THE BRITISH ATTITUDE TOWARD THE BAGDAD RAILWAY

1903-1910

A Thesis Presented for the
Degree of Master of Arts

By

Robert O. Davies, B.A.

The Ohio State University

1937

Approved by:
PREFACE

The purpose of this thesis is to show the reaction of the British Government to the construction of the Bagdad Railway. The study begins with the year 1903 when England was given an opportunity to share in the construction and control of the new project. It concludes with the Potsdam negotiations which signify that Great Britain and France had lost, temporarily, Russia's support in blocking the German Railway. The chief source of the material that was used is the British Documents on the Origins of the War, 1898-1914.

The writer wishes to express his sincere gratitude to Dr. George A. Washburne for the inspiration and the helpful suggestions which he has contributed toward the preparation of this thesis.

He wishes also to express his appreciation to Dr. Howard Robinson whose lectures on Modern England have been invaluable for a more complete picture of this problem.

Ohio State University
August 17, 1937.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>PREFACE</td>
<td>1</td>
</tr>
<tr>
<td>INTRODUCTION</td>
<td>111</td>
</tr>
<tr>
<td>I. REFUSAL OF PARTICIPATION</td>
<td>1</td>
</tr>
<tr>
<td>II. INTERNATIONAL FOURPARKERS</td>
<td>22</td>
</tr>
<tr>
<td>III. NEGOTIATIONS A QUATRE</td>
<td>43</td>
</tr>
<tr>
<td>IV. THE GWINNER-CASSEL NEGOTIATIONS</td>
<td>60</td>
</tr>
<tr>
<td>BIBLIOGRAPHY</td>
<td>77</td>
</tr>
</tbody>
</table>
INTRODUCTION

It was an Englishman, not a German, who first saw the advantages of building a railroad through Turkey as a short cut to India. Francis R. Chesney, an English army officer, explored the Euphrates Valley in the years 1835 to 1837 and brought back a very favorable account to his home country. But nothing was done about this investigation until 1856. In this year Sir William Andres, a railway official of wide experience in India, organized and established the Euphrates Valley Railway Company at Constantinople to carry on negotiations with the Turkish Government for the necessary concessions. By the next year General Chesney and Sir John McNeill presented an official report to the English Government outlining the proposed project. The Prime Minister, Lord Palmerston, and other officials were favorably disposed to the scheme. The Sultan granted a concession to the company to build a railway from the Gulf of Alexandretta to Basrah on the Euphrates River. Turkey was to guarantee six per cent of the total capital to be invested. But such an undertaking met the usual obstacle—the necessary funds could not be raised—and the whole scheme had to be dropped.

In the meantime, the construction of the Suez Canal absorbed the attention of the English people who were interested in a short route to India. Lord Palmerston strongly opposed this project of de Lesseps on the grounds that it was a physical impossibility. By this action of the Prime Minister a serious
obstacle was placed in the path of the French engineer: the unwillingness on the part of loyal British financiers to invest capital in the enterprise. Palmerston also believed that it was not just an economic venture but a scheme on the part of France to challenge England's dominant position in the East.

In spite of England's attitude the Suez Canal was completed in 1869. The British found themselves in a very grave situation. The Russians were making bold territorial advances in the Near East and now France controlled the shortest water route to India. Something had to be done. The Mesopotamia railway plan seemed to be the only answer to the problem. It would furnish England with the necessary facilities to thwart France's new short-cut to the East and to check the "advancing standard of the barbarian Cossack." By 1870 the construction of such a railroad from Alexandretta via Aleppo and Mosul to Bagdad and Basrah was proposed by a British promoter. It is obvious that there could be no serious objection to this much-needed utility. The House of Commons appointed a committee "to examine and report upon the whole subject of railway communication between the Mediterranean, the Black Sea, and the Persian Gulf." The report of the committee was entirely favorable and recommended a plan which would necessitate the investment of some £10,000,000. But again British plans for a trans-Mesopotamian railway were frustrated. In 1875 Prime Minister Disraeli had purchased the controlling shares in the Suez Canal at a cost much less than the appropriation for the railway.
It is interesting to note that during this period of years, in which England was seriously thinking about constructing a railway to the Persian Gulf, Germany's influence in Asia Minor was scarcely noticeable. She had not begun to think of Weltpolitik. Her interests were still domestic. But France and Russia were very much in evidence.

In 1888 the Anatolian Railway Company obtained their first concession from the Sultan. Sir William White, the British Ambassador at Constantinople, was one of the few Englishmen who realized that his country had lost a splendid opportunity to build an important commercial carrier. One of the chief reasons for this mistake was the reluctance of British Capitalists to invest money in a comparatively unstable country.

In 1893 the German company was given the concession to extend the railway from Ismid to Konia. His Majesty's Government, in an attempt to protect the British-owned Smyrna-Aiden Railway whose development would be threatened by this new extension, urged the Turkish Government to delay the granting of the Irade in order to see if the matter could not be changed a little. When Berlin heard of this, Count Leyden, the German Consul-General at Cairo, was instructed to hint to Lord Cromer that Germany had been prepared to agree to certain essential administrative changes in Egypt, but since the British Government had taken an adverse attitude to the extension of the Anatolian Railway, the Imperial Government would have to withdraw "their" consent. England changed her attitude toward the German line.
In November of 1899 the third concession was granted to the Anatolian Railway Company although many other groups had put in their bid for the line to Bagdad. Among these was the British Syndicate led by Mr. E. Rechnitzer.\(^1\) The terminus of the new extension was to be the Persian Gulf. The Turks and Germans did not know that England had already control over the best port on the Gulf.

In January of 1899 the British Government had concluded a secret agreement with the Sheikh of Koweit in which he pledged himself to cede no territory and receive no foreign representatives without the sanction of England. The Sheikh received in return a promise of the good offices of London and a payment of 15,000 rupees. The Government of India was authorized to prevent by force any attempt on the part of the Turks to attack Koweit. This action on the part of England was precipitated by the rumor of Russia having obtained a concession for a railway from Tripoli in Syria to Koweit.

After the German Capitalists were granted the right to build the railroad to the Persian Gulf, they tried to obtain Koweit for the eastern terminus. The British Government informed Dr. Siemens, the President of the Anatolian Railway Company, that they hoped he would not "unduly press" the Sheikh for this acquisition, as he was probably aware that intimate

---

\(^1\) The British Ambassador considered this financier to be counterfeit because his proposal called for no kilometric guarantee.
relations existed between England and the ruler of Koweit. They added that if a "problem" arose here it would discourage British Capitalists who were looking favorably toward the German enterprise.

This suggestion did not deter the ambition of the imperi-alist group in the German Government led by Baron Marschall von Bieberstein, the Ambassador at Constantinople and Herr von Muhlberg, an under-secretary at the Foreign Office. Muhlberg said, "With a bow to the British Lion and a courtesy to the Russian Bear, we will worm our way little by little down to the Persian Gulf." In August of 1901 an attempt was made to land Turkish troops at Koweit. In view of an appeal from the Sheikh to the Indian Government, the effort was frustrated by the presence of a British warship.

Subsequent steps taken to assert the Sultan's suzerainty were also unsuccessful. The German Foreign Office filed a protest against this unfriendly act and contended that it was an infraction of the Treaty of Berlin. England answered that she had no protectorate over Koweit, nor did she object to its being a terminus of the Bagdad Railway, but His Majesty's Government had "certain agreements" with the Sheikh of Koweit that had to be kept. Germany realized now that she would have to do more than "bow to the Lion."

---

1 Ambassador O'Connor thought that Turkey was "stiffened" by Germany and Russia.
CHAPTER I

REFUSAL OF PARTICIPATION

In the year 1889 the British Government secured, by secret arrangement with the local Sheikh, absolute control of the port of Koweit on the Persian Gulf. Since this port was the only logical eastern terminus for the projected Anatolian Railway, the German officials of that company saw that the English would have to be included, sooner or later, in the enterprise if it was to be successful. There were some distinct advantages to have the British participate in the scheme. Besides furnishing a sizeable share of capital for building this railroad, they could use their influence with the other countries in order to increase the Custom Duties of Turkey which were necessary to furnish kilometric guarantees; they might be able to have contracts for the carrying of mail to India awarded to the new road; and, of course, they could furnish the necessary port of Koweit for the eastern terminus. To this end Dr. von Siemens, President of the Anatolian Railway Company, began to work. He "opened the door" to British Capitalists.¹ But the money houses in London most likely would not invest capital in such a project without the consent of

the government. They would wait until the Cabinet gave them the assurance that it would fit into the imperial policy of the realm.

Sir G. N. O'Conor, the British Ambassador at Constantinople, was watching very closely the developments of the German railway. His reports in the years 1900 to 1903 to the Foreign Office became more and more enthusiastic for British participation in the enterprise. He told Dr. von Siemens that, personally, he would like to see British Capitalists cooperate with Germany in her great undertaking. O'Conor suggested to the officials at the Foreign Office that a British Syndicate should be formed to negotiate with the German and French financiers in order that Great Britain take advantage of her best opportunity to take part in the plans for opening up Turkey to trade.

Whether or not Lord Lansdowne, the British Minister of Foreign Affairs, acted upon the advice of his Ambassador, we cannot say, but in his answer to the German Ambassador on March 18, 1902, when questioned as to Great Britain's attitude toward the Railway in Turkey, the Foreign Minister seemed to have the same idea. He spoke thus:

"We do not regard the project with unfriendly eyes; but if it was to be carried into effect with our support and good will, we should expect that a share at least equal to that given to any other Power should be given to this country in respect of the

---

2 Ibid.
capital employed for construction of the line, of its management when completed, and of its order for materials.¹

Count Metternich, the German Ambassador, responded that "the door was open" to further negotiations. It is interesting to note at this time (April 21, 1902) the personal opinion of Lord Lansdowne on this subject:

"It would, to my mind, be a great misfortune if this railway were to be constructed without British participation. The line will be a most important highway to the East with a debouch on the Persian Gulf. It is clearly for one interest that the enterprise should be given an international character and that we should have our full share in the control of the line as well as of any advantages to be derived from its construction and maintenance."²

During the remainder of the year 1902 the financiers of Germany, France and England were undoubtedly forming their plans to cooperate in the financing and controlling of the new project. Meanwhile the British Cabinet was embroiled in domestic affairs in regard to the Education Bill.

In February of 1903 Lansdowne informed Sir Edwin Cassel, who was the head of the British financial group, that the government was "favorably disposed toward the project and deemed it highly undesirable if it should go forward without England having her share in the construction, administration and control of the Line."³ The Foreign Minister pointed out that His Majesty's Government would, if she obtained sufficient

¹B. D. Vol. II, pp. 177-78.
²Ibid., p. 178.
³Ibid., p. 179.
participation in the proposed organization, agree to the following proposals:

1. Grant a subsidy for the carriage of mails to India;

2. Facilitate the introduction of the new Turkish Customs Tariff; and

3. Aid the promoters to obtain a terminus probably at or near Kuwait on the Persian Gulf.

The negotiations among the financial groups were progressing successfully. Early in February there was a conference in Berlin which culminated in the following agreement, with reservations:

The distribution of shares in the organization was as follows:

- 25% to Germany
- 25% to France
- 25% to England
- 10% to the Anatolian Ry. Co.
- 15% to various ("divers")

The Board of Directors was to be as follows:

8 German
8 French
9 English
3 to be nominated by Anatolian Ry. Co.
1 Austrian, named by Deutsche Bank
2 Swiss, of whom 1 to be nominated by Deutsche Bank and 1 by Ottoman Bank

One of the reservations was significant: the French group signed on conditions that it met their government's approval, which in turn depended on Russian participation. One of the British observers stated that this reservation practically nullified the agreement.3

---

2 Ibid.
3 Ibid., p. 181.
Regardless of the French hesitancy another conference was called to meet in Paris on March 24, 1903. Lord Revelstoke of Baring Bros., Ltd., represented the British group at the meeting. He was instructed by Lord Lansdowne to accede the three points that the German group requested of the British Government.\textsuperscript{2} Herr von Gwinner, the new Director of the Deutsche Bank, promised that he would try to work the Anatolian Railway into the international scheme if the British cooperation was forthcoming. No definite results were attained in this meeting because Gwinner had to return to Berlin for further instructions, but Lord Revelstoke reported very favorably in anticipation of a final settlement. He and Sir Edwin Cassel assured Lord Lansdowne that England was to enjoy a just participation in the scheme, and moreover, according to the distribution of directors on the Administrative Board, no one country or group could override the wishes of the other two, that is, France, Germany, and England would have 8 members each, two of them would control 16 out of the total 30 directorates.\textsuperscript{3} It seemed inevitable that His Majesty's Government would put her stamp of approval upon British participation in the enterprise.

