent of the

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[1] B.D., II, p. 193 (n. 222).

Bagdad Company.[2] Control of the railroad was now firmly in the hands of the Deutsche Bank since they also owned the Anatolian Railroad and had great influence over the Turkish directors. Gwinner still hoped to be able to negate the British withdrawal by getting the full support of the French Government. But Delcassé, who had never given more than tacit approval of the French investment because of Russian opposition, was now even less inclined to support the project with Britain also opposing it.[3] During the summer, negotiations between the Deutsche Bank and the French government broke down, and Delcassé formally announced that his government would not sanction the participation of the French group. In November, the first bond series for 54,000,000 francs was floated, but the French government refused to allow them to be quoted on the Paris Bourse.[4] Delcassé's actions did not bother Gwinner as long as the French investors already involved did not pull out,[5] but the fact that French diplomacy had joined Britain and Russia in open opposition was to have serious effects on the future of the railroad.[6]

In the face of this formidable opposition, the Germans decided to go ahead and build as far east of Konia as they could with the money on hand.

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[2] Earle, op. cit., p. 93.

[3] Delcassé at this time was very anxious to secure an agreement with England to settle their differences.

[4] This is made even more ironic when one notes that the bonds were issued through the French controlled Imperial Ottoman Bank. Private French financiers were now on the Board of Directors of the Bank, the Public Debt Administration, and the Bagdad Company. This heavy involvement ran at direct cross purposes with the government in Paris. See: B.D., VI, pp. 345-346 (No. 234).

[5] B.D., II, pp. 195-196 (N. 224).

[6] This became even more serious after the 1904 entente between Britain and France and the 1907 accord between Britain and Russia.

Their strategy was based on the idea that every mile of track laid placed them in a better bargaining position. By the autumn of 1904 the Bagdad Railroad had reached Eregli. But here progress stopped. Before them lay the formidable Taurus and Amanus Mountains, the most difficult and expensive stretch of the projected line. The Bagdad Company could not proceed without the subsidies of the Turkish Government, but the Turks were in no position to take on additional expenses. The bond issue of 1903 had not been very successful, and the cost of a sinking fund and the interest rates had drained the Turkish Treasury. Additional expenses of this kind on a second bond series could only be met by a customs increase. For this they needed international approval. But the British, realizing that sooner or later the customs issue would come up, had been actively formulating a policy to meet this request. Their demands would be two-fold: first, to protect their interests in the Persian Gulf, she would want concrete assurances as to the control of the line south of Bagdad; secondly, in conjunction with France and Russia, she would demand entry of all three on an international basis.[7] Negotiations on this basis could be expected to last indefinitely.

The German strategy of building east of Konia did have some effect. In October 1904, the Committee on Imperial Defense reported its reaction to the completion of the Konia-Eregli section. It again pointed out the

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[7] This was a policy aimed at obstruction: in the first place, the "concrete assurances as to control" were vague and pointed to British control. This contradicted the second condition. In the second place the agreement of all three powers on the terms of entry would be difficult, if not academic.

strategic danger of the German control, and urged the government to get in on the construction of the line south of Bagdad to ensure the neutralization of the terminal on the Gulf.[8] In the following year, the Board of Trade issued a memorandum to the Foreign Office stating its belief that the Germans would eventually find means of completing the railroad in spite of the obstacles. But, it noted, their most serious financial problem lay before them -- the Taurus Mountains. The meagre Turkish revenue and subsidy could never support the construction, and, therefore, this would be an ideal time for Britain to enter under favorable conditions. The aim of the British in any such negotiations should be to secure predominance in the line south of Bagdad to offset the German-controlled Anatolian Railroad from Constantinople to Konia. At a later date the two could be merged under international control with the Bagdad line between Konia and Bagdad. In general the note urged Lansdowne not to let this opportunity pass.[9] Accordingly Lansdowne told the French that Britain would like to build the leg south of Bagdad, but that it would not support any investments unless the French were sufficiently compensated. The French Ambassador replied that he was not in favor of such an arrangement. Rather, he would want the entire line placed on an international basis.[10]

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[8] B. D., VI, p. 325 (Editor's Note).

[9] B. D., VI,p. 328 (No. 211).

[10] B. D., VI, p. 329 (No. 212).

Lansdowne's desire to co-operate with the French had clashed with his policy of protecting British interests on the Gulf.[11]

During 1905, the Turks applied officially for a 3 per cent customs increase, and Gwinner journeyed to France and England to contract financial support. The Germans did not seem "unwilling to leave the British group the Bagdad-Basra section of the line,"[12] but the French, believing that they would be left without compensation, were not enthusiastic. It was then suggested that perhaps the French railroads in Syria could serve as a counterpoise to the British and German sections.[13] This might have proved an acceptable settlement, but Lansdowne decided to wait for the Germans to make the overtures -- to come begging as it were.[14] His reason for deciding to wait was based on some estimates as to the cost of the construction, which seemed to indicate that there would be little progress made in the near future because of severe financial problems. It was estimated that 54 million francs had been available in kilometric guarantees for the section just completed. The company had spent 49,606,518 francs in the construction and purchase of rolling stock. When this figure was broken down into kilometers and English pounds with additions made for the 4 per cent interest due on the bonds (i.e. those issued by Turkey to finance the kilometric subsidy), it was figured that £ 17,000 had been

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[11] It should be remembered that the two notes urging British participation were written by businessmen and military men. Public opinion was still strongly opposed to collaboration.

[12] B.D., VI, p. 329-331 (No. 213).

[13] B.D., VI, p. 330 (No. 215)

[14] B.D., VI, p. 331-334 (No. 216).

available per kilometer for the Konia Eregli section, and £ 15,700 had been spent. This left a total of £ 1,200,000 in kilometric subsidy from the Turkish government's first bond series to be applied to the mountain section. But it was estimated that £ 25,600 per kilometer would be needed from the Turkish Treasury to subsidize the mountain section. This meant a total of £ 3,200,000. Thus the Turks would have to raise some £ 2,000,000 to meet the kilometric guarantee. This could only be done through another bond issue. Yet to float such a series, the Turks had to guarantee a 4 per cent interest on the bonds and a sinking fund. This could only be done through an increase in customs revenue. Until the European powers granted such an increase, the railroad could go nowhere.[15] Although O'Conor believed that the Turks could eventually guarantee the bond issue with revenues at hand (with the help of the Public Debt Administration and the Ottoman Bank),[16] Lansdowne decided that he could afford to wait. Thus the question of the customs increase dragged on through 1906 and into 1907.

