

CHAPTER XV

DIPLOMATIC CONTROVERSIES

There was almost continuous controversy between the Powers over the Bagdad Railway. The controversies began with the signing of the railroad concessions in 1903, and only came to an end in June 1914, just before the declaration of war, when the Powers reached an agreement as to their respective rights and spheres of influence.

Four methods were employed by the Allied Powers to protect their interests in this part of the world. They were:

One. Efforts to prevent the financing of the road.

Two. Diplomatic intervention with Turkey.

Three. Attempts to have the railway internationalized under the joint control of all the Powers.

Four. Division of western Asia into spheres of influence.

Under the terms of the grant the Bagdad Railway was to be Turkish in name, but the company was proclaimed to be international.

It was to be managed by a board of twenty-seven directors, of whom eight were to be French, four Turks, and eleven Germans. Great Britain and Russia were to have no voice in its affairs. The remaining four directors were sleeping partners. But the international character of the road was merely a blind. Germany had to secure capital from other countries with which to build the road, for Germany had but little surplus capital, and foreign capital was invited into the road from the very first, although German control was always insisted on. The profits were enormous. They were estimated as high as 40 per cent. to the underwriters and promoters.

France was the financial reservoir to which Germany looked for aid. Next to Great Britain, France is the creditor nation of the world. And the Paris bankers were willing to share in the undertaking. But the French Government was hostile to the enterprise. It meant financial dominance by German interests where France had always enjoyed favored rights. Moreover, Russia was opposed to French aid to the enterprise, while French financiers had railroad and banking rights in Syria and Pales-

tine, and desired to retain their privileges in the development of the territory. Great Britain, too, was vitally interested in preventing the building of the road. And France and Great Britain were drawing closer together during these years.

The Allied Powers strove first to have the road internationalized by placing its administration in the hands of representatives of all the Powers. Delcassé insisted in the Chamber of Deputies in March, 1902, that "the French element in the construction, exploitation, and management of the enterprise shall be given a share absolutely equal to that of the most favored foreign element, and the Russian element shall have full power to enter the definitive company which is to be formed." British statesmen made similar demands. In March, 1902, Lord Lansdowne announced: "We cannot view the enterprise with a favorable eye unless English interests and English capital are placed upon a footing of equality with the interests and capital of the most favored nations."¹

¹ A. Geraud, "A New German Empire," *Nineteenth Century*, May, 1914.

These were frank admissions that the diplomacy of the two countries was interested in the activities of their respective financiers, for both Delcassé and Lansdowne insisted on a share in the undertaking equal to that of Germany. It is quite possible too, that at this time, when the road was in its early stages, the project was viewed largely as an economic rather than a military project.¹

At any rate Germany refused to internationalize the railroad or to admit England and France into the project on equal terms. She insisted on control. By way of protection Great Britain and France undertook to create a "vacuum of capital" around the enterprise, a plan which offered assurance of success by reason of the financial weakness of Germany. It was believed that the enterprise would fail if a financial boycott could be applied, and that Germany would in time admit England and France to equal shares in the undertaking. To this end the French Government refused to permit the shares of the railroad to be listed

¹ As to the attitude of the English Government toward the Bagdad Railway in its earlier stages, see *Quarterly Review*, October, 1917.

on the Bourse, the stock exchange in France being under government control, and the shares and securities that can be listed for sale being subject to approval by the state.

The opposition of the Powers delayed the building of the road. Germany then urged Turkey to improve her finances so that her guarantees would give greater value to the securities. Turkey had underwritten the interest on the bonds on the railroad at the rate of 15,500 francs per kilometre. Her total annual obligations, when the road was completed, according to estimates made in 1914, would have amounted to 35,000,000 francs. In 1906 Turkey requested permission of the Powers to increase her tariff duties in order to secure increased revenues, but the allied nations refused to sanction the increase unless the new revenues were used for reforms in Macedonia. This would not aid Germany, but she had to acquiesce, partly because she did not desire to place any difficulties in the way of Turkey, and partly because she felt that the Porte would be able to raise money for the guarantees in some other way. This still further delayed the building of the road.

All the time, however, the road was progressing slowly. A section was opened to traffic in 1904. In 1909 work on the main line was continued. The railway was being pushed slowly toward the East despite the obstacles placed in its pathway. And as the road advanced across Asia Minor the Allied Powers became more disturbed. The significance of the enterprise became more apparent as Germany grew in industrial power. For these were years of rapid economic development. Up to about 1900 Germany had been looked upon as a negligible factor in shipping, foreign trade, and international finance. Moreover, England and Germany seemed on the point of reaching an understanding during these years, and both countries were inclined to see a possible rapprochement brought about. But the cessation of suspicion was short-lived.

The struggle over the railway assumed other forms. Russia, France, and England endeavored to secure railroad concessions in Turkey for themselves that would "compensate" for German grants. Great Britain sought concessions for a line from Adana along the Gulf of Alexandretta. This would have been

a profitable venture. It would also have protected Cyprus, and weakened the German control of the northeastern corner of the Mediterranean. This concession, however, Turkey refused to make. England also sought permission to build a line into Persia through the southern portion of Asiatic Turkey, with the aim of obtaining a foothold in this region which would increase her power in Persia. It would also compensate her for any loss in power in the lower Mesopotamia region. She also encouraged the building of a road by Russia in the northeastern portion of Asia Minor near by the Russian frontier as well as from Teheran, Persia, to Khanikin, on the border, which was the Persian terminus of one of the branch lines covered by the Bagdad Railway grants.