But the dark clouds of opposition were appearing on the horizon in the form of adverse public opinion. An article in the *London Times* related the gist of a speech made by General

\textsuperscript{1}Lord Lansdowne designated this firm to head the British group.
\textsuperscript{2}B. D. Vol. II, p. 185.
\textsuperscript{3}Ibid., p. 136.
von der Golz before the Berlin Geographical Society in which he stated that the New German Bagdad Railway Company had obtained a concession from the Ottoman Government to extend the railway to the Persian Gulf, and had by diplomatic negotiations with the Sheikh of Koweit obtained an eastern terminus for the line. This statement from such a person as General von der Golz, who had been an army instructor in Turkey, seemed to be the spark that ignited the flame of public opinion. Two periodicals took up the torch and waved it on high: namely, The Spectator and The National Review. Mr. St. Leo Strachey, of the Spectator pointed out that it would be impossible to exaggerate the folly of this new policy of the Cabinet in their attitude toward the Bagdad Railway—it was in violation of pledges given to Parliament. Then, too, Russia's attitude toward the scheme would have to be considered. Lord Lansdowne was well aware of this opposition. On April 7th he informed Sir Edwin Cassel and Lord Revelstoke as follows:

".... A serious attempt was apparently being made to discredit the enterprise, and to render it impossible for His Majesty's Government to associate themselves in any way with it, upon the grounds that it was closely connected with the German Government and detrimental to British interests. We felt that until we were better able to judge of the proportions which this hostile movement might assume, it would be desirable that we should avoid giving it any

---

1 This was granted March 7, 1903.
2 London Times, April 2, 1903.
3 The Spectator, April 4, 1903 (Vol. 90).
further encouragement. The matter would come before Parliament before the House adjourned and we should therefore be better able in a few days to decide as to our future action. My own view was that the attack was founded upon misapprehension, and I strongly deprecate any modification of the attitude which we had hitherto assumed.\(^1\)

It was on that same day that Mr. Gibson Bowles raised the question in the House of Commons as to whether any communications had passed between His Majesty's Government and foreign governments relating to the Baghdad Railway and as to the attitude of the government toward this Railway. The first Lord of the Treasury, A. J. Balfour, answered the question by stating clearly that there had been no formal communications between His Majesty's Government and any foreign government on the subject of the Baghdad Railway, and proceeded to outline the status of the negotiations between the financiers to date. He assured his questioner that all the details of the matter would be carefully considered before any definite action would be taken.\(^2\) The Prime Minister, in the House of Commons again the next day, made clear to the fast growing opposition, the reasons\(^3\) for England's taking part with France and Germany in the project, and also gave his opinion, that whether or not England took part in the proposed railway, it would be built.\(^4\) This was the first concrete evidence that the people had, that their government was seriously considering cooperation

---

\(^1\) *E. D. Vol. II, p. 136.*

\(^2\) *Parliamentary Debates 4th Series, Vol. 120, pp. 1247-48.*

\(^3\) These were the same as H. Lansdowne's. See page 3.

\(^4\) *Parliamentary Debates 4th Series, Vol. 120, pp. 1371-74.*
in the matter. The opposition rallied its forces and deluged the public with propaganda against such action on the part of their country. The Spectator stated boldly that the project would be a commercial failure, that Germany had political designs on the Mesopotamia, and that Germany might transfer her shares to Russia. Mr. Gibson Bowles, a very devout imperialist, and in this instance a defender of the British-owned Smyrna-Aden Railway, stated his views to the House of Commons on the Bagdad Railway as follows:

"I do not object to the railway, because all railways are good feeders of ships. But this is not a railway; it is a financial fraud and a political conspiracy—whereby English trade would suffer and a conspiracy whereby the political interests of England would be threatened. It amounts to a military and commercial occupation by Germany of the whole of Asia Minor."

Mr. Bowles, who seemed to be quite active in his determination to block the government's association with the project, stated in one of the daily papers that he was quite skeptical of the Prime Minister's certainty that the Bagdad Railway could be completed without England's assistance. He also pointed out that the Consular report of 1903 showed clearly that Germany would have a decided advantage in the undertaking.

In spite of all this pressure Lord Lansdowne maintained his original views on the matter. These were his sentiments on April 14th:

---

1 The Spectator, April 11, 1903 (Vol. 99).
3 London Times, April 14, 1903. (This report of Vice-Consul Waurz was made in absence of Ambassador O'Connor. The latter discounts it.)
"Although our abstention may have the effect of retarding the completion of the line, I feel little doubt that it will eventually be made. That it should be made without British participation would, to my mind, be a national misfortune. .... I submit that we ought not to let such a line be made over our heads, and that we should insist upon having our full share in its control, as well as in any advantages to be derived from its construction.

"But for the anti-German fever from which the country is suffering, I am convinced that we should be unanimously supported in holding and acting upon these views, nor so far as I am able to judge has the attempt to discredit us for having consented to examine the project with an open mind produced much effect on the public." ¹

In this last statement we shall find that the Foreign Minister miscalculated the strength of his adversaries.

Meanwhile, the opinions and prejudices of other groups, that had particular reasons to block the progress of the Bagdad Railway, appeared in the Press. Mr. H. F. B. Lynch, whose company had held the concession of navigation on the Tigris and the Shattel-Arab for fifty years, contended that Germany had too much influence in Asia Minor already; that England would lose more than she would gain by participation—including Russia’s friendship and predominance in the Persian Gulf; and that as a holder of one-third of the shares in the proposed company, the British would not get a substantial return on their investment. ²

Another serious objector to this New Trans-Mesopotamia Railway was the Peninsular and Oriental Steam Navigation

² London Times, April 18, 1903.
Company. This company had almost a virtual monopoly of freight and passenger service from Europe to India. They saw in this railway a very serious menace to their flourishing business. It was they who were in possession of the contract for carrying the mail to India. It is evident that their representatives would do all within their power to keep British money from being invested in a scheme that would cause them to lose their governmental contract, although the railway would no doubt afford much better service to the people for postal service. There appeared in one of the conservative daily papers an article by Mr. Thomas Sutherland of the P. and O. Company to the effect that the mails should not be put into the hands of a foreign company when there were already British lines to perform the same service. He continued that the Bagdad Railway plan could not in any way be compared with the Suez Canal project, and Mr. Sutherland also argued that Great Britain could protect herself in the Persian Gulf without committing the country to an international partnership which would involve many risks and under which a foreign nation might have an advantage.¹

¹London Times, April 22, 1903.
preponderance in Asia Minor. She was no doubt afraid that the Baghdad Railway would eventually be an agent by which the lucrative Persian trade would be diverted into the hands of foreign countries. The British Ambassador at Constantinople made this observation to the Foreign Office: "The Russian Ambassador has stated that he would not oppose the Railway if confined to French and Germans, but that if England joined he would do all he could to frustrate its realisation."  

On April 21st, the Minister for Foreign Affairs received a message from Lord Revelstoke as to the present opinion of the British financial group "in view of public criticism" toward the problem at hand. He reported that they found that the securities provided for the first section of 200 kilometers of the Railway as sufficient. He added:

"The British group made it a condition that the Anatolian Railway should not remain under German control, but it should be brought under the same control as that which was to be adopted in the case of the Baghdad Railway so that the whole line from sea to sea should be under international management. Should it be found impracticable before completion of the first section of 200 kilometers to fulfill this condition in regard to the Anatolian Railway, the British group would be free from responsibility to provide further capital."  

While all the press activity was going on in England, the persons who were intensely interested in the scheme were in conference at Constantinople. On April 11th the German and

---

1. B. P. Vol. II, pp. 188-89.
2. Ibid., p. 175.
3. Ibid., pp. 189-90.
French financiers organized the Imperial Ottoman Bagdad Railway Company with a capital of £15,000,000. Herr Arthur Gwinner of the Deutsche Bank of Berlin was elected president and M. Adolph Vernes of the Imperial Ottoman Bank of Paris was elected vice-president. Office headquarters were to be in Constantinople. British representatives had not been appointed because conditions under which they were to participate had not been decided.¹ The door for British participation was still open but how long it was to remain that way was a matter of pure conjecture.

The press in England continued its onslaught. There were only a few periodicals that took up the cause for the government. Notable among these were The Saturday Review and the St. James Gazette. The former one assumed the attitude that England was invited into the project for her cooperation in using Komeit as the eastern terminus of the road, not for her capital. Furthermore, the editor was of the opinion that the Railway would never seriously challenge the sea route to India.² But there were important political angles to the proposition: Russia's attitude must be considered; and the Persian Gulf dominance must be maintained.³

The editor of the conservative London Times questioned Mr. Balfour's statement that the railway would be built

¹London Times, April 13, 14, and 15, 1903.
²Lord Curzon, Ex-Viceroy of India, concurred in this opinion.
³Saturday Review, April 18, 1903.
regardless of England's help. We observed that there were some political intrigues mixed up with the whole affair or the capitalists would go ahead and invest their money without the government's consent. We also raised the question why Great Britain did not build its own railroad north from the Persian Gulf as was suggested by Captain A. L. Mahan in his report on commercial possibilities in the Mesopotamia Valley. And as for Russia, she looked with disfavor upon the whole project. The editor concluded with the statement that there should be an ample safeguard against any complications arising from this plan; this could be attained if the French Government wished to back the question as willingly as His Majesty's Government.¹ On April 22nd there appeared in a daily paper the text of the Turkish convention signed March 5, 1903 which gave to the German Anatolian Railway Company the concession to extend its line to the Persian Gulf.²

The next day Mr. Gibson Bowles was again the interrogator of the government's actions; this time he wanted to know whether His Majesty's Government had received a copy of the Turkish Convention relating to the Anatolian Railway Company. The Prime Minister acknowledged that they had and also that it had appeared in a daily paper the day before. Mr. Balfour continued as follows:

"To such a convention we have never been asked to assent and we could not in any case be a party

¹London Times. April 18, 1903.
²This was contributed by Herr Dr. von Gwinner.
to it. The alternative arrangements which have lately been under our consideration were, on the contrary, designed to place the railway, including the existing Anatolian Railway, 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. In these arrangements it was suggested, inter alia, that equal powers of control, construction and management should be given to German, French and English interests. 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 these principles above referred 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."

Such was the government's answer to the satiated Mr. Bowles, the fervent press and to the hopeful German and French financiers. England had closed the door in her own face. Had Great Britain decided to take part in the Railway, France no doubt would have followed suit; this would have insured the international character of the line and no doubt a solution to a problem which is later to become a football of international diplomacy.

Much can be said about the arguments which were used in the press campaign against the government's initial policy concerning participation. It is without a doubt that it was selfishness on the part of a few small vested interests that had enjoyed their monopolies in Turkey for quite some time

---

and would not give way to a much larger enterprise that would have lasted over a longer series of years. By the publication of incorrect and incomplete statements the public was led to believe arguments that were wholly unfounded. This was true in the case regarding the concession for the Bagdad Railway as printed in Vice-Consular Waugh's Report upon which Mr. Bowles based his whole argument. The Anatolian Railway Company did obtain the concession in the first instance, and appeared to have all the rights and privileges embodied therein. But Article Five of the Statutes of the Societe Imperiale Ottoman du Chemin de Fer de Bagdad points out that the Anatolian Railway Company shall transfer to the new company the concession which has been granted to it by the Imperial Ottoman Government with all rights, privileges and advantages attached thereto or resulting therefrom. The new company becomes owner and proprietor of the said concession and succeeds to all the rights and obligations of the concessionaire. There is one exception to this: the rights and privileges of the existing Anatolian Railway Company.

Another argument put forward by those who based their claims on Waugh's report was that the people who bought the government bonds to finance the Railway would not have any voice in the management of the company. This is true, but this would not modify the distribution of the shares among the various participating countries, nor would it affect the international character of the Board of Directors.\(^1\) Some of the

\(^1\)See page 4.
objectors complained the plan called for an increase of the
Customes Duties which according to the decree of Moharrem
assumes this additional tariff to the benefit of the bond-
holders. This is true—-but it is abstruse to think that the
Ottoman Government would impose new taxes upon their consum-
ing public without some part of the revenue returning to the
nation's treasury. The increase in the Customes Duties was
bound to come, whether England took part or not in the project.
Then, too, when England or any other Power, agreed to the in-
crease in the tariff for Turkey, a quid pro quo was forthcoming.

One of the statements in Waugh's report that was used in
most of the contentions of the press was, that the Germans
would take advantage of their terminus at Haider Pasha by us-
ing preferential rates, rebates, exemptions and other means
by which British commerce would be put at the peril of unfair
discrimination. Such preferences were directly prohibited by
Articles 24 and 25 of the Cahier des Charges of the Bagdad
Railway and by corresponding provisions applicable to the Ana-
tolian Railway. "..... The execution of these stipulations
in the spirit as well as in the letter could undoubtedly be
secured by the participation of British capital and of the
consequent international character of the company."¹ The Brit-
ish Ambassador at Constantinople also pointed out that once
Great Britain was an integral part of the line, she had such
weapons as the British mail contracts and the terminus at

Koweit to keep the Germans aware of the fact that she was to be treated on equal terms. Then, too, it is inevitable that Haider Pasha would not always be the only western terminus of the railway. By cooperation with the French railway in Syria, Smyrna could be made a terminus. An exit in the Gulf of Alexandretta was no doubt a certainty in the near future for the Bagdad line.  