The year 1906 brought a new face to the British Foreign Office -- Sir Edward Grey. He reviewed in minute detail the problem of the Bagdad Railroad to date. In addition to the oft-repeated economic, political, and military arguments against the project, Grey noted a new development. Since 1900 the German navy had been a growing menace, and he saw a distinct

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[15] Ibid.

[16] B.D., VI, p. 335 (No. 218) -- This is what they eventually did in 1908. O'Conor's fears began to materialize with the appointment of Dr. Karl Helfferich as a managing director of the Deutsche Bank in 1906. A professor of political science and a very able economist, he was an expert in Near Eastern politics and finances. He was also a close friend of von Bülow and had numerous connections in the German Foreign Office.

possibility that a terminal on the Persian Gulf controlled by German interests could quickly be transformed into a naval base that would be particularly galling to British prestige in the Gulf and very dangerous to the defence of India. This consideration only served to reinforce the British belief that she must control the line south of Bagdad and the terminal. There was another factor which had been introduced as well. Since 1904, Britain and France had enjoyed very close relations, and after the Algeciras Conference of 1906, the possibilities of a British understanding with Russia seemed imminent. Grey was therefore unwilling to sanction any British participation without the consent of France and Russia. The two point policy of Lansdowne -- the control of the Gulf section and English-French-Russian solidarity in any negotiation -- still stood as the central pivot of British policy towards the Bagdad Railroad.

The French were eager to enter the project because there were so many private interests involved and others anxious to join. But the policy-makers at the Quai d'Orsay refused to sanction French participation without the approval of England and France.[17] Joint participation depended upon Russia, and as always, Russia proved to be an enigma. She had opposed the project since its conception, and her defeat at the hands of Japan had done nothing to moderate her aversion to a resurgent Turkey or to the idea of railroads near the Persian border. Whatever she decided to do, one thing was clear to Grey: it would take time. He decided to give her all she wanted. In December 1906, the British and French Foreign Offices

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[17] The support given France by both nations at Algeciras only served to underline this attitude.

reached the conclusion after "sufficient inquiries...that the Germans will not with only their own pecuniary resources be able to continue the Bagdad Railroad through the Taurus Range...."[18] The general feeling was that the Germans, in building beyond Konia, had been bluffing and that they therefore could wait for Russia to decide or for the Germans to propose a deal.

In April 1907, the powers did agree to increase the customs rate from 8 per cent to 11 per cent, but the effect was entirely negated by the stipulation that the Ottoman Government's share of the revenue (75 per cent) was to be applied exclusively to the budgets of Macedonia where reforms were being instituted.[19] Under no circumstances were the revenues to be applied to railroad subsidies.[20] It did nothing to solve the railroad impasse. Grey still waited to hear from Russia, and Russia still remained silent. It is quite possible that Russia had no desire to see any progress made, either by the Bagdad Railroad or the British (with regard to the Persian Gulf area), and therefore played the waiting-game for all it was worth. In June, after six months of waiting, Grey, fearing that the Germans might somehow begin construction again without British aid, issued a memorandum on the British attitude. In it he stated that

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[18] B.D., VI, p. 350 (No. 242) -- Again O'Conor was in the minority. He had reported that there was good reason to believe the Germans would proceed alone. If this happened, he feared that the British control of the Bagdad-Gulf section would cease to be a live option. B.D., VI, p. 245 (No. 234).

[19] For information on the Mürzsteg Punctation and the Macedonian Reforms see B.D., V, Chapters XXXI, XXXII and XXXVI.

[20] The negotiations for this involve to a great extent the Macedonian Problem and will therefore not be recounted here. For a text of the protocol see B.D. V, p. 199 (No. 155), Enclosure to Sir E. Grey.

Britain would not support participation or assistance except under some scheme whereby she might secure the construction and control of the Bagdad-Basra section. All other problems concerning international control and kilometric guarantees could be settled after this concession was made and the British had joined the project.[21] This of course, was a rather selfish proposal, aimed at securing British self-interest, and the French and Russians were quick to recognize it as such. They protested vigorously, and Grey, not wishing to breed dissension, replied that the memorandum had only been a feeler and refused to push the issue. The waiting continued.

Another attempt to reach a settlement came in November 1907, when the Kaiser visited England. At Windsor Castle in an all-night session on November 14, the Kaiser, accompanied by von Schoen and Count Metternich, the German Ambassador, met with Grey and Haldane to discuss the Bagdad Railroad. The Kaiser and Haldane wanted to have a four-power conference to settle the matter, but it was vetoed later by Bülow. He did not wish to see Germany outnumbered 3-1 after what had happened at Algeciras. Moreover he would not recognize the equality of French and Russian interests with those of Britain. Rather, he wished to conclude a separate agreement with Britain on this and other issues. To this alternative Grey turned a deaf ear,[22] although diplomatic exchanges on the matter continued until June 1908.

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[21] B.D., VI, p. 355 (No. 250).

[22] B.D., VI, p. 368 (Editor's Note).

While these fruitless negotiations were going on, the Germans were actively establishing a financial hold on the Ottoman Empire. The success of the Deutsche Palästine Bank brought in others, first the Deutsche Orientbank and then the Deutsche Bank which now, in addition to controlling railroads, opened its doors for general banking in Constantinople. This was to have noticeable consequences on the financial status of the Bagdad Railroad. In no time at all these German bankers, through their privileged connections with the government and their very liberal terms, managed to build up a large clientele. They became involved in most of the major investment schemes of the Empire through their loans, and often managed to have a representative on the board of directors of the borrowing concerns. The profits that were made and the contacts that were established were put to good use by the Deutsche Bank. They redirected the profits to the Bagdad Railroad and secured investments which could also be applied to the project. Trade was increasing in the Empire and the French and British merchants were yielding to the competition of the Germans and a newcomer to the Turkish markets -- Italy. Although British trade still held a slight lead, it showed an increase of only 25 per cent between 1900 and 1910, whereas German trade increased 166 per cent and Italian, 179 per cent during the same period.[23] All were gaining, but Germany's phenomenal rise remained the most impressive. In 1906 the Hamburg-America Line initiated shipping service to Basra on the Persian Gulf. This was cutting right into the middle of a British sphere and the Lynch Company's monopoly.