France sought to consolidate her rights in Syria.

But the strategic problem of all others to Great Britain was the last section of the railway running from Bagdad to the Persian Gulf. A glance at the map will suggest the importance of this section of the road. It was the eastern outlet of the "Bridge to the Orient." It was the gateway to the Indian Ocean and beyond.

It was the avenue of approach not only to India but to Australia and the British possessions in China and East Africa. Once the railroad was completed to the Persian Gulf the "Oriental Express" would be able to plant helmeted soldiers from Berlin on the frontiers of the British Empire in far less time than they could be carried by water through the Suez Canal. Military as well as industrial considerations demanded that this strategic point should not fall under German control. It was an ever-frowning menace to the British Empire.

Efforts were first made to place this eastern section of the road under international control. To this Germany would not accede. It was the terminus of her railroad, much as San Francisco is the terminus of the Pacific railroads. Diplomacy having failed, Great Britain adopted other methods. In 1899 a representative of the British Government, Colonel Meade, called upon the Sheik of Koweit, and made a secret treaty with him. The treaty assured the Sheik perpetual protection "if he would make no cession of territory without the knowledge and consent of the British Government." Under this agreement the Sheik

disavowed allegiance to Turkey and accepted British protection.

Germany immediately opened negotiations with the Sheik to secure a concession for the harbor as a terminus for the railroad. But the German commission arrived too late. Great Britain had already occupied the most available outlet on the Persian Gulf. The Sultan of Turkey attempted to assert dominion over Koweit on the ground that it was Ottoman territory. A Turkish war-ship appeared in the harbor in 1901 to compel the Sheik to recognize Turkish authority. But British war-ships were in the harbor, and upheld the sovereignty of the Sheik and the protectorate of Great Britain over the territory.

The British Foreign Office notified the German Government that the railroad could not be extended to the Persian Gulf unless the last section were internationalized, and one-half of the control placed in British hands. This was also objectionable to Germany. England's protectorate over Koweit was not recognized by Germany until 1913, but it was an established fact for some years prior to that time. Its occupation closed the eastern outlet

of the Bagdad Railway, for it gave Great Britain control of its terminus at the sea.

All of these controversies over the railway were adjusted just before the outbreak of the war. Agreements were reached which made it possible for railroad construction to proceed. Russia acquiesced in German control of the railway by an agreement signed at Potsdam in 1911, when Russia agreed not "to oppose the Bagdad Railway." Great Britain and France reached a similar understanding with Turkey and Germany in 1914. By the terms of these agreements, which indicate again the extent to which financial considerations influence the diplomacy of nations, French investors were granted the right to build railways in Syria and along the Black Sea coast. This was to be the French sphere of action in Asia. In return France waived her objections to the railroad, and agreed to support the issue of a Turkish loan of 700,000,000 francs in France, and to consent, if the other Powers agreed to it, to a 4 per cent. increase in the customs taxes of Turkey, and an income tax upon resident foreigners.

A similar understanding was reached be-

tween Great Britain, Turkey, and Germany. Turkish representatives came to London in 1914 for a conference with the British Foreign Office. The main purpose was to remove objections to the increase in Turkish customs duties, and to make it possible for the railway to be carried as far as Basra, the eastern terminus, not far from the Persian Gulf. The British Foreign Office met the representatives of Turkey in a generous spirit, and as a result of the negotiations the Porte recognized the validity of the agreement between the Sheik and the British Government over Koweit, and agreed not to interfere with the internal affairs of that province. Great Britain was authorized to provide for the policing of the Persian Gulf and two British directors were agreed to for the Bagdad Railway as a commercial guarantee against discriminatory treatment. The right of navigation on the rivers beyond Bagdad was recognized as a British interest which she had enjoyed for two generations. Very valuable oil-fields exist in the delta of the Euphrates which were left in the hands of British capitalists. The rights of the Anglo-Persian Oil Company were also

recognized. In return Great Britain recognized the suzerainty of the Porte over Koweit, and also agreed to the construction of the last section of the railway as far as Basra which gave Germany an outlet on the river but a short distance from the Persian Gulf.¹

Similar negotiations were had with Germany, and an agreement was reached by the representatives of the two Powers in Berlin.

"These negotiations," says a writer in the *Quarterly Review*, "which began in May, 1913, reached a conclusion in June, 1914. The substance of the arrangements arrived at was as follows: Great Britain undertook not to oppose the Bagdad Railway system, which was carefully defined. Germany undertook not to oppose British control of the navigation of Mesopotamia rivers. Germany and Great Britain both undertook to use their best endeavors to secure the due execution of an arrangement between the Bagdad Railway Company and the Porte providing that the terminus of the line should be at Basra, that

¹ *The German Road to the East*, Evans Lewin, p. 72. For an exhaustive discussion of the negotiations between England, Turkey, and Germany over the completion of the Bagdad Railway see *Quarterly Review*, October, 1917, p. 516.

there should be two British directors on