The problem of Russia's attitude toward the Railway was one of the most prevalent reasons put forward for Great Britain not to associate herself with the enterprise. Either France or Germany might sell her share to Russia, or even both might come to terms with Russia and throw their support to her claims of access to the Persian Gulf. These were some of the suppositions that were put forward. We can see that these might happen whether or not Great Britain was a member of the company. In fact the need for such arrangements might be more urgent and at the same time be easier to accomplish if England remained out of the organization. It is rather difficult to believe that Russia was definitely opposed to the Bagdad Railway project, while France, her ally, was as enthusiastic about taking part in the scheme as England. France, undoubtedly, counselled Russia before she announced this favorable attitude.

Some of the members of Parliament were still not satisfied

1B. D. Vol. VI, p. 327.
2Ibid., pp. 328-29. (These arguments are put forward by Sir G. F. O'Conor who "was on the ground" during the years 1898-1908.)
with the government's imperial policy, particularly in the vicinity of the Persian Gulf. They had visions of a German railway terminus and even a fortified port on their "British Lake." One member of the House of Lords went to great length in relating the history of British influence in the Mesopotamia and the Persian Gulf area and the amount of money that had been spent by His Majesty's Government in the past years to maintain this predominance in this region. Now an altruistic cabinet wanted to share their holdings with a foreign country.1 Lord Ellenborough in a similar speech appealed to the Foreign Minister for an expression from the Government as to their future policy in regard to the Persian Gulf.

Lord Lansdowne answers as follows:

"..... The noble Lord asked me for a statement of our policy with regard to the Persian Gulf. I think I can give him one in a few simple words. It seems to me that our policy should be directed in the first place to protect and promote British trade in those waters. In the next place I do not think that he suggests or that we should suggest, that those efforts should be directed towards the exclusion of the legitimate trade of other Powers. In the third place—I say it without hesitation—we should regard the establishment of a naval base, or a fortified post in the Persian Gulf by any other Power as a very grave menace to British interests, and we should certainly resist it with all the means of our disposal. I say that in no minatory spirit, because, so far as I am aware, no proposals are on foot for the establishment of a foreign base in the Persian Gulf."

This frank statement should have settled any further question that existed in the minds of the British imperialists who were

---


Ibid., p. 1348.
worried about Germany or some other power getting a strong foothold on the Persian Gulf.

The British Ambassador at Berlin reported that there was no evidence of disturbance in Germany over the Foreign Minister's speech of May 5th on the Persian Gulf question. The "National Zeitung" stated that Germany has made no attempt to fortify a post on the Gulf. It went on to say that no doubt England is intending to build much needed railroads in southern Persia and India. Sir F. C. Lesceles, the Ambassador, made this personal observation:

"Your Lordship has declared to the World our intention of building them (railroads). For this reason the Bagdad Railway is all important for Great Britain. It will certainly be built and it is for us to see that below Bagdad it shall be under British control."

Meanwhile in France, M. Delaessee, the Minister for Foreign Affairs, formally declared that French equality in the Bagdad Railway Company was not sufficiently secured and ordered that the bonds for that organization should not be quoted on the Bourse.2

In December of 1902 Herr von N\über in a conversation with one of the government officials stated that he blamed the English press for the failure of the British to take part in the Bagdad Railway Company: first, because it did not give a fair account to the people of the negotiations, and second,

---

2Ibid., pp. 194-95. (Considerable French capital was invested, in spite of the government's action.)
because it caused the members of the British Syndicate to back down for fear of being exposed to the public. Clinton Dawkins's relation with the House of Morgan and Sir Edwin Cassel being a former German subject would certainly have not met the best approval by the people. Lord Revelstoke was the only member of the Syndicate without a cause to fear publicity, but even he did not dare to face the outcry of the press, some of whom were clamoring for a Russian understanding. Gwinner was confident that the construction of the railroad would continue to progress, even without the help of England.  

Lord Lansdowne added the following minute to this dispatch:

"It is to be observed that he admits frankly that the insensate outcry which arose against the scheme had the effect of choking off the British financiers quite as much as the British Government. If it had not been for the 'scuttle' of the financiers, I should have been in favor of sticking to our position."

From the foregoing material one would be led to believe that the capitalists were responsible for the failure of Great Britain to cooperate with the Germans in their Railway enterprise. A letter dated April 22nd from Sir Clinton Dawkins to Herr von Gwinner tends to throw the weight of the blame the other way. It ran:

"As you originally introduced the Gardad business to us I feel that I cannot upon its unfortunate termination, omit to express to you personally my great regret at what has occurred. ..... But I am glad to think and I feel you will be convinced, that grievance lies not against the British group but against the British Foreign Office. The fact is

2Ibid., p. 196.
that business has become involved in politics here, and has been sacrificed to the very violent and bitter feeling against Germany exhibited by the majority of newspapers, and shared in by a large number of people. Lord Lansdowne, who was not without support, endeavored sincerely and earnestly to make his views prevail. But he was unsuccessful. The Anti-German feeling prevailed with the majority: London having really gone into a frenzy on the matter owing to the newspaper campaign which it would have been quite impossible to combat or influence."^1

We can safely conclude that it was the press that forced the Government to reverse their position on this question within fifteen days' time. This vigorous surge of public opinion was infused by: a strong anti-German feeling that found its source in the continental press activities during the Boer War, Germany's part in the Venezuela Affair, and Berlin's refusal of England's overtures for an alliance; a small group of imperialists who did not want their present right in Turkey infringed upon; and by another group who didn't want to alienate Russia at this time. And then, too, the government under Balfour was woefully weak. The "philosophic doubter" was evidently, as one author claims,^2 advised by Joseph Chamberlain not to risk the life of his ministry on the question of British participation in the Baghdad Railway Company. It was indeed a stroke of fate that the best opportunity for England to associate herself with this international scheme came when the government was not sufficiently stable to make this step.

---


*Styles, C. K. Turkey, the Great Powers and the Baghdad Railway, p. 155.*
CHAPTER II

INTERNATIONAL POURPARLERS

The year 1904 saw very little activity on the part of the British in the discussion of the Bagdad Railway. Except for a question by Mr. Gibson Bowles, "that watchful dragon of imperial interests," as to whether the government had any information regarding an arrangement between Russian and Germany "whereby in return for certain advantages afforded to Russia, during the hostilities with Japan, Russia will give support to Germany in respect to the construction of the Bagdad Railway and of the general extension of German predominance in Asia Minor," there was nothing said in Parliament upon this subject. But we note in some circles that the government's final decision in 1903 on participation was not received with complete satisfaction. This was true in regard to the Army. In a memorandum of November 15, 1904, the British General Staff pointed out the disadvantages, political, commercial and strategic, which the control by Germany of a railway line to the Persian Gulf would entail upon Great Britain.

There was an event of this year, although entirely independent of the railway in Turkey, that was to affect seriously the future negotiations of England in regard to the Bagdad

---

2B. O. Vol. VI, p. 325.
Railway scheme. This was, of course, the signing of the Entente Cordiale. From April 8, 1904 hence, we are made fully aware that the Quai d'Orsay and Downing Street are collaborating in regard to any consideration to take part in the Bagdad Railway Company. To be sure, there were to be differences of opinion between these two countries about how this participation was to be executed, but these variances were to be settled and a united front exposed to any overtures made by the German capitalists. The Bagdad Railway after 1904 has ceased to be a purely economical project; it is to be a pawn—a very important pawn—on the chessboard of Weltpolitik.

Meanwhile in Turkey, on October 25, 1904, the Konia to Eregli section of the new railway was inaugurated by the German and Turkish Officials with much pomp and ceremony. The actual line was completed as far as Bulgurlu but was not open to travel. This was the extent of railroad construction here until the year 1908.

In 1905 various branches of His Majesty's Government formulated definite opinions about the action that England should take in regard to the new route to the Persian Gulf. The Committee of Imperial Defence at a meeting on April 12th came to this conclusion:

"It is important that England should have a share in the control of the extension of the Bagdad Railway to the Persian Gulf, with a view to insuring the effective neutralization of the terminus."¹

On June 23rd the Board of Trade sent a lengthy memorandum on the same subject to the Foreign Office. It stated that the projected Baghdad Railway might be able to be built without the proposed increase of the Customs Duties from 8 to 11 per cent, but it could not possibly be financed by just the revenue from the tithes. The next section of the road would be a very expensive one to build because the Taurus Mountains presented many obstacles to the engineers. The Board of Trade maintained that this situation presented the British with a good opportunity to participate on reasonable terms. The railway would not likely pay for a few years, but if the Mesopotamia were irrigated successfully, the line would no doubt tap a region of undeterminable wealth. The British would want predominance in the Bagdad to Gulf area which would balance the German control of the Anatolian Railway. Also it would be desirable that construction should start from the southern end, although this would mean that the Concession would have to be amended. Then, too, the Control of Navigation on the Tigris River would be shared with the English. This memorandum concluded: "Until negotiations were opened it would be impossible to say how far the Germans would be ready to meet us, with regard to these conditions, but the whole question is too serious to be allowed to drift."¹

With this definite policy urged upon him by the Committee of Imperial Defence and the Board of Trade, Lansdowne sounded

France for their attitude toward the Railway and toward British control of the Bagdad-Baerah section of it. M. Paul Cambon, the French Ambassador, stated that he had heard that the German capitalists were again busy in London, looking for financial help. He added that France had not been connected with the scheme since their withdrawal in consequence of the British refusal of 1903. With regard to England controlling the southern portion of the Bagdad Railway, Cambon did not seem to approve. He revealed that it would be obvious that Great Britain had a visée politique in the matter. The Ambassador suggested that the concern should be on a strictly international basis.\(^1\) Cambon was evidently thinking of his country's obligations to Russia.

The Director of the Imperial Ottoman Bank of London called the attention of the Foreign Office to the fact that the Paris branch of his Bank had again been approached by an agent of Dr. Gwinner on the subject of the Bagdad Railway. This agent claimed that British capitalists, by communication with Sir Nicholas O'Conor at Constantinople, had agreed in principle to take part in the project and that the Bagdad-Baerah section would be assigned to them; that Lord Lansdowne and M. Cambon in view of the Entente were ready to give their consent to this; that the joint share of England and France would be 50 per cent of the total capital stock; and that Messrs. Speyer and Company of London would form the English group and the Imperial Ottoman Bank would head the French group.\(^2\)

\(^1\)\textit{B. D.} Vol. VI, p. 329.
The Foreign Office through Sir Thomas Sanderson denied knowledge of this information. Lord Lansdowne added this minute to the memorandum: "Dr. Gwinner and his friends are apparently well provided with information, which loses nothing in transmission to them. But the whole story suggests that the German group are very anxious for our support."\(^1\)

In answer to the Foreign Secretary’s query as to the extent of his conversation with the German group, Sir Nicholas O’Conor stated that he had expressed his personal opinion to Dr. Zander as to "an understanding, and dwelt on advantage of some form of private exchange of views to ascertain how matters stood." He added: "Dr. Zander may have exaggerated or attached undue importance to what I said." Sir Nicholas also related that he had expressed his personal attitude of British participation to the new General Manager of the Anatolian Railway, Mr. Huguenin.\(^2\) O’Conor commented to the Foreign Office: "I consider it very desirable to keep the door open without, however, in any way pledging us officially."\(^3\) The Ambassador, still undaunted in his desire to see Great Britain take advantage of the apparent opportunity for participation, suggested to Lord Lansdowne that the French Syrian Railway be considered as a counter-poise to the British Bagdad-Basrah section in order to keep the English predominance in the lower Mesopotamia region.

\(^1\) B. D. Vol. VI, p. 330.

\(^2\) Mr. Huguenin replaced Dr. Zander July 1, 1905.