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[23] Earle, op. cit., p. 104-107. -- These pages include some interesting graphs concerning the general increase in trade in Turkey (1900-1910).

The Germans could undercut the latter's rates because of a government subsidy,[24] and a price war ensued which lasted until 1913. German trade in the Gulf area increased rapidly, and in 1908 a consulate was established in Bagdad by the Foreign Office in Berlin.

The investments of the Deutsche Bank paid off in June 1908. The fiscal condition of the railroad was sound enough, and the Turkish Government had sufficient funds to commission further construction. Since the sources of money were not inexhaustible, it was decided to by-pass the mountains until conditions were more promising and to build east of them from to Aleppo to El Helif, a distance of 840 kilometers.[25] Plans were made for a second bond series together with the necessary guarantees for interest rates and a sinking fund. The money for this issue came, as O'Conor had predicted, from the Public Debt Administration. The British suspected that the German Government had pledged funds to the Sultan to pay off the Macedonian budget, because the Sultan assured Britain that the

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[24] This subsidy points up the close relation between economic penetration and the German Government. There is an interesting parallel to this recounted in the Annual Report for Turkey, 1907:

The large bulk of Abdul Hamid's population was pro-British even though the German influence at the court was strong. In 1907 the Germans won the friendship of the people of Constantinople. The Sultan was showing a serious decline in health, and the German Ambassador, Baron Marschall von Bieberstein, decided to try to win the favor of his two heirs. There was a Chief of the Secret Police in the capital named Fehim Pasha who was hated by the populace and feared by the Sultan's heirs. In 1907 a ship carrying cargo belonging to a German citizen was high-handedly seized and impounded. Fehim Pasha was implicated. Bieberstein demanded his removal. For three weeks the Sultan refused, but finally he relented and Fehim Pasha was fired. By this minor incident, Bieberstein had won the admiration of the people and the gratitude of the Sultan's heirs. B.D., V, p. 21 (Annual Report for Turkey 1907 -- Events at Constantinople).

[25] B.D., VI, pp. 363-364 (Nos. 259 and 260).

bond issue would not affect the reforms.[26] If this were the case, the Sultan would have had more than enough money to subsidize the railroad all the way to Bagdad. But, of course, it can never be known for certain, because before a track could be laid or the British government could make an official reaction, the Young Turk Revolution swept across Turkey.

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[26] B.D., VI, p. 364 (Nos. 261) and p. 365 (No. 263).

VII. The Young Turks and the Bagdad Problem.

The revolution that toppled Abdul Hamid momentarily ended the powerful German influence at Constantinople. For a brief time, Great Britain had an opportunity to regain what had been lost to her since the appearence of Germany on the Turkish scene in 1883. O'Conor had died in March 1908, and his successor, Sir Gerard Lowther, arrived in Constantinople on July 30, less than two weeks after the beginning of the revolution. His reception was overwhelming: "...Turkey looked to Great Britain as the great exponent of Constitutional government, to guide her through the difficulties inevitably bound up with a complete reversal of the whole system of government."[1] "As the German Emperor had openly and repeatedly declared himself a friend of the sultan...with [his] downfall, was German influence arrested, and the odium that fell upon the Hamidian fabric had inevitably to be shared by the Germans here."[2] This change of attitude was not surprising. The majority of the Turkish population was generally, and in a vague sort of way, pro-British.[2a] Moreover, many of the leaders of the revolt had been educated in Paris and had become allied to the watchwords of liberty and parliamentary institutions. As for the Germans who had been closely associated with Abdul Hamid, Bieberstein was hard put to explain the actions of her friend and ally Austria, who seized Bosnia and Herzogovina at the outbreak of the revolution.

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[1] B.D., V, p. 260 (Annual Report for Turkey, 1908).

[2] B.D., V, p. 272 (Annual Report for Turkey, 1908).

[2a] At least the authors of the British dispatches at the time thought so.

The Bagdad Railroad also suffered from this change of fortune. It became the symbol of the combined Hohenzollern-Osmanli autocracy and of encroachments upon the sovereignty of Turkey. The fact that the British and French were not altogether innocent of such sins did not seem to mitigate the venom unleashed upon the Bagdad project. When the first parliament of the new Turkey met in the fall of 1908, a scathing attack was launched against the railroad. The most reasoned segment of the debate urged that the concessions and kilometric guarantees be revised, but that the contract with the Deutsche Bank be honored in order to give foreigners confidence in the government. Thus an opportunity presented itself to Britain to prevent the Germans from reaching the Persian Gulf.

In the meantime, Britain and France both gained some tangible influence. A British admiral and several lesser officers were placed in charge of the Turkish fleet. Sir Ernest Cassel was allowed to establish the National Bank of Turkey in Constantinople on British capital to stimulate British investment. British experts were assigned as advisors to the Ministries of Works and Finance, as inspectors of the Justice Department, and as officials in the Home Service. A Frenchman became Inspector-General of the Gendarmerie, and an Anglo-French syndicate was awarded a lucrative telephone contract in Constantinople. Negotiations were also initiated between the British and German interests to alter the concession of 1903 to meet British specifications and to compensate the French. The way seemed clear for Britain to assume control of the projected Bagdad-Basra section.