\(^3\) Lord Lansdowne underlined this sentence.
The telegram sent by the Minister for Foreign Affairs in answer to this dispatch is quite significant. It read:

"It is certainly desirable that the door should be kept open, but in present circumstances we are particularly anxious to avoid making any overtures to the Germans. In our view internationalization would be best solution, and if we were invited to join a project in which France, the United States, and Great Britain were admitted to equal participation with Germany, we should be ready to discuss it."1

Lod Lansdowne sent these definite instructions in spite of the fact that the Foreign Office had received a memorandum from the Committee of Imperial Defence respecting the Bagdad Railway, outlining the situation as it stood on July 31, 1905, and listing suggestions for an arrangement.2

Sir Nicholas O'Conor in an attempt to change the adamant attitude of the Foreign Office related that ever since 1899 he had urged that the Bagdad-Basrah section should be entrusted to British participants. In 1903, Dr. Gwinner had virtually conceded this point. O'Conor continued:

"It has been my view that the railway will eventually be constructed even without the participation of England, and that a project which has already assumed such definite shape, and is fraught with such immense political and commercial consequences and advantages, will not be allowed to drop easily, whatever may be our ultimate decision, though no doubt we can impede or advance its development and progress to a considerable and serious extent. .... I would lay stress on the fact that every section of the line constructed makes the ultimate completion of the Railway more certain, and if the Germans overcome the difficulties of the Taurus Mountains unaided, they may feel less inclined to share the fruits of their labors with others;"
for then they will be within reach of the rich tracts of Mesopotamia where the obstacles of construction become less serious and the prospects of success more inviting. ¹

In the face of such evidence it is quite difficult to defend the stand that the government took, particularly when we know that Lord Lansdowne was one of the chief exponents of the scheme in 1903. But we must remember that the Kaiser visited Tangier on March 31st; Delcasse lost his Secretariat on June 16th; and Emperor Wilhelm II and Tsar Nicholas II were at Bjorko on July 25th. The Entente and the Dual Alliance were being tested to their utmost. An Anglo-German rapprochement at this time would have been nothing short of disastrous; the French would have felt themselves deserted. Then, we must also remember that the Balfour Ministry was on its last legs: Asquith and Campbell-Bannerman were tearing holes in Chamberlain's protective and preferential tariff campaign; the Prime Minister had gone over to Chamberlain's new fiscal policy. The government was in no position to take part in the Railway scheme now; the memories of the 1903 Press hostilities had not been forgotten so soon.

Germany made one of her best offers for British participation in the Bagdad Railway project in October of 1905. Dr. Gwinner was willing to give almost all for which Great Britain had ever asked. He was ready to lend his assistance toward persuading the Porte to grant the extension that the Smyrna-Aiden Railway Company desired, if Great Britain would in turn

assist the Anatolian Railway to have the guarantee of the section between Eski-Seyhur and Konia put on the same footing as that of the other portions of the line. He was also prepared to enter into negotiations with the Smyrna-Aiden Company for amalgamation of the line with the Anatolian Railway on terms acceptable to the British owners. Then, too, he was willing to agree that the Bagdad-Basrah section should be in British hands as part of a general agreement for English participation in the undertaking. The officials of the Bagdad Railway Company were either getting panic about their failure since 1904 to continue railroad construction from Bulgurlu or the Wilhelmstrasse was bringing pressure to bear upon the capitalists to obtain British support before the change of government took place in England. One or both of these possibilities could be true. The Balfour Government apparently disregarded this inviting but untimely overture.

In January of 1905 the Liberal Party was swept into office by a very large majority vote. After considerable persuasion on the part of his friends Sir Edward Grey agreed to accept the Secretariat at the Foreign Office. It is important to observe that Sir Charles Hardinge, who had been Ambassador to Russia (1904-1906), was assigned the position of Permanent Under-Secretary to replace Sir Thomas Sanderson. Hardinge frankly admitted that this new post would afford him the "opportunity to work with further success for close Anglo-Russian

---

1B. D. Vol. VI, p. 335.
relations. He and Sir Arthur Nicolson, who was the new Ambassador to Russia, were to exert strong influence on the new Minister for Foreign Affairs in the direction of a definite Anglo-Russian agreement.

Soon after Grey took over the Foreign Office the Bagdad Railway question came to the fore. A member of Parliament was inquisitive as to the progress that the Germans were making in their railroad construction in Turkey. Dr. Zander, at Constantinople, wanted to know the attitude of the new government toward participation in the German enterprise. He stated that, personally, he was in favor of giving Great Britain the construction and the control over the Bagdad to Gulf section, but it would take considerable tact with the Sultan to alleviate his suspicion of England. Again Sir Nicholas O'Conor aired his sincere desire that Great Britain take advantage of the afforded opportunity by cooperating with the Germans.

verified Dr. Zander's statement of the Sultan's growing suspicion of His Majesty's Government and their activity in the Tigris Valley. O'Conor also stated that he believed that Dr. Zander was "actuated by a sincere desire to see both England and France participate in the scheme as the only means of relieving the Syndicate from a position of immediate difficulty.

5 Mt. Jean Constans, the French Ambassador to Turkey, concurred with his colleague's opinion.
and embarrassment." The English Ambassador concluded:

"There can be no doubt that the Russian Government will regard with disfavor a combination by which Great Britain and France will participate in an enterprise which they have always viewed with suspicion and which, were they in a position to do so, they would oppose with all their former vigor and hostility. So far as I know, however, the French Government is not disposed to pay much attention to Russian susceptibilities in this matter."

Meanwhile, Sir Edward Grey in London had taken up the question again with the French Ambassador. Grey was of the opinion that the Railway would eventually be constructed. Therefore, it was undesirable that England, France or Russia oppose it. It would be better that they all consider on what terms participation could be realized. He knew that Russia had objections to it—obviously they were political ones. Sir Edward suggested to Cambon that France use her influence to bring the Russians around to a favorable attitude in order that when negotiations were reopened, there would be cooperation among the three countries. L. Cabon seemed to be in sympathy with this policy. In a later conversation the French Ambassador reported that the understanding between the French and German Capitalists still existed, and if England, France and Russia were to come to an agreement in the matter, it would be easy for France to reopen the question. But, on the other hand, Cambon stated that there would be difficulty in making an arrangement by which England controlled the entire southern section of the Railway. This would give rise to questions respecting the control of other sections. Also, he added, the

1 B. D. Vol. VI, p. 337

2 Ibid., p. 338.
Sultan would hardly agree to this stipulation on the part of England. 1 Grey made this answer:

"... statements had appeared in the Press to the effect that we should stipulate for this or that condition as essential to our cooperation, but these statements had not come from the Foreign Office. As a matter of fact, that to which we attached most importance was that the line should really be international. If this was secured by the cooperation of France, Russia, and Germany, as well as ourselves, I did not think difficulties would be raised by us with regard to the control of a particular section."

Meanwhile Russia was stricken with domestic troubles; the Duma was dissolved in May of this year. N. Isvolski expressed that, personally, he was in favor of Russia taking part in the Baghdad Railway project, but he would have to win over the support of the other members of the Ministry before any official step could be taken. 3 Sir Charles Hardinge at the Foreign Office made this comment: "The question of Russian participation in this venture is of primary importance and if they decline to take part our future attitude will have to be considered." Sir Edward Grey was optimistic. He was confident that Russia would not decline, if they were given ample time to consider the matter. 4

Grey began to get suspicious of the Germans. He thought that they were anxious for England to make proposals regarding the Baghdad Railway, stating that his Majesty's Government demanded the exclusive control of the Baghdad-Gulf section,

---

Ibid.
Ibid., p. 342.
Ibid.
thereby creating a rift between London and St. Petersburg. Grey had received the information that the Germans were unable to carry the line to Bagdad themselves, so he accordingly instructed Sir Arthur Nicolson not to "press" Tavolaki for a statement. The Foreign Minister was determined that England would not make any proposals to Germany. If Germany initiated any steps, he would suggest that the agreement be an international one, and the Germans should consider how Russia might be brought into the scheme.\(^1\) Grey was now taking the position of presenting a united front to Berlin, although Revel was a year away. The Foreign Office, now following the policy of resistance, was further gratified in hearing that the Director of the Deutsche Bank on his trip to Paris had failed to obtain any satisfaction as to financial help either from the Minister of Finance or from the Imperial Ottoman Bank. Dr. Gwinner, undaunted, asserted that the Railway could be finished without any foreign assistance. He was opposed to British participation because it would be unfavorably received by the Porte. Both Hardinge and Grey signed this minute to this dispatch: "There is an element of bluff in this after an unsuccessful mission to Paris."\(^2\)

During the summer months of 1806, the question as to whether England should give her consent to the increase of the Turkish Customs Duties from 8 per cent to 11 per cent was discussed in both Houses of Parliament. Lord Lansdowne, who was

now the leader of the Opposition of the House of Lords, made this comment:

"... by accepting this addition to the Customs Duties we should have deprived ourselves of a lever ... Do not let us accept that burden, do not let us go our hold on that lever unless we are absolutely satisfied that we obtain an adequate return for the sacrifices we are asked to make."¹

Other members were of the same opinion. Lord Newton said, "We have a good card in our hand." He was in favor of playing the game with Germany and Turkey. The time had arrived when a definite policy should be formulated in regard to the Baghdad Railway.² These debates were to go for naught. The consent of the Powers was given in September, to become effective in July 1907. To this approval there were attached many conditions which rendered it very difficult for the diversion of the revenues from the increase to the payment of railway guarantees. Three-fourths of the new revenue was to go for Macedonian reform; some of the remainder was to be used for betterment of Customs Administration.

The government's policy of passive resistance toward the construction of the Baghdad Railway was given a severe jolt by the Committee of Imperial Defence. On July 26th this group concluded that it favored "the placing of the section from Baghdad to the Persian Gulf under a British manager subject to the general control of an international board."³ Also, Sir

²Supra.
Nicholas O’Conor called the attention of the Foreign Office to the fact, according to the Annual Report of the Baghdad Railway Company for the year 1903, that the names of many French financiers appeared on the Board of Directors. He pointed out specifically that all the French Capitalists who were at the head of the Imperial Ottoman Bank at Constantinople and at Paris were without exception members of the Board. O’Conor also observed, that on the failure of Dr. Swinner’s visit to Paris, the Germans would be resolved to attain their ambition alone. This would, of course, mean that the inviting offers that Swinner and Dr. Zander had made to the British in the past would be withdrawn.\(^1\) In addition to this disturbing news, \(N.\) Izvolski, after his visit to Berlin, informed Sir Arthur Nicolson that he had learned the Germans had enough money available to carry the line over the Taurus Mountains.\(^2\)

The Foreign Office began to negotiate again on this subject. How they went about this is well shown in one of Sir Charles Hardinge’s minutes. It read:

"I think M. Cambon should be pressed to obtain the views of the Russian Government as to their intentions to participate in this enterprise, and the Russian Government might be told that, if they are unable to participate at present we must consider the propriety of doing so ourselves, suggesting at the same time that arrangements might be made to give them a share later on."\(^3\)

---

\(^1\) D. Vol. VI, pp. 345-45.
\(^2\) Ibid., pp. 346-47.
\(^3\) Ibid., p. 348.
The French Ambassador was counselled. He said that his government was willing to act jointly with the British in this matter.\footnote{B. D. Vol. VI, pp. 343-42.} The Russians were satisfied. M. Iswolski stated his approval and asked for a memorandum as to how the Powers were to participate in the enterprise. He had yet to obtain the consent of his colleagues.\footnote{Ibid.}

The possibility of at least obtaining a concert of opinion among the three countries seemed to be forthcoming. Hardinge was in favor of this plan of procedure:

"... It would be as well however to inform M. Chouton of the Russian adhesion to the proposal of participation and to consult him as to the best means of obtaining German assent to our taking part in it with them. The next step is to make up our minds what we want. ... In any case the Government will have to take a definite decision as to whether we shall participate since it is possible that a Government guarantee may become necessary in order to assure that British capital will be found, and we must make up our minds as to what we are to obtain. As soon as this is done I would recommend the appointment of a small committee with expert advice to consider the whole question."\footnote{Ibid., p. 343.}

The small inter-departmental committee was formed on November 13, 1906 on the initiative of the Foreign Minister "for the purpose of obtaining all possible information ... for submission to the Cabinet."\footnote{Ibid., fn 5.}

The report of this committee must have been to the negative. A marked desirae in the favorable attitude of the government was noticeable. What was the reason for this? France
through M. Paul Cambon was strongly in favor of waiting for overtures from Germany. Sir Edward Grey was assured by the French that there was no possibility of Germany being able to build the Railway to the Persian Gulf without the help of the London and Paris Money Markets. M. Pichon, the French Foreign Minister for Foreign Affairs, also informed Ambassador Francis Bertie that the Clemenceau Government on coming into office in 1906 had prevailed upon the Credit Lyonnais, which was ready to loan money to the German Company, to discontinue such negotiations. ¹ The French seemed to be the obstructionists now. Russia was evidently pulling back on the reins again.