But if liberty, equality, and fraternity were the first phase of the revolution, a second phase -- nationalism -- followed close on its heels. After an abortive counter-revolution in April 1909, a military faction

under the leadership of Hilmi Pasha gained power. Soon nationalism was firmly entrenched as the moving force behind the government. A form of pan-Turkism was being revived, this time as a real political movement to modernize and strengthen the nation. This only played into German hands. If the Young Turks wanted a united nation, the railroad could help; if they wanted to modernize their land, the railroad could help; if they wanted to strengthen their military force, the railroad could help. Indeed the new military leaders were quick to realize that Abdul Hamid's friendship with the Germans had not been all sentiment. Their mutual interests -- a revitalized and strong Turkey -- coincided exactly. To the British and the French, nationalism was not a welcomed sight, and they began to cast troubled eyes on their Moslem subjects in North Africa. Nor was the Turkish leaders' new-found interest in the railroad enthusiastically received. Thus when the Turks applied for a new customs increase (from 11 per cent - 15 per cent),[3] the British decided to turn them down.[4] This refusal in May 1909, led to a series of negotiations which went on intermittently until 1911. They took three forms: the Anglo-Turk conversations, the Anglo-German negotiations, and the private talks between Gwinner and Cassel. They all proved fruitless.

When the British began their negotiations with the Turks for the 4 per cent customs increase, they had decided to demand full control of the Bagdad-Basra section. But then Gerard Lowther suggested that they raise their

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[3] The Young Turk revolt had brought financial chaos, and the construction prospects of the Bagdad RR. of June had disappeared by September.

[4] B.D., VI, p. 373 (No. 271) -- This is an indication that Grey was slipping back to his old policies of obstruction in the face of this new Turkish nationalism.

conditions for approving the customs increase. In addition to demanding the section south of Bagdad, he felt there would be a better "chance of getting something" if they demanded an option to extend the line along the Euphrates from Bagdad, west to the Mediterranian as well.[5] A committee appointed to study this suggestion approved it in July, and Lowther was instructed to make the request of the Turkish government. The fact that Britain promised to build this Euphrates Railroad without the normal guarantees proved very enticing to the Turks. Lowther reported that Hilmi Pasha was favorably disposed to the idea, but that he felt it would be best for the British to approve the customs increase before any concessions were formally made, lest the Germans demand, as a condition for their approval, that the concession for the Euphrates line be revoked.[6] Hilmi Pasha then proceeded to tell Bieberstein about the entire British proposal, admitting that he did not want to go along but simply had to because the Parliament would be glad to see an unguaranteed and unsubsidized railroad built.[7] The Turks were obviously interested in completing the Bagdad Railroad, and did not wish to anger either Britain or Germany in doing it. They wished to get British approval without committing themselves to the Euphrates project and also to get German approval by denying any interest in the British proposal.

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[5] B.D., VI, p. 371-373 (No. 270 and Louis Mallet's Minute).

[6] B.D., VI, p. 377 (No. 275.).

[7] Dugdale, E. T. S. German Diplomatic Documents, Vol. III (London, 1930) pp. 367-368.

In October 1909, Grey (probably unwittingly) upset the tightrope Hilmi Pasha was walking. He communicated to the Turks that, among other things, Britain would have to be given assurances that the revenue from any customs increase would not be used to subsidize the Bagdad Railroad.[8] It was the old trick of 1907 -- the customs increase would be granted with the stipulation that it would not be used for the very thing for which it was designed. The Turkish Government agreed,[9] and then on November 5, turned right around and gave the Bagdad Railroad its approval for the plans to build from Eregli to El Helif. The Imperial Ottoman Bank assumed responsibility for floating a second bond issue amounting to £9,000,000, the proceeds of which were to be used to support the construction.[10] Here again, as in June 1908, the Turkish Government was going to proceed without the customs revenues. As for the Bagdad-Basra section, the Turks appealed to the Germans to work out a settlement with the British. This appeal gave rise to the Anglo-German negotiations and the Cassel-Gwinner conversation.

Gwinner and Cassel had their first meeting in December. Gwinner made the first proposal: the German interests would give the British 50 per cent of the stock in the Bagdad-Basra section, with the remaining 50 per

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[8] B.D. VI, p. 378 (No. 277).

[9] B.D. VI, pp. 791-792 (Appendix II).

[10] B.D. VI, p. 380 (No. 280) -- The interest rates and other guarantees for the bond issue were to be financed through the Debt Administration. For a description of the rather complicated financing involved See: B.C. VI, p. 296 (No. 295).

cent to be divided between the Bagdad Railroad (30 per cent), the Anatolian Railroad (10 per cent), and the Turkish Government (10 per cent). Before the Bagdad Railroad would give up this stock, however, it must be assured the necessary funds for the construction as far as Bagdad. This included a transfer of £2,000 (of the £8,500 per kilometer guaranteed to the builders of the Gulf section) to the Bagdad Railroad to help pay for the expensive mountain construction.[11] Grey did not like this idea. By now he had completely reverted to his old game of "wait-and-see" obstruction. His policy again was centered around two aims: to get control of the Bagdad-Gulf section, and to maintain French-Russian-British solidarity. On December 31, 1909, he set down the steps that would have to be taken before Britain would agree to a customs increase: 1) agreement between Cassel and Gwinner, 2) approval of His Majesty's Government in light of their interest in the Persian Gulf, 3) discussion and agreement with France and Russia, 4) German approval of any alterations, 5) time for Turkey to add its opinion, and finally 6) approval of the customs increase. To this memorandum he added, "This will take time."[12]

Early in the spring of 1910, Cassel gave his reply to Gwinner's proposal. Britain must control 60 per cent of the section south of Bagdad. At this point, the German Foreign Office entered the picture. It refused to concede control of the southern section to Britain in exchange for British approval of a 4 per cent customs increase. It was considered a worthless exchange. Bethmann-Hollweg replied to Cassel's conditions saying

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[11] B.D., VI, pp. 410-411 (No. 309).

[12] B.D., VI, pp. 218-219 (No. 314).

that "...all this amounted practically to nothing and would be regarded as nothing by German public opinion....The anger of the nation would know no bounds." This public reaction worried Bethmann-Hollweg considerably because he had already been attacked several times for "want of a backbone in his foreign policy."[13] He therefore refused to discuss the matter any further on British terms. The British refused to budge, because they felt the German Chancellor was using British interest in the Persian Gulf area as a lever to maneuver them into a general understanding.[14] AS he had in the Windsor conversations of 1907, Grey again refused to enter into any agreement with Germany without the approval of the French and the Russians. Thus there developed an impasse in the negotiations. In May 1910, the Cassel-Gwinner exchanges came to a fruitless end.

While the Anglo-German negotiations were breaking down, the Young Turk regime ran into some serious financial problems. The increased customs revenue now became imperative. Britain for her part still demanded control of the Gulf section as a condition for her approval.[15] But the pressure of financial troubles had produced a new idea. The Turks now decided to build the controversial section themselves, and urged the Germans to relinquish their 99 year concession to it. This scheme evoked a laugh in London. "The Grand Vizier appears to be living in a fool's paradise if he imagines that the Germans will surrender a part of their concession without compensation."[16] For the time being, nothing came of the proposal.

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[13] B.D. VI, p. 455 (No. 344).

[14] B.D. VI, p. 463 (No. 348).

[15] B.D. VI, pp. 466-467 (No. 350).

[16] B.D. VI, p. 484 (No. 368) - Minute.

During the summer of 1910, the Ottoman Minister of Finance, Djavid Bey journeyed to the capitals of Europe in quest of a loan to tide his government over the financial troubles. In Paris he succeeded in negotiating a loan despite some serious anti-Turk feeling. But then the Foreign Minister Pichon stepped in and informed Djavid Bey that he would not sanction the loan unless a French advisor was placed in charge of the budget. This was unacceptable to the Turks, and Djavid Bey left for London. Again he succeeded in negotiating the loan, this time through Cassel. But Grey, who was being pressured by the French, pursuaded Cassel not to go through with the deal. Djavid Bey left for Berlin. Here the Deutsche Bank jumped at the chance. Within three weeks it had contracted the loan for $30 million with no political or administrative strings attached. Once again Germany had established herself in a formidable place of financial influence. The way was now clear for the Bagdad Railroad to build to Bagdad. The new developments took a concrete form in March of the following year. The Germans relinquished their claim to the Bagdad-Basra section and to the proceeds of any customs increase. In return the Turkish Government promised to exert every influence it had at its disposal, economic, administrative, or political, to support the German's construction to Bagdad. The British had failed to keep the line from getting to Bagdad. At the same time her control of the southern section remained only a vague possibility.

But a worse blow to Grey's policy was in the making. Throughout the negotiations of 1909-1910, he had tried to keep his French and Russian allies fully informed. This was consistent with his policy of solidarity.

But for all this, Izvolski was never quite sure of Grey's intentions. His fears had first appeared in the fall of 1909 when he got wind of the British decision to apply for the Euphrates Railroad concession. He saw in this the potential danger that Germany and England would come to some agreement on the southern section. "To put it crudely, he seemed...to think that the bait offered to us [Britain] was so tempting that we were willing to leave all our former declarations on one side and come to terms with Germany,"[17] without consulting Russia or France. To counter these fears, Grey urged his two allies to make a statement of what they would demand with regard to the Bagdad Railroad. By mid-January, the French communicated her demands and they were found in harmony with British interests.[18] But Izvolski would not make his position clear. He merely reiterated his suspicion that Britain and Germany were about to come to terms -- that Grey had abandoned his policy of co-operation and obstruction. Grey became worried during the spring of 1910 that Izvolski would panic and decide to act alone. Even when the negotiations with Germany had broken down, Izvolski continued to be wary.

In the fall of 1910 however, Izvolski was removed from the Foreign Office and dispatched to Paris. His successor was Sazonov. In Berlin, a similar change occurred and Kiderlen-Wächter took up the reins of the Foreign Office. Both these men were anxious to bring their countries into a closer understanding with each other. In November, during the Czar's

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[17] B.D., VI, p. 390-391 (No. 290) -- See also p. 389 (No. 288).

[18] B.D., VI, p. 425 (No. 320) -- Basically she demanded compensation through concessions to build in other areas.

visit to Potsdam, the two men met and discussed the general problems of European politics. Sazonov made some verbal agreements, but upon his return to St. Petersburg, he refused to make any broad formal commitments to Germany with regard to the European scene. He did declare, however, that he was willing to work out the problems of Persia and the Bagdad Railroad. These became the topics of a series of discussions during the spring and summer of 1911. The final agreement was signed in St. Petersburg on August 19, 1911. By this so-called Potsdam Agreement, Germany recognized the Russian sphere of influence in Persia as established by the Anglo-Russian accord of 1907. She further promised that she would not seek or support any concessions for railroad development in that area. In return Russia recognized the rights of the Deutsche Bank to the Bagdad Railroad and withdrew her diplomatic opposition to it. She also agreed to seek a concession to build a railroad from Teheran to a junction with the Bagdad line (with the further stipulation that should she fail to get the concession, the Germans could try). They both consented to practice nondiscriminatory rates and services on their respective lines.

The Germans thus were able to remove from the scene an old foe to the railroad project. She had effectively broken Grey's policy of diplomatic solidarity. In addition, Russia, in making this unilateral agreement had put France in an undesirable position. For a long time French businessmen had been agitating for government sanction to enter the project. But the Foreign Office had refused, partly to maintain Grey's solidarity and partly to please the Russians. Now the Russians were no longer officially unhappy with the railroad. Also the policy pursued by Grey since 1906 was no longer so solid. The only bright side of the picture, as far as

France and Britain were concerned, was that Russia had at least retained her vote on the customs increase, and this could still be used by all three against the German scheme. The only question that remained was whether the Russians would be willing to use her customs vote as a lever against the Railroad.[19] Grey was very disappointed but could do nothing to alter the situation: "There is nothing more to be done, and things could have been a lot worse."[20]

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[19] As it turned out, both Britain and France were unwilling to wait and find out.

[20] B.D., X(i), p. 716 (No. 739) -- Minute.