A rebellious dispatch that M. Jean Constante sent to his government from Constantinople points an accusing finger in another direction. The French Ambassador expressed the opinion that the Bagdad Railway would be built whether the French and English Governments wished it or not. "The French Government acting under the advice of their Ambassador in London were making a great mistake in supporting England in their hostility to German schemes which were prejudicial chiefly to British interests. Such support would necessarily be regarded by Germany as showing an unfriendly disposition on the part of France towards herself and would inevitably provoke trouble between the two countries."²

M. Constante was reprimanded for his views in a vigorous manner. M. Pichon pointed out to his Ambassador that French

²Ibid., p. 351.
foreign policy was deeply involved in the Bagdad Railway scheme and that none would be satisfactory unless it combined the participation of France, England and Russia. He said, "All other schemes must be resisted to the utmost." M. Pichon added that France in the spirit of the Entente was returning the good will that England had displayed toward her on several occasions.\(^1\)

Sir Edward Grey wrote the following minute on this information:

"The contents are very interesting. M. Constantinople's policy is for France to join Germany in the Bagdad Railway and help her to make it to the detriment of England and Russia. He ignores the fact that we are not definitely hostile to the railway and all we ask is that France should not go in without us. I am clear that the French Government have done their best for us in this matter of the Debt."\(^2\)

The Bagdad negotiations came to an utter standstill in the early months of 1907. The British Ambassador at Constantinople reported in February that the financial condition of the Ottoman Empire was in such unsatisfactory condition that the government would have absolutely no justification in pledging further revenues for new loans or for the construction of railways.\(^3\) O'Connor was very pessimistic as to any success in bettering the fiscal status by intervention, because it would depend upon the cooperation of the treaty Powers (Germany, Russia, France and England).

In March the Germans made another attempt to obtain financial aid for their railway from France. M. Auboyneau, the

\(^1\) B. D. Vol. VI, p. 351
\(^2\) Ibid.
\(^3\) Ibid., pp. 351-52.
Director-General of the Imperial Ottoman Bank at Constantinople, was asked to go to Berlin to consult about the Bagdad Railway. Dr. Zander proposed that the French group take part by linking the Syrian line with that of the Germans and that the two should then form one company. M. Auboyneau replied that the French could not participate unless the British also joined. The German financier pointed out that German public opinion would look askance upon the cooperation of an English group, and also if the English were admitted, Germany would find herself in the minority 1 to 2. The French banker suggested a fourth group to be brought in to balance the division of control. Dr. Zander returned that unless Germany was sure of the fourth participant she might find herself in a position of 1 to 3. Auboyneau negotiated no further. He returned to Paris, followed by the persistent German capitalist. The Germans were determined that the Railway would be built.¹

The Government at Berlin were beginning to feel that they were being encircled. Count Metternich, the Ambassador at London, revealed the resentment of his country to the tactics used by the British in their opposition to the Bagdad enterprise by his conversation with the Prime Minister and other officials. Sir Edward Grey called Metternich's attention to this activity. He pointed out that it was unfair to go on quoting the Bagdad Railway when it was a subject on which England had not received any proposals from Germany. Count

Metternich promptly informed the Foreign Secretary that he did not suppose Germany would make any proposals. He could not understand why the British objected to a German commercial enterprise in Asia Minor, one of the few places still left open. Grey stated that a railway which was to become an alternative route to the Far East was not a purely commercial undertaking. It had political consequences, which would involve the interests of Powers in neighboring territories. The Ambassador reiterated that it was highly improbable that Germany would offer proposals now to deprive herself of any part of the project, since she had made further progress with the line. Sir Edward Grey answered, "I was not aware that in any quarter, deprivation had been suggested. Participation was not the same as deprivation." Count Metternich, in changing the subject of the conversation somewhat, observed that the Anglo-Russian negotiations were progressing favorably. He also stated that more important than anything else, including the Hague Conference with regard to Anglo-German relations, was the Entente Cordiale and the question of whether it would be developed in a sense adverse to Germany. Grey frankly answered:

"... in this, everything depended on whether the action of Germany was such as to put England and France on the defensive."  

Metternich realized perfectly now that Germany had two countries with which to deal, and possibly three, in any negotiations regarding the Bagdad Railway.

1 N. P. Vol. VI, pp. 354-55.
On June 4th an identical memorandum was communicated to the French and Russian Governments as to the current British attitude toward the railway. It surveyed the long commercial history of the British in the Mesopotamia Valley, going back as far as the early 19th century when the first English factory was established at Basrah. It estimated that British and Indian trade in this region was £2,500,000 in 1903. Also it stated that as many as 11,000 British subjects made pilgrimages to the Shiah shrines annually. The document continued:

"In these circumstances, His Majesty's Government may justly consider, both on political and commercial grounds, that their attitude towards the Baghdad Railway should not be disregarded by the promoters of the undertaking. They have concluded that this attitude could not be actually favorably unless British participation were assured and regarded permanent on equitable terms; and they are persuaded that such participation can be arranged if Great Britain secures the construction and control of the railway from a point north of Baghdad to the Persian Gulf. . . . . . . His Majesty's Government fully realise that the initiative and concession of the railroad have been due to German enterprise, and are quite willing to consider favorably any practical suggestion for preserving to the company its German origin which would not impair the international character that the administration of the line should in their opinion assume from the moment it becomes a sea-to-sea connection, and consequently an important through route to the East."

W. Tavolaki, at Petersburg, on receiving this communication told Ambassador Nicolson that the contents revealed that Great Britain "had taken up an attitude somewhat in advance of that which she had hitherto assumed," and that he doubted if the document would be pleasing to Berlin. W. Paul Cambon

pointed out to Sir Edward Grey that the Sultan would never agree to the English control of the Bagdad-Gulf section of the line; that Russia would never agree to this plan; and that the British proposal could not be reconciled with the internationalization of the enterprise.¹ Grey informed him that this proposal was not one of condition on the part of the Government, but one of desire.²

The Government's policy of blocking the Bagdad Railway was functioning successfully. The economic boycott of the scheme was working as they wanted it. The German were doubtlessly beginning to feel that once more the British Empire had appeared on the scene to get her share of economic spoils. But now, France was collaborating with the British in their imperial designs. Berlin was to experience another obstacle, not only to this scheme but to all her diplomatic endeavors; the Anglo-Russian Agreement was signed August 31, 1907.

¹ See Vol. VI, pp. 357-58.
CHAPTER III

NEGOTIATIONS A QUATRE

It was three months after the signing of the Anglo-Russian Convention before the Bagdad Railway question was discussed to any great degree among the Powers. This time it was the subject of conversation in the royal circle. Emperor William II and the Empress made an official visit to Windsor on November 11, 1907. The Kaiser used this opportune time to reopen the Bagdad Railway discussion. On November 12th the German Emperor had a long conversation with Sir Edward Grey in which he slyly exposed to the Foreign Minister, Germany's interest in developing Turkey. The Kaiser went to great length in telling what his country had already done for the Ottoman Empire and what it expected to do in the future. He also revealed that Mr. Cecil Rhodes had suggested to him that Germany should develop the Mesopotamian region just when he (the Kaiser) had conceived the idea of a Bagdad Railway.¹ The Emperor added that Mr. Rhodes had promised his support with British public opinion and at the Foreign Office in London. The Kaiser did not hesitate in telling how he had supported Rhodes' railway and telegraph project in southern Africa. He assured Grey that the Bagdad Railway was strictly a commercial enterprise and that Germany desired no further territory. Sir Edward

¹B. D. Vol. VI, p. 93.
countered with the observation that the project had also a
strategical aspect; public opinion in England would be very
suspicious if the Railway was controlled entirely by a for-
egn Power. The Kaiser replied that there were no grounds
for suspicion; Germany desired no more territory and she
would see that Turkey did not use the railroad against Eng-
land. The Emperor concluded the conversation by stating that
France and England had refused financial aid to the Bagdad
Railway; the Germans now felt that they must certainly com-
plete the enterprise themselves.¹

The next night Lord Haldane, armed with a memorandum
from the Foreign Office on the Bagdad Railway problem was
one of the dinner guests at Windsor. On arriving, he re-
ceived a message from the Emperor that he wanted to see him.
Haldane made the following note on this meeting:

"At 7 I saw the Emperor.

"I found him very enthusiastic about the possi-
bility of an agreement, and eager to say that, about
the strategic question of the gate, Germany would
make no difficulty of any sort.

"I said to him that there was another part which
would require attention. The footing on which we
stood with Russia and France was now so friendly that
it was impossible that we should discuss matters with-
out keeping them informed, and that it was really es-

tential that the discussion should go on a quatre in-
stead of a deux."²

The Kaiser in a very kindly manner expressed that Germany was
willing to discuss the matter with a friendly nation, but to

¹B. D. Vol. VI, p. 93.
²By "gate" the Kaiser meant the eastern terminus of the
Railway on the Persian Gulf.
³B. D. Vol. VI, pp. 96-97.
extend it to France and Russia, her people would seriously object to this. 1 This conversation was closed—seemingly unsuccessful as to an agreement.

Later in the evening Baron von Schon, the German Minister for Foreign Affairs, sought out Lord Haldane and told him that there had been a mistake. The Emperor had not been aware that the whole matter had been discussed with Russia some time ago and that an agreement would have been signed had not M. Isvolski taken ill. Haldane was invited to the Kaiser's private room later that night. The meeting was held with Von Schon and Count Metternich present. The German Emperor was of the opinion that since Minister von Schon had had an understanding with the Russians in regard to the Bagdad Railway, the British suggestion that was made earlier in the evening might be acted upon. Lord Haldane suggested that financiers from each country should meet in a conference at Berlin to settle the matter. The Kaiser was sympathetic with this proposition and instructed Herr von Schon to make the necessary proposal to Sir Edward Grey at once. 2 This was done. Germany was to initiate the proceedings by addressing the other countries from Berlin. Von Schon said this would be done just as soon as he renewed the understanding with Isvolski.

1 B. B. Vol. VI, pp. 96-97.
2 Ibid., pp. 97-98. Haldane, R. B. (Viscount Haldane), An Autobiography, Double Day Doran and Company, New York, 1929, pp. 235-36. (Haldane records this last meeting as a very stormy one among the German diplomats. Count Metternich was very much opposed to negotiations a quatre.)
The Foreign Office at London again began to exchange notes with the French and Russian Governments as to a possible settlement of the Bagdad Railway question. Sir Edward Grey gave a copy of the memorandum on the Windsor conversations to both M. Paul Cambon and Count Benckendorff. The French Ambassador expressed great satisfaction as to what had taken place, and remarked that if this problem could be settled "the one great obstacle in the way of reconciling German interest with English and French interests would be removed." The Russian Ambassador expressed surprise at hearing that the matter had been discussed between M. Isvolski and Herr von Schon.  

In regard to this tentative agreement between Russia and Germany, Isvolski made this comment:

"The German project has met with no more sympathy in Russia than in Russia and France. Without touching on the strategic importance of this enterprise, we must regard with anxiety the influence such a railway would exert in the Turkish neighboring provinces bordering on the Caucasus, the Black Sea and Persia. Our principal source of concern, however, is the influence on Persia, for we cannot for a moment doubt that the construction of the Bagdad Railway, and its ultimate connection with future railways in Persia will open this country to German influence and commercial undertakings.

"If England and France have retained absolute freedom of action in this matter, the position of Russia is not quite the same since the Petersburg Cabinet, at the beginning of the Anglo-Russian negotiations, assured Berlin that it would not enter into any obligations without having come to a previous friendly understanding with Berlin.

2 Ibid., p. 101.
"It is quite natural that our attitude towards Germany has led us to an exchange of opinions for the exclusive purpose of securing our vital interests in Persia; even England herself recognized these interests as justified in the convention concluded with us."  

Sir Edward Grey expressed satisfaction with the German visit. Neither the Kaiser nor Baron von Schön had done or had said "anything inconvenient." The result had mollified the Anglo-German relations, at least for the time being, without weakening England's relations with France. A possible solution of the Bagdad Railway problem had been agreed upon, but Grey was quite skeptical of the outcome. He remarked, "I am sure the Emperor mentioned the Bagdad Railway without having consulted Bülow. I doubt whether Bülow will approve of discussions à quatre, and it may be some time before we hear more." Sir Edward certainly displayed keen insight here. The Germans were quiet on this subject for the next six months.

The Foreign Office discovered that Herr von Schön was unsuccessful in his attempt to come to an agreement with M. Isvolski. The Russians wanted Germany to recognize their sphere of influence in Persia before they would permit a branch line of the Bagdad Railway to be built in Persia.

---

1 B. D., Vol. VI, p. 101. (This is a letter from M. Isvolski to Count Benckendorff, taken from Siebert-Benckendorff, Vol. I, pp. 9-11.)
3 Ibid.
4 Ibid., p. 358.
Sir Edward Grey and Sir Charles Hardinge began to initiate a plan by which England, with the cooperation of the Russians, would circumvent the German Railway. The scheme was to have the Slavs build a railroad from Julfa to Tehran, and from there to Khorembad, where the British would carry it on to Ahwaz and then to Khor Abou Musa on the Persian Gulf.\footnote{I. D. Vol. VI, pp. 358-59.} Hardinge was of the opinion that this line "would be the quickest and the best route for both passengers, mails and merchandise to the Persian Gulf and would completely crowd out the Bagdad Railway."\footnote{Ibid.} The terminus at Khor Abou Musa would also, he considered, have the advantage of further blocking the Bagdad line. This scheme had to be abandoned because the Government of India was suspicious of the strategic advantage that it would give Russia.

In the early months of 1908 the Germans were very busy at Constantinople in an attempt to obtain additional help from the Turkish Government in order to start moving the railroad from Bulgurlu where the rails had been "sticking out into space" since 1904. By June 2\textsuperscript{nd}, the officials of the Bagdad Railway had signed a convention with the Porte authorizing the extension of the line from Bulgurlu over the Taurus Mountains to Aleppo and from Aleppo to El Helif,\footnote{There was undoubtedly considerable backshish involved on the signing of this convention. Post. p. 53} which was only 400 kilometers from Bagdad. The construction and working kilometric guarantees were to be obtained from the...
surplus of the Customs Duties, supplemented by the surplus of
the tithes that had been assigned to the Anatolian Railway.¹

All during these negotiations the Foreign Office at Lon-
don was doing all that it possibly could to frustrate the
activities of the Germans. Sir Edward Grey instructed the
Charge d'Affaires at Constantinople to drop a hint to the
Sultan and the Grand Vizier to the effect that if the revenue
from the increased Customs Duties was used for other purposes,
while the Macedonian deficit remained unpaid, His Majesty's
Government would be entitled to withdraw their consent to the
three per cent increase.² When the success of the Turco-
German negotiations seemed imminent, the officials at London
became frantic. One under-secretary said,

"This is a most cynical proceeding on the part
of the German Government and deserves showing up
in Parliament, quite as much as the Austrian Rail-
way scheme."

Sir Charles Hardinge suggested that His Majesty's Government
refuse to allow British trade to pay the three per cent cus-
tome increase if Turkey used the revenue for railway guarantees.
He intimated that M. Paul Cambon might be counselled in order
to have France refuse any loan to pay the kilometric guarantee.
Hardinge added:

"There is absolutely no doubt that the only
means of bringing the Germans to reason is by agreement
at once with the Russian Government to press for a

¹H. G. Vol. VI, p. 366.
²Tbid., pp. 350-61.
³Tbid., p. 363.
Sir Edward Grey, realizing the gravity of the situation, reminded his colleagues that anything that was stated by the Government must be based on the actual conditions stipulated for in the three per cent Customs Duties increase agreement.

The officials of the Bagdad Railway outwitted the British in spite of all the obstacles that had been placed in their path by England and her friends. Dr. Grinner and his colleagues had found some unpledged Ottoman funds for their railroad that the other Powers had not foreseen. The Germans had completely won the Sultan over to their side and, then in turn, the Grand Vizier, who was, for a time, hostile to the plan, because the Turkish treasury, he believed, could not stand this additional expenditure. The German diplomatic victory was complete—for about a month. Construction of the newly guaranteed sections was not to begin for more than a year to come. The "Young Turks" revolted in July and forced the Germanophile Sultan to abdicate his throne.

After the Irâdâ, sanctioning the extension of the Bagdad Railway, was issued, Count Metternich appeared at the London Foreign Office and informed the British that Germany had renounced the idea of calling a conference à quatre at Berlin.

---

1 B. D. Vol. VI, p. 363. (Sir Ed. Grey concurred in this opinion.)
2 Ibid., p. 363.
3 Ibid., p. 367. (This decision was evidently made by Count von Bulow. He no doubt was influenced by his experience in the State Bank of Morocco set up by the Algeciras Conference, in which Germany's vote was nullified by the combined vote of England and France.) Gooch, G. P. Modern Europe, p. 366.
He, personally, had always opposed such an arrangement. Also, he had not approved at all what took place at Windsor, because such a conference was foredoomed to failure and would only accentuate the differences between his country and the three Powers. Mr. Louis Mallet of the Foreign Office made this comment on this action of Germany:

"I would suggest that this memorandum should be sent round because it is a first-rate instance of the difficulty of negotiating with a Power whose representatives have no idea of the meaning of good faith and who are openly influenced by Bismarckian principles in this respect. .... It will look very well in some future bluebook. Copies should be sent to Paris and St. Petersburg and left with M. Pichon and M. Isvolski."  

Sir Edward Grey was of the opinion that England should not make any comment at Berlin that would invite further negotiations. For if they did, Germany would say that since Russia was opposed to the project, England must choose between Russia and herself. This would give Germany the opportunity to point out the hostility of the British. Grey also observed that if England bargained alone with the Teutons, she would not obtain good terms, particularly since Germany had arranged successfully for further sections of the railway to be built. He concluded that England's policy should be "to get as many levers into our hand as possible with which to bring pressure later on."  

---

2Ibid., pp. 368-69. (Mallet points out that Sir Frank Lascelles, Ambassador to Germany until 1908, "was one of those who cannot see our attitude.")  
3Ibid.
this question. Each one was confident of her own position; both were determined not to initiate any overtures on this subject.

With the "Young Turks" in control the political complexion of the Ottoman Government took on a new color. It was decidedly pink. After the political change was made, King Edward VII telegraphed his felicitations to Kiamil Pasha, a life-long friend of England, who became Grand Vizier. The new regime was to be almost exclusively advised by British experts. Sir Ernest Cassel was invited to establish the National Bank of Turkey in order to assure more investment of British money in Turkey. Sir William Wilcocks was designated as advisory engineer to the Minister of Public Works. Sir Richard Crawford was made adviser to the Minister of Finance. A British lawyer was appointed inspector-general of the Minister of Justice and another Englishman was made inspector-general of the Home Office. Besides these, there were several Frenchmen who were given responsible positions in guiding the "new" Turkey.

Berlin was perfectly aware of their lost prestige at Constantinople. Dr. Karl Helfferich and Dr. Arthur Gwinner of the Deutsche Bank and Ambassador Marschall at Constantinople

1Schmitt, B. E. England and Germany, 1740-1914, Princeton University Press 1916. (This author states that the Young Turk Revolution was undoubtedly precipitated by the meeting of Edward VII and Nicholas II at Reval, June 1908.)
and Count Metternich at London were all in favor of some plan
to come to terms with England in regard to the Bagdad Rail-
way. Hefferich stated that public opinion in Turkey was
against Germany because of her methods in obtaining the con-
vention of June 2nd; this could be alleviated by an under-
standing with England. Dr. Gwinner was in favor of offering
England the control of the Bagdad-Basrah section of the rail-
way. Baron von Marschall had no objection to this offer ex-
cept that it would not be carried out until the railway was
constructed to Bagdad.¹ Count Metternich went as far as to
propose a naval construction agreement which would remove the
tension in Turkey as well as in Europe.² The Kaiser, as re-
vealed in his minute to this dispatch, seemed to be the only
one at the Wilhelmsstrasse that was not disturbed by the turn
of events in Turkey. He stated boldly:

"The Revolution is not the work of 'Young
Turks' from Paris and London, but by the army
alone and, in fact, by the so-called 'German' offi-
cers who were trained in Germany. A purely mil-
itary revolution. These officers have everything
in their hands and are thoroughly Germanized. In
the long run Russia will not stand Turkey being
strengthened by England's help; and this is where
serious differences ought to occur in the future."³

This time the Emperor seemed to know of what he spoke. After
the counter-revolution of April 1909, the newly established
British influence gave way to another German ascendancy.

¹Dugdale, E. T. S. (Ed.) German Diplomatic Documents,
1871-1914. Selected and translated by E. T. S. Dugdale, London,
²Ibid., p. 364.
³Ibid.
During the period of British predominance at Constantinople, the Foreign Office had very little to say about the Bagdad Railway enterprise. German construction was at a standstill; therefore, the English were contented. But the British officials stationed in Turkey were beginning to see what an advantage it would be to England to have an extensive railway system in Asia Minor. Colonel J. Ramsay, Consul-General at Bagdad, suggested that Great Britain acquire a concession for a railroad connecting Mesopotamia with the Mediterranean at Alexandretta by way of the Euphrates Valley and Aleppo. Such a line, Ramsay argued, would have definite political and commercial advantages. It would prevent the Bagdad Railway Company from obtaining the Aleppo-Alexandretta branch line, which was to be an important outlet to the sea. The commercial importance of the road would be determined by the ultimate success of Sir William Willcocks' irrigation project of the Mesopotamia. Sir Gerald Lowther, the new Ambassador to Turkey, discounted several of these statements made by Colonel Ramsay, but urged that His Majesty's Government examine closely the suggested project.\(^2\)

Just at this time the Foreign Office at London received a message from the Turkish Government requesting an increase of Customs Duties from 11 per cent to 15 per cent.\(^3\)

\(^1\)J. B. Wolfe calls this period the "Rule of the British Ambassador (Sir Gerald Lowther) and Kiamil Pasha." *loc. cit.* p. 61.

\(^2\)Ibid., p. 371-72.

\(^3\)Ibid., p. 373.
committee consisting of Sir Edward Grey, Sir Charles Wardinge and others decided that England should have a definite quid pro quo for her consent to the increase. This was to be either participation in the Baghdad Railway scheme or a concession to construct a line from the Persian Gulf to Basrah and Baghdad along the Tigris Valley with the option of extending it on to Tripoli or some other port on the Mediterranean.¹

When the dispatch, outlining Colonel Ramsay's suggestion, arrived, the British Government modified their demands. On August 18, 1908 Grey instructed the Ambassador at Constantinople as follows:

"I have to request you to apply to the Turkish Government for a concession for a railway between Baghdad and the Persian Gulf, via Busshorah and the Tigris Valley, the concession to be without any financial guarantee from the Turkish Government, and the concessionaires to have the first option of prolonging the railway along the valley of the Euphrates to the Mediterranean, should the development of irrigation and trade under such a course desirable."²

Sir Gerald Lowther reported that the Grand Vizier, personally, was in favor of the scheme, but it would have to be considered by the cabinet. Hilmi Pasha tactfully added, that Germany would try to punish Turkey in some way if the concession was awarded to England. Turkey would then have to depend more than ever on England to help her avoid such a difficulty.³

¹B. D. Vol. VI, p. 372.
²Ibid., pp. 374-75.
³Ibid., pp. 376-77.
A week later the Grand Vizier informed Lowther that, although he was prepared in principle to grant the consent to the British, he would suggest that the actual demand for the concession be postponed until after the question of the 4 per cent increase of the tariff was settled. He stated that the Germans, on learning of this application for a concession, might impose as a condition of accepting the increase, the refusal of the concession to the British. Hilmi Pasha also added that if all the countries were going to ask for a quid pro quo for their ratification of the increase, he would drop the whole tariff matter.\footnote{E. D. Vol. VI, p. 377.}

On September 33rd, England's answer to the Ottoman Government's request for the Customs Duty increase was given to Terzik Pasha at London. It outlined what Great Britain had done to help Turkey in the past. Special reference was made to England's consent to the 3 per cent increase in 1907. An additional 4 per cent would make a 7 per cent increase in the tariff within two years' time, of which more than half fell upon British commerce, because of their predominance in Turkish trade. But England was ready to instruct her Ambassador at Constantinople to open negotiations with the Sublime Porte if the following conditions were accepted by the latter Government:

1. Turkey to agree to removal of restrictions of Egyptian Government to borrow money for national reform and enterprises.
2. Turkey "to obtain from the German Government an assurance of their willingness to waive their right to any of the proceeds from the Customs increase for their sections of the Bagdad Railway now in construction or to be constructed."

3. One-third of the large loan, secured by Customs increase, for agriculture, Public Works, and judicial system to be offered for subscription in London.

The answer to Turkey was concluded with England's recognition that not all the requirements of the 3 per cent increase proposal had been carried out by the Ottoman Government, but His Majesty's Government in their earnest desire to cooperate with the new Government would overlook this discrepancy. Sir Edward Grey was anxious to assure the Grand Vizier of his sincere desire to meet the wishes of the Sublime Porte in this question and to show the Ottoman Government that England's views were equitable in this matter.²

The officials of the Ottoman Government turned to Germany for advice. Rifat Pasha, the Minister for Foreign Affairs, was referred to the officials of the Bagdad Railway by Baron von Marschall in order to solve the problem for getting the increase of the Customs Duties.³ Hilmi Pasha, through Ambassador Marschall, made this appeal to Berlin:

"This question puts us between the hammer and the anvil. For political reasons I cannot grant this concession to the British; I would rather pay

---

² Ibid., p. 792.
s million or two pounds a year than open the way into the interior of our country to England and British influence by means of a great commercial enterprise controlled exclusively by England. On the other hand it is very difficult for us to reject the British desire merely on the grounds of the railway concession already granted to Germany. It would seriously offend England, who is on a friendly footing at present and whose help we depend on in various questions. Moreover our Parliament would not understand such an attitude; it would merely consider the financial side and fail to take in the political aspect. Besides it is impossible to explain, even in a secret session, the real reasons which make rejection necessary. In the end the British would spring every mine to win the support of the majority. Under these circumstances I appeal to Germany for help. If the British demand for a concession is made I should like to reply that the concession for this line has already been granted to the German Baghdad Railway Company. But that in order to meet British wishes the Porte would consider allowing British capitalists to participate in the Persian Gulf-Basrah section in equal shares with the Germans and eventually the French, and that control of this line should be shared between the three of them. But I cannot give this answer to the British before I am sure of the Imperial Government and eventually the Baghdad Railway Company.1

Sir Edward Grey informed Count Metternich on October 28th that England's unfavorable attitude toward the 4 per cent increase was based upon the fact that the revenue would be collected mostly from the British, and then it was to be used to help finance a railway which was controlled exclusively by a foreign Power. The only way in which public opinion could be reconciled to the Government's consent would be that England either obtain a part of the Baghdad Railway or a concession.