VIII. Bargains are Struck.

The Potsdam Agreement did little to alter the financial problems of the Bagdad Railroad. Although its plans for construction to Bagdad had received the full support of the Turkish Government, the settlement of financial hitches had taken quite a while to iron out. During the last months of 1910 a little progress was made in the vicinity of Adana. The Germans were building west from that town towards the railhead at Bulgurlu. Early in 1911, the Cilician Gates in the Taurus Mountains were crossed. At the same time, another crew was laying track east of Aleppo towards the Euphrates River. But financial problems made construction slow and there was little prospect of building across the Amanus Mountains west of Aleppo. In March 1911, the Germans renounced claims to customs revenue which made the possibilities of further construction unlikely. The Turkish Treasury was no help. Turkey's war with Italy over Tripoli in 1911 dislocated the budget, and the Balkan Wars which broke out the following year completely destroyed what order there was left. Both Germany and Turkey had to recognize that the Bagdad Railroad could never be finished, nor Turkish finances re-organized, without loans from the British and French, or if not that, at least their agreement to the customs increase. Once Russia had broken out of line, the chances for some kind of agreement were improved, and during the years 1912-1914 a series of negotiations and agreements were carried out which changed the complexion

of the Bagdad Railroad. These agreements were: the Anglo-Turkish settlement, initialed on July 29, 1913, the Franco-Turkish settlement, initialed on September 11, 1913, the Ottoman Bank-Deutsche Bank Agreement, initialed on February 15, 1914, and the Anglo-German Convention, initialed on June 15, 1914. When World War I broke out in August, the final step was being negotiated by the Turkish Government and the Deutsche Bank.

The French were the first to come to terms. French businessmen had long demanded the approval of their Government for their participation. Now it was clear that obstructing the railroad had done nothing but prejudice the position of French interests and drive the Turks into the arms of the Germans.[1] The Young Turks, for their part, had been anxious to establish close relations with France since 1909. They showed their good will in June 1910, by awarding a French concern a railroad concession in Western Anatolia with the largest kilometric guarantee yet -- 18,800 francs per kilometer.[2] After the Potsdam settlement, negotiations were opened, but they dragged along aimlessly for nearly a year. They were cut short by the First Balkan War in October 1912 and were not resumed with any vigor until after the Treaty of Bucharest in August 1913. By then the wars had decimated the Turkish Treasury, and her need for French loans and support in the customs issue had been magnified. It was decided that the best way to facilitate agreement would be for the French and German Governments to approve a financial settlement between the businessmen. Consequently, a conference was held in Berlin in August and September

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[1] This was particularly true after the Djavid Bey trip.

[2] The French government approved of this venture.

between representatives of the Deutsche Bank, the Imperial Ottoman Bank (which was already involved in the Bagdad project) and other French investors who wanted to participate. Representatives of both Foreign Offices and Djavid Bey, representing Turkey also attended the meetings. The result was an agreement between the French and the Turks on September 11, which was amended and modified in February of the following year.

In its final form, the agreement set up spheres of influence for both nations within which financial investments could be made. Both sides agreed to respect the concessions of the other. As to the thorny Bagdad Railroad problem, the Deutsche Bank agreed to buy up the shares of the Imperial Ottoman Bank in the project and its subsidiaries. The sum settled upon was 69,400,000 francs.[3] The entire settlement, both political and financial, was approved by the governments involved. France was glad to be off the Potsdam hook, and to be able to realize a profit from the re-sale of shares as well. The fact that she would now be removed from the Bagdad Railroad altogether did not matter, because she still had ample concessions in Anatolia and Palestine for future investment. Germany was now to be in complete control of the railroad, and with the spheres as set up by this agreement and the Potsdam settlement, she had plenty of room to work her concession. There was also the possibility that, with France again on civil terms with her over the Bagdad Railroad, she might be induced to lend money and agree to the customs increase. Indeed the only party that seemed displeased was Great Britain, the last bulwark of opposition to the railroad.

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[3] This in effect reversed the Agreement of 1899, but it was never carried through. The war came before the money changed hands. For a good summary of the terms see Earle, op. cit., p. 248.

Yet even the British had already begun to scramble to make a deal and secure their interests while there was yet time. The British investors had been willing to follow the lead of the Foreign Office as long as there was a chance of making a significant gain through Grey's policy. But as soon as Russia destroyed this Entente solidarity, and the French had begun to show signs of wavering, they began to see profits going to others and clamored for negotiations. Negotiation was still possible. Since the breakdown of the talks in 1910, the door had always been open to resumption. By the agreement of March 1911 between the Deutsche Bank and Turkey, the latter had the option for dispensing with the concession for the Gulf section, and although the Germans had cleared the way to Bagdad, there was still a possibility that Britain could negotiate with Turkey and win the concession south of Bagdad. Talks were reopened in July 1911, but were soon suspended. The Russo-German agreement of August made it necessary for Grey to re-align his policy somewhat, and the war with Italy and the Balkan troubles re-directed Turkey's attention. The failure of the Haldane mission to Germany and the First Balkan War caused further delay during 1912.

The negotiations were finally resumed late in 1912 unofficially by representatives of Turkey and Britain at the London Conference which was called to settle the peace in the Balkans.[4] Halcki Pasha, the Turkish delegate, was soon given instructions to negotiate a settlement over the

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[4] The diplomatic exchanges for the Anglo-Turkish settlement and the subsequent discussion with the Germans fill an entire volume of the British Documents, and are too extensive to cover in detail here. For the Anglo-Turk negotiations see: B.D., X(ii) Chapter XCII.
The final collection of agreements is set down in French: B.D., X(ii) pp. 183-198 (No. 124).

Bagdad Railroad, and he began to meet with the Assistant Undersecretary of State for Foreign Affairs, Sir Louis Mallet, to discuss the matter.[5] The negotiations were concluded and initialled on July 29, 1913. Turkey recognized British interests in the Persian Gulf and the existing treaties with Kuwait, and it promised that the terminal of the Bagdad Railroad (regardless of who built it) would be Basra and that under no condition would it be extended to the Gulf or into Kuwait without the express consent of Great Britain. British interests were further protected by the inclusion of two British subjects on the Board of Directors of the Bagdad Railroad Company[6] to insure fair play. The exclusive rights of navigation on the Tigris-Euphrates Rivers were given to the Ottoman River Navigation Company of Baron Incheape. Also the Lynch Brothers were given protection and compensation.[7] In return for all this, Britain agreed to the 4 per cent customs increase. It was further added that all disputes over the Bagdad Railroad would henceforth be referred to The Hague.