1Dugdale. Vol. III, pp. 365-67. (Baron von Marschall admits that he did not try to allay any of these suspicions of the Turkish officials of their English friends.)
for a railway that would enable her to trade with Mesopotamia on equal terms with other countries. Sir Edward reviewed very frankly why England was insisting upon negotiations "a quatre": France had already an interest in the project before Grey came to office; Russian friendship had been achieved and nor England did not want to lose it. The Foreign Minister was confident that Germany could induce Petersburg to remove their objection to the Bagdad Railway. Grey said that he was making these explanations in order to show Germany that Great Britain's action "was not dictated by ill will toward Berlin, but by the necessities of the case."¹

England and Germany were still far apart in their attempt to solve the railway problem in Turkey. It was the efforts of the Ottoman Government that brought them to the conference table again.

CHAPTER IV

THE GWINNER-CASSEL NEGOTIATIONS

During the early part of November 1909 the effect of Hilmi Pasha's appeal to Germany was quite in evidence. The Grand Vizier dropped a hint to the British Charge d'Affaires at Constantinople that he had heard that Germany was willing to give the English a definite share in the Bagdad Railway. A week later Dr. Gwinner informed Sir H. Babington Smith\(^1\) he would welcome British cooperation on the basis of British control and construction of the Bagdad-Gulf section, provided the Ottoman Government would give their consent. England under this agreement would have nothing to say about the line north of Bagdad, and, also, she was of course expected to consent to the 4 per cent increase in the tariff.\(^2\) When Mr. Whitehall,\(^3\) the Administrator of the National Bank, reported his conversation with Dr. Gwinner, the terms to be granted England seemed to be much less. Only 50 per cent of the share in the Bagdad to Gulf section was to be given to England; the remainder was to be shared jointly by Germany, France, Belgium, etc. Sir Charles Hardinge, on hearing Whitehall's version of the German offer, voiced this opinion:

---

\(^1\)Sir H. B. Smith was the President of the National Bank of Turkey.


\(^3\)Mr. Whitehall was sent to London, at the request of Dr. Gwinner and the approval of Smith and the Charge d'Affaires, to lay plans for British participation in Bagdad Railway before Sir Ernest Cassel.
"We must have nothing less than what Sir H. Babington Smith has stated that Dr. Gwinner is ready to concede. We must always remember that this is Dr. Gwinner's first offer and that we can get more if we want it. I do not consider that we should have the control over the section if we only had 50 per cent of the voting power. We must have a good deal more. ..... Our position is a very strong one and we must now take care to get all that we want." \(^1\)

While this groundwork was being laid for negotiations between British and German capitalists, the Foreign Office was entertaining another scheme for the construction of a railway that would frustrate the efficacy of the German scheme. Sir William Willcocks, who had been planning the irrigation project for the Turks in the Mesopotamia Valley, visited Sir Edward Grey and pointed out to him the need for a railway from Bagdad to Damascus. This road, Willcocks argued, would be more profitable than one built to the Persian Gulf. It could be constructed as far as Damascus where it could be connected with the French Syrian Railway. The French were ready for England to give her assent to the plan. Besides, Sir William contested, for the shipment of grain and cattle from Mesopotamia to the European market, this line would be a much shorter and less expensive one because the goods would not have to pass through the Suez Canal. Then, too, this railway would undoubtedly stop the construction of the Bagdad line at El Helif which is in the middle of a barren and thinly populated area. Willcocks contended that the line, which would be about

\(^1\)B. D. Vol. VI, p. 385.
550 miles long, could be constructed of a light gauge at the cost of only £2,500,000.  

Grey and Hardinge upon hearing this scheme became very enthusiastic about it at once. Sir Edward arrived at this plan of action:

"1. The Turks to go ahead with Sir W. Willcocks as to irrigation.

2. We to have the Bagdad to Damascus Railway concession.

3. An arrangement with Turks and Germans as to Bagdad to Gulf Railway. The Turks will probably insist upon dropping the Lynch Concession if all this is to be done, and if so I do not see how we can help that.

The sooner the Bagdad Railway Committee can put this into shape the better."  

Also during the early part of the month of November, the Bagdad Railway Company announced that the Ottoman Government had accepted their plans for constructing the line from Bulgurlu over the Taurus Mountains to Aleppo and thence across the Euphrates to the Helif, a distance of 840 kilometers. The Construction Company was formed with a capital of £400,000. The Board of Directors consisted of 5 Germans, 4 Frenchmen, 1 Austrian, and 2 Swiss. Dr. Gwinner was President and W. F. Kautz the Director-General. The work was to begin at once.  

The action of Turkey in bringing Germany and England together for a settlement of the Bagdad Railway question was

---

1* E. D. Vol. VI, pp. 381-83.
2* Ibid., pp. 383-84.
closely observed by the Russian Government.¹ Isvolski, in a conversation with Sir Arthur Nicolson, asked him if England knew that Hilmi Pasha had initiated the plans for giving the British a share in the Bagdad-Gulf section of the Railway because he was afraid that the Turkish Assembly might grant the concession for which England had asked.² Nicolson confessed ignorance of this information. The Russian Foreign Minister was becoming suspicious that England was trying to settle the Turkish question à deux.

Sir Edward Grey in an attempt to quell the anxiety of Isvolski told him frankly and explicitly just what action Great Britain was taking in the matter. Grey stated that Germany had offered to grant England the control of the southern section of the railway, and "if this were conceded we would probably agree unconditionally, as other Powers including Russia seemed inclined to do, to (the) increase of Turkish custom dues and make no conditions as to participation in Bagdad Railway."³

When this was communicated to Isvolski, the Minister burst forth into a tirade against England's diplomatic policy. Nicolson reported the interview to Grey as follows:

²Ibid., p. 501. (Isvolski is very well informed of what Germany was doing.) B. D. Vol. VI, p. 386.
"It appeared to his Excellency that (so far as he could see) Germany was to take all the line as far south as Bagdad, and England the continuation of the line from that place to the Persian Gulf; and in that case all idea of a conversation à quatre had been abandoned, and Russian interests were not to be taken into account. All rights over the Bagdad-Persian Gulf section had, it seemed to him, been waived by Germany in order to obtain the consent of Great Britain to the surtax in Turkish Customs without any conditions, and in return England had given Germany a free hand as regards the whole line north of Bagdad. It was, he said, inaccurate to suppose that no conditions would be made by Russia before she assented to the surtax.

.... M. Isvolski observed that the Government of Berlin and London would seem to be desirous of settling the question 'on the backs of all other parties,' and the communication made by me showed that His Majesty's Government had embarked on an entirely new and unexpected course."

Nicolson observed that Isvolski was becoming distrustful of England and this would be the case more so in the mind of the Emperor. If the Minister still held this unfriendly attitude after this fit of temper, the Ambassador was doubtful of the wisdom to continue the negotiations with Germany. Sir Arthur remarked, "Valuable as the offer of Germany undoubtedly is to us, I am afraid that it may prove to be the first rift in the lute on which we and Russia have been playing so harmoniously together."

England had a difficult problem on her hands to reconcile her policy with that of Russia. Sir Edward Grey reviewed the situation in order to make clear to St. Petersburg England's actions. Grey pointed out that the 4 per cent increase of


\[2\] Ibid.
customs was designed by Germany to supply her with funds. She had already a free hand by virtue of her concession. England had to protect herself in some way as to the customs, so she chose to ask concessions for her consent. Russia was at liberty to do the same thing, "although the other Powers do not appear to be doing so." Great Britain was waiting patiently for Russia's views as to the matter. England had kept M. Isvolski informed punctually as to the actions that she had taken. Sir Edward said that he had made only two statements to the German Government in regard to this question; that Russia's agreement must be obtained before a definite settlement was made; and that British consent to the customs increase must be conditional. Grey added that England had always demanded the construction of the road south of Bagdad and the control of it when it was built. He was anxious to know on what terms Russia would participate in the section north of Bagdad. The question was important because the railway would undoubtedly be built whether England and Russia took part or not. The British Minister concluded:

".... We have kept M. Isvolski informed. We have made no bargain. We put the Russian Government in possession of Glitner's views within two days of hearing them ourselves through private channels. I am therefore at a loss to see the justification for M. Isvolski's annoyance."

In spite of this frank explanation of England's activities and policy, the Russian Foreign Minister, now in a "cheerful

and rational mood," was resolved that England was giving up the plan of negotiations à quatre. He observed that England had a right to make an arrangement à deux. In that instance Russia would be free to negotiate with Berlin about the Railway north of Bagdad, but, of course, this meant that conversation à quatre would be abandoned.¹ Nicolson was not satisfied with this situation, because he was afraid that, if Russia was left to discuss the matter alone with Turkey, the neutral zone of Persia would be threatened.² Sir Edward Grey was of the opinion that England would certainly not object to the opening of negotiations between Germany and Russia as to participation in the railway to the north of Bagdad, but she would like to be kept informed of the progress that was made. Grey added that Article 3 of the Persian Convention apparently precluded any concession to be given by Russia to Germany in the neutral zone.³

Isvolski pointed out that England's proposal of letting Russia have first chance to get the concession of the Bagdad-Khanikin branch line was of no value. The German Company already had a concession for a line from Khanikin to a point north of Bagdad. The Russian official insisted that if England entered into negotiations with Germany on the basis of Herr Gwinner's proposals, Russia would, of course, in order

¹ibid., p. 394-95.  
²Ibid.  
³Ibid., p. 398; Siebert-Schreiner. pp. 505-08.
to protect her interests, have to commence discussions with Berlin. He pointed out that his country would be at a disadvantage because Germany would not be willing to compromise much after her settlement with Great Britain. But Isvolski maintained that Russia would have something with which to bargain. Nicolson emphasized the importance of the Persian neutral zone not being a bargaining point. Isvolski did not give a very satisfactory answer to this statement. The British Ambassador tried his best to exact the Russian viewpoint on the whole matter from the Foreign Minister, but to no avail. Isvolski fenced, and finally asked point blank whether England was going to accept Gwinner's offer and abandon Russia's interests to the north of Bagdad, i.e., give up the negotiations à quatre and enter into one à deux. Sir Arthur answered that nothing definite had been decided upon the matter as yet, but there might be, if further delay occurred. Nicolson made this comment to the Foreign Office:

"I cannot pin Isvolski down, and perhaps you would wish me to tell him positively that you would inform British group that they had better proceed without delay with negotiations with Herr Gwinner. I am a little uneasy still, .... as to leaving him to discuss alone with Germany, but perhaps we had better run that risk and secure southern section."

1

The Foreign Office finally satisfied the desire of M.

---

1 B. D. Vol. VI, pp. 399-400; Siebert and Schreiner. p. 508. (Mr. Alwyn Parker of the British Foreign Office made this observation: "It seems to me that any misunderstanding with M. Isvolski is one of words rather than of fact.")
Izvolski by explaining that no negotiations were taking place with Germany but that Herr Gwinner had opened negotiations with English financiers. England, herself, was not certain what definite proposal would be the outcome of these conversations. Whatever it was, it would not be acceptable until the papers had been submitted to the British Government with the approval of the Wilhelmsstrasse. If the offer was acceptable His Majesty's Government would not make any definite step until they had discussed the question with France and Russia and had come to an agreement à quatre. In the meantime Grey promised that he would keep Paris and St. Petersburg informed of what was passing in order that they would be prepared to come to a decision when the occasion arose.¹ The Russian Minister expressed his pleasure as to England's policy and promised to submit Russia's views on the matter in due time.²

While the London and St. Petersburg communications were being exchanged at a furious rate, France was apparently taking the position of the onlooker, but this was not so. M. Tcherikov, the Russian Ambassador at Constantinople, made this report to Izvolski after a conversation with M. Bompard, the French Ambassador:

"The English communications have made a painful impression on the Paris Cabinet. One naturally conceded England's fair behavior in this matter and that she has kept her promise to consider, together with France and Russia, a possible understanding.

¹B. D. Vol. VI, p. 402.
²Ibid., p. 403.
with Germany concerning the Bagdad Railway. But one can read between the lines of the English communications that England is very desirous of accepting the German proposals, although the latter are not at all in keeping with French interests and hardly do justice to ours."

Besides these apprehensions, the French had their eye definitely upon a *quid pro quo* for their consent to the 4 per cent customs increase. The plan for a railway drawn up by Sir William Willcocks had taken the eye of the French imperialists. 2

M. Pichon, the Minister for Foreign Affairs, in a conversation with Sir Francis Bertie, was personally of the opinion that France should get a *raccordement* of the French Railway system in Syria with the Bagdad Railway. He was opposed to any land concession for it would have the appearance of spheres of influence and would meet with strong opposition from the Young Turk Party. The French Minister seemed to be well informed as to Russia's antagonism toward the Gwinner-Cassel negotiations. He pointed out that Isvolski had always strongly opposed the Bagdad Railway scheme because it would divert the lucrative Persian trade, now passing through Russia, to the south and westward to the Persian Gulf. Bertie asked Pichon to use his influence with Russia in order to get her views for an *arrangement à quatre* instead of letting them attempt a separate agreement with Germany. M. Pichon remarked that this would be a difficult assignment. 3

---

1Siebert and Schreiner. pp. 510-12. The observations of M. Tocherikov were to be discounted somewhat because of his Anti-British leanings.
3Ibid.
Mr. Marling, the Charge d'Affaires at Constantinople, called Sir Edward Grey's attention to a very important matter just before Sir Ernest Cassel's trip to Berlin. Marling pointed out that in the report of the Mesopotamian Railway Committee of July 24th they understood "that His Majesty's Government would be willing to guarantee a reasonable rate of interest on the capital invested by a British syndicate which might be formed" for the purpose of acquiring a concession for a railway in that region. He stated that if this information leaked out, the possibility of obtaining a concession would be very problematic. The Charge observed that a definite distrust of England's intentions in the Persian Gulf was appearing in certain circles. Marling continued:

".... I make no manner of doubt that the Turkish Parliament with its unreasonably susceptible patriotism would look on the fact that His Majesty's Government were granting a guarantee to a British Railway syndicate as so positive a proof of our alleged designs that it would never sanction of concession even if a Ministry could be found strong enough to decide in favor of granting it."

He added that the utmost secrecy should be used in regard to the proposed guarantee.

Sir Ernest Cassel went to Berlin and on December 13th began a series of meetings with Dr. Gwinner of the Deutsche Bank. The negotiations lasted for three days. The memorandum of the conversations was as follows:

\[1\]

\[1\]B. D. Vol. VI, p. 403. (We observe that Baron Marschall von Bieberstein must have been responsible for a considerable amount of this anti-British feeling.)
"With the consent of the Ottoman Government a separate company, English or Ottoman, to be formed to take over that part of the concession of the Bagdad Company which relates to the line from Bagdad to the Persian Gulf.

"The capital of the new company to be £300,000 nominal (£150,000 paid up) or a less amount as may appear sufficient for working the line.

"A construction company to be formed, in Switzerland or elsewhere, upon lines similar to those of the construction companies formed by the Bagdad Company.

"In both of these companies an interest of 50 per cent is claimed, which is to be distributed as follows:

30% for the Bagdad Company,
10% for the Anatolian Railway, and
10% for the Turkish Government."¹

Dr. Gwinner added that no arrangement for handing over the Bagdad end of the line to the control of other interests would be satisfactory to the Bagdad Company nor to the Turkish Government unless it insured the whole construction from Helif to the Gulf. He saw no other way of carrying this out, except by assigning part of the additional customs dues to the guaranty of the Bagdad subvention loans from Helif to the Persian Gulf.²

Upon receiving this information and talking to Cassel, Sir Charles Hardinge was of the opinion that the Board of Trade should consider the plan. Hardinge added,

"The question of kilometic guarantees seems a difficult one. Yet it would be a pity to lose a most important political concession on that account.

if the Turks raise no objection. I wonder if we could not find some other way of re-imburseing them?"

Sir Edward Grey remarked that it would take some time to consider the proposal because the Government must examine it closely and then it must be discussed with France and Russia.

On December 15th, the day on which the German-Cassel conversations were concluded, Herr von Schon told the British Ambassador at Berlin that if the negotiations between the two bankers terminated in a satisfactory agreement. This did not mean that the Imperial Government would necessarily confirm such an adjustment. He avowed that his country had no objection to British participation but public opinion in Germany would be up in arms and make things very unpleasant for the Imperial Government unless the latter could show that there was some return for what they would certainly regard as a concession.

An answer to this communication was not made for about a month. Sir Edward Grey wrote Sir W. E. Goschen to inform the Imperial Government that should an agreement be reached by the Germans which would be altogether satisfactory to England, they would be perfectly willing to sanction participation after due discussion with France and Russia. Great Britain would welcome the conclusion of an agreement on this subject which has long been outstanding and which has occasioned such

---

2 Ibid., pp. 408-09.
hostility between the two countries. Grey added:

"..... the suggestion that the German Government regard British participation in the light of a con-
cession and that some quid pro quo will be required from the British Government in return, in order to
make the arrangement acceptable to the German people, is one which His Majesty's Government cannot enter-
tain."\(^1\)

On December 22\(^{nd}\) Sir Ernest Cassel wrote to Dr. Gwinner telling him that he would have to leave the city, but his assist-
ants could carry on the negotiations in his place. He related
that the opinion of the British was that nothing short of ab-
solute control of both the construction and the working com-
panies would be satisfactory. The maximum interest that could
be allowed to other parties was 40 per cent. Cassel added.
"that a great deal of discussion took place about the kilometric
guarantees but finally the view prevailed that the proposal
was fair and reasonable."\(^2\)

Dr. Gwinner in a letter of December 27\(^{th}\) rejected this
demand of the British, that their share be 60 per cent, on the
grounds that Hilmi Pasha objected to this, adding that the
British should eventually address themselves to the Turks.
The reason for the Grand Vizier's attitude was most likely due
to Turkey's fear of being divided into spheres of influence.

When the Ottoman Government asked France as to her consent to

---

\(^2\) Dugdale. Vol. III, p. 370. (This opinion of Cassel
does not agree with that of Sir Edward Grey. The British War
Documents show that Grey was strongly opposed to the kilometric
the 4 per cent in the customs, she answered, "In view of the fact that England and Germany had demanded concessions for railways, the French Government also holds itself justified in demanding the concessions for a railway from Bagdad to the town of Homs in Syria." The officials at Constantinople answered that under no conditions would Turkey admit the establishment of foreign spheres of influence and railways resulting therefrom. ¹

In London, M. Paul Cambon notified the British Government as to France's views on the question of participation in the Bagdad Railway. M. Pichon foresaw that there would be great difficulty in persuading the Ottoman Government to assent to the British control and construction of the Gulf section since Turkey was very suspicious of any scheme which had the appearance of creating a sphere of influence. France was in favor of internationalization of the whole line on equitable terms, a plan which most likely met the approval of the Porte. But since this type of enterprise was not attractive to England, the French Government considered the following as the demands for their participation:

1. Facilities for the junction of the Syrian Railways with the Bagdad Railway.

2. Restitution to the French Syrian Company of certain rights in branch lines abandoned by them to the Bagdad Railway Company.

3. A concession for a railway from Bagdad to Homs and the Mediterranean.

¹Siebert and Schreiner. p. 516.
The demand for the latter concession would be absolutely essential.¹

M. Cambon added that an Anglo French group was being formed to finance the irrigation projects in Mesopotamia. The French Government proposed that the Bagdad-Homs line should also be financed by British and French capital.

The British Government, evidently realizing that Paris was not in favor of their policy, hesitated to commit themselves on the French proposal. A week later, Sir Charles Hardinge informed M. Cambon that England had no intention of pressing upon Turkey any plan which was disagreeable to her. When the opportunity lends itself, London will ascertain the views of Constantinople before pressing anything. Hardinge emphasized that it was Turkey who had desired the Customs Duties increase, and not His Majesty's Government who had set the whole matter in motion.²

After a long dispatch from Sir H. Babington Smith at Constantinople advising that the sensitive situation in Turkey made it undesirable for England to continue her present policy, the Foreign Office finally gave up hope of successful negotiations. Both Grey and Hardinge approved of this reply to Smith:

"... we agree with you that ... it may be advisable to postpone temporarily any further pressure to obtain for British capital the construction and control of the Persian Gulf section of the Baghdad Railway. It appears to us that for the present it would be well for British finance to concentrate on encouraging sound irrigation and railway projects, which will cover the ground in Mesopotamia, and so minimize the importance of the southern end of the Baghdad Railway."

During the remainder of the spring of 1910 England was quite busy with domestic affairs. The general election in January gave the government, with the help of the Irish Nationalists, the power to proceed with their program of reform. On March 29th Asquith's Resolutions for curbing the power of the Lords was passed in the House of Commons; and on April 27th the "People's Budget" was finally made a law. In addition to this political turmoil and parliamentary agitation the country received a terrific shock which was to reach the far corners of the Empire. King Edward died very suddenly on May 6th.

While these events were happening, negotiations on the Baghdad Railway question moved spasmodically. Germany made an attempt to come to an agreement with Turkey for using the surplus of the "Dime" for kilometer guarantees in place of the Customs increase.1 Sir Gerald Lowther was instructed to lodge a protest at Constantinople against such action, for it would only give Turkey the possibility to cover the shortage in the "Dime" by the surplus income from the Customs. The British

2Siebert and Schreiner, pp. 517-18.
action brought the entire matter to a standstill. She was adamant in her demand, that for either the control of the Bagdad-Gulf section of the Railway or a separate concession which would cover the same ground, for her consent to the Customs increase.¹

In 1910 Germany became active in economic penetration of Persia.² England and Russia cooperated in a plan of thwarting this new interest by making a joint agreement with the Persian Government not to award public utility concessions to the Germans.³ When Berlin saw that the Persian situation was a fait accompli, they began to negotiate with both Russia and England in order to obtain an "open door" policy in Persia. Bethmann-Hollweg, the German Chancellor saw the opportunity of combining the Persian question with the Bagdad problem. The Chancellor made a far-reaching proposal to the British Government: for Germany's consent to let England have the construction and control of the Bagdad-Gulf section she demanded that there be a general political "understanding" (Gesamtabkommen) between the two countries; and the "open door" policy was to be observed in Persia. No mention was made of a naval agreement.⁴

The British Government's reaction to this proposition was a very cold one. The Foreign Office undoubtedly saw in this

---

¹ B. D. Vol. VI, p. 446-47; Siebert and Schreiner. p. 518.
² B. D. Vol. VI, p. 444.
³ Ibid.
⁴ Ibid., pp. 458-59.
action of Bethman-Hollweg the futile attempt to break through the encirclement de fer. Sir Edward Grey made these observations:

1. We cannot enter into a political understanding with Germany, which would separate us from Russia and France and leave us isolated while the rest of Europe would be obliged to look to Germany.

2. No understanding with Germany would be appreciated here unless it meant an arrest of the increase of naval expenditures.

3. We do not want to deprive Germany of the Bagdad Concession, which as the Chancellor says is in her pocket already. All we want is that Germany should not have the only door for trade into Mesopotamia. This can be secured by Turkey giving us another door and we cannot therefore pay a high price for entrance into the Bagdad Railway.\(^1\)

This was the policy that Great Britain followed; no definite answer was made to Germany's exorbitant overture; pressure was put on Turkey for a railway concession that would tap the Mesopotamia.

In September of 1910, Isvolski left St. Petersburg to take up the post of Ambassador to France. This left M. Sazonov and the Tsar free to open negotiations for more cordial relations with Berlin. As a result of this change in Ministers, the Potsdam Agreement was signed by the two countries. Germany had succeeded in breaking through the encirclement of iron—temporarily, using Persia and the Bagdad Railway as the lever.

\(^{1}\text{B. D. Vol. VI, p. 461.}\)
BIBLIOGRAPHY

1. Documents and Parliamentary Material

**British Documents on the Origins of the War, 1898-1914,**


Parliamentary Debates: House of Commons; House of Lords

2. Memoirs and Biographies

Eckardstein, *Ten Years at the Court of St. James, 1895-1905,* translated and edited by George Young, New York, E.P. Dutton and Co., 1922.


3. Special Monographs


Wolfe, J.B., "The Diplomatic History of the Bagdad Railway", *The University of Missouri Studies,* April 1, 1926, Vol. XI, No. 2. (In abridged form.)
4. General Histories


5. Periodical Literature

Bell, Alfred Grey, "The Baghdad Railway and the Turkish Customs", *Contemporary Review*, vol.190, pp. 559-569.


"The Bagdad Railway: The New Conventions",
*Fortnightly Review*, vol. 95, pp. 777 et seq.

6. Current Newspapers and Magazines

*London Times*, April 2, to May 6, 1903.

*The Saturday Review*, Vol. 95, (1903.)


*The Annual Register.*