Thus Britain gave up her long-standing demand for the section to Basra, but received in return assurances of fair play, protection of her vested interests, and guarantees that Germany could not get a port on the

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[5] The low rank of the British negotiator indicates the relative unimportance attached to the Bagdad question in 1912.

[6] Germany would have to agree, but should she refuse, Turkey was to allow the two Englishmen to replace two of her representatives.

[7] This included a series of long negotiations over the status of the Shatt-el-Arab, an inlet on the Persian Gulf south of Basra. The two parties agreed to practice an "open door" policy there, and a Turkish commission was set up to supervise these waters.

Gulf without her consent and that Turkey could not reassert her influence in Kuwait.[8] Turkey now had the support of Britain for her customs increase, and had cleared the way for the railroad to go as far as Basra. It was now necessary to deal with the Germans to insure the success of this agreement.[9]

Negotiations with the Germans were already in progress. The Haldane Mission to Germany in February 1912 had failed to settle the major problem of the naval rivalry, but it had opened the door to the settlement of lesser problems such as colonial disputes and the Bagdad Railroad. It was hoped that a settlement of these issues could lead, as it had in the Anglo-French negotiations of 1903-1904, to a major understanding. Haldane had returned with several memoranda from Bethmann-Hollweg concerning German proposals on these problems.[10] But here the matter was allowed to drop. When the Turks and the British began to negotiate their differences over the railroad, interest was renewed in the Anglo-German negotiations. This was facilitated by the appointment of von Jagow as Foreign Minister in Berlin in January 1913. He considered Anglo-German agreement in the Near East of primary importance.[11] Thus in May 1913 negotiations between Grey and the new German Ambassador, Prince Lichnowsky were initiated.[12] Between

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[8] With the agreement of the French two months later, she had secured the approval of Russia, France, and Great Britain.

[9] The British hoped that the French interests in the Bagdad Railroad would help facilitate the settlement with Germany. Of course by February 1914, France had given up her shares in the Railroad.

[10] For a full discussion of the Haldane Mission see B.D., VI, Chapter XLIX, and Fay, Sidney The Origins of the World War (New York, 1931) pp. 293-312.

[11] Earle, op. cit., p. 254.

[12] The negotiations are found in B.D., X(ii) Chapters XCIII and XCIV, pp. 199-397. The final draft: B.D., X(ii), p. 397 (No. 249 and enclosure)

May and June of the following year at least ten proposals and counter-proposals exchanged hands before a satisfactory formula was reached. These negotiations centered around the construction, control, and extension of non-discriminatory measures of the Bagdad Railroad, navigation rights on the rivers of Mesopotamia, and the shipping on the Shatt-el-Arab. The final draft was initialled on June 15, 1914, and it included the following agreements:

1) Great Britain recognized the Bagdad Railroad and the German interests in it, and agreed not to seek or support obstructionist policies toward it or to build another line to compete with it.

2) Great Britain gave its approval to the 4 per cent customs increase and pledged itself not to oppose the use of these revenues as subsidy to the Bagdad Railroad.

3) Basra was made the terminus under the same conditions as those agreed upon with the Turks.

4) Germany guaranteed equal rates and privileges on the Bagdad Railroad.

5) Germany approved the inclusion of two British subjects on the Board of Directors.

6) Germany approved the Anglo-Turk provisions for the Tigris and Euphrates Rivers and the Shatt-el-Arab. In addition several irrigation disputes were settled.

7) They both agreed to an "open-door" economic policy in Turkey.

8) All differences would be referred to the arbitration of The Hague.

In addition to this agreement, several earlier settlements regarding protection of vested interests were included. The rights of the Lynch Brothers were protected through two contracts with the Bagdad Railroad (March 1914); the sphere of the Smyrna-Aidin Railroad was settled (March 1914); the Anglo-Persian Oil Company was assigned a sphere in southern Mesopotamia and its stock was reshuffled to form a new company, the Turkish Petroleum Company, in which the Deutsche Bank was to hold a 25 per cent interest (June 1914). All these provisions were incorporated into the final draft and the entire pact was initialled.[13] Thus Germany had removed the opposition of Britain and gained the assurance that the financial supports would be forthcoming to complete the railroad. England had been able to insure the protection of India and her Persian Gulf protectorates, while at the same time securing representation in the Bagdad project free of charge. There was every reason to assume that, with the final agreement between the Deutsche Bank and the Turkish Government as to the exact plans and subsidies to be followed, the railroad could proceed to its destination without further delay. All the problems seemed to have been solved by the summer of 1914. But in a matter of weeks, the largest problem yet confronted would suspend the completion of the railroad indefinitely.

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[13] All the various settlements of 1913-1914 were initialled, but not signed. They were all to be formally signed following the Turko-Deutsche Bank settlement which was being negotiated when war broke out.

IX. Conclusion.

In a study such as this, it is quite easy to over-estimate the importance of the Bagdad Railroad. Here the major events of the pre-war era have been mentioned only in the light of the railroad project. Yet when the subject is placed within its proper perspective, it can hardly be considered more than a second, or even third-rate international problem. The relative ease with which the settlements of 1913 and 1914 were concluded demonstrates how slight the real differences between the nations involved actually were. Throughout her period of opposition, Britain's objections and demands seem rather contrived, almost as if they were decided upon as an afterthought. Also the long and often interrupted negotiations attest to the relative unimportance of this issue. Although it is possible to attribute the various lapses in negotiations to hitches inherent in the Bagdad controversy, it is much more plausible to construe them as an indication of the insignificance of the matter. The statesmen were simply too preoccupied with the major tensions of Europe to pursue the negotiations over a railway in Anatolia with any diligence or dispatch. Indeed the railroad cannot really be considered an international controversy until Britain began its opposition to it in 1903. This is hardly

enough time for it to assume the proportions of a major diplomatic issue or rivalry. When seen in perspective the Bagdad Railroad can only be considered as a microcosm of the European scene, one manifestation of the rivalries and tensions which gripped Europe during this era. The railroad did not cause these, the final settlements did not end, or even modify them. Rather the European quarrels were applied to the railroad, and out of this the problems and controversies over it grew.

When we turn our attention to the British policy, three major phases can be discerned. Between 1888 and 1903, the British watched the progress of the railroad without much interest or anxiety. Except for a short time when English investors held stock in the Anatolian Railroad, no move was made to participate in the project. Generally the British Foreign Office was glad to see Germany involved in the Ottoman Empire. In 1903 their attitude changed radically, and they launched a policy of opposition and obstruction which lasted until 1911. They attempted to prevent the construction by harassing the finances of the Bagdad Company while at the same time maintaining a tri-power front against German overtures. This phase broke down thanks to the determination of the Germans and the Young Turks and to the "infidelity" of Russia. Following the Potsdam Agreement of 1911, Britain moved to settle the issue, and from then until the outbreak of war, bargains were made. What caused Britain to oppose the railroad for eight years? To say that public opinion dictated this policy to Whitehall is an overstatement. The public was notably disinterested in the railroad throughout its first fifteen years. The press campaign and popular outcry against the railroad in April of 1903 did

force the government to decline to participate, but the vehemence of the denunciations was not a product of a heart-felt dislike for the railroad. It was rather a manifestation of a deep-seated hate and distrust of Germany, and here again the railroad became involved in a controversy not of its own making. Moreover, once the heat of 1903 had passed, the public again lost interest in the railroad, and when the settlements of 1913 and 1914 were made, it showed no noticeable concern. Thus public opinion alone cannot account for Britain's dogged opposition after 1903.

Some reasons for this can be found in the strategic excuses for opposition. The defense of India seemed to be a fixation in the British Foreign Office, and the Bagdad Railroad was immediately associated with this defense. Yet the Committee on Imperial Defense as early as 1905 urged participation as a better guarantee against the railroad being used for anti-Indian purposes. This was apparently ignored. Moreover, Britain's fear that a terminus on the Gulf would bring the German army and navy to Kuwait was not terribly realistic. Kuwait had been penetrated by the British in order to establish her influence in the Persian Gulf, which she considered vital to her Indian defenses. As a territory to be occupied by Germany it was useless. Should Germany have decided to use the Gulf as a naval base, there were other alternatives that could be employed to block the move besides opposing the railroad. A single gunboat had been enough in 1901 to prevent the Sultan from attacking Kuwait. To hold such an alternative in reserve in case Germany did use the railroad for conquest would have enabled Britain to profit from the railroad in the meantime (and I might add as a conjecture, indefinitely). The other defense consi-

deration seems to have more merit. The defense of Suez was of great importance and the potential use of a railroad against it was a valid consideration. But in this case, the Bagdad Railroad was not the only threat. The French had railroads running from Damascus to Aleppo, and the Turks had built a line to Medina by 1908. Yet Britain offered no opposition to these projects, which came much nearer to Suez. Thus her strategic reasons for opposing the Bagdad Railroad seem to be more in the nature of justifications -- or rather rationalizations -- than causations.

We have already dealt with O'Conor's objections to the economic factors supporting opposition and seen how vested interests had an influence in the decision disproportionate to their importance. There are two other comments which should be made along this line. The Germans took huge risks by investing in the railroad. Yet in the long run the investments paid good profits, and trade increased enormously. Had the British followed this example, rather than maintaining their rather unimaginative abstention, they too could have made profits which would have more than compensated for the more ephemeral difficulties. Also one must add that the name Bagdad-Berlin Railroad is a mis-nomer. There was much talk in England of a German railroad connecting these two cities and creating an "economic colony" out of Turkey which would be closed to all rival interests. This was an exaggeration. The German interest in the railroad was fundamentally economic; this is true. But the fact that the Deutsche Bank in 1913 sold its controling interest in the Oriental Railroad which would have connected Berlin and Constantinople demonstrates that the Germans were not primarily

concerned with a line to Berlin at all. They were much more interested in getting to Bagdad and in the use of the railroad for trade. Competition did not seem to disturb or perturb them, and it is doubtful that they ever considered closing Turkey to rival concerns (even if they could have).

It is, of course, easy to make judgments on the past. In all fairness to the British diplomats and financiers, one cannot discount the fears and tensions that existed between England and Germany and gave rise to the distortions and misapprehensions just described. Such distrust and misunderstanding between two nations is commonplace and cannot be ignored. Yet, at the same time, if the establishment of alternatives and the choice of the one best suited to one's interests is the essence of the diplomatic art, Great Britain was in this case found wanting. She failed to re-evaluate the alternatives she first established or to find new alternatives to the policies she pursued between 1903 and 1911. In 1911 new alternatives were forced upon her and she was compelled to change. In this, it appears, lies the basic mistake of British policy toward the railroad.

It only remains for us to consider one last question: was the Bagdad Railroad issue a cause for World War I? The answer appears to be in the negative. It has already been pointed out that the settlements of 1913 and 1914 did little, indeed nothing, to ease the tensions that broke into war less than two months after the last one was concluded. It only follows that if the settlement of the issue had no effect in preventing the war, the issue itself could have had only a very small part in creating the

situations that caused war. Moreover the Bagdad Railroad was the only issue which Germany and Great Britain agreed on or settled in the immediate pre-war months. The rivalry between these two nations in the years following the Agadir crisis of 1911 increased steadily in bitterness and intensity. If these two nations could settle the Bagdad issue so easily while the rivalries of alliances and navies showed no signs of slackening, the railroad issue must have seemed slight indeed. The only way in which the Bagdad Railroad could be considered a cause for the World War is, it seems, in the sense that it caused some friction for a time between Britain and Germany. Yet even here there is a question as to whether the railroad problem caused the friction or the friction made the railroad a problem. The evidence seems to point to the latter.

Thus in the final analysis, the railroad must be considered as historically important only because it was one manifestation of the international anarchy of the pre-war era, an anarchy which it neither caused nor could solve.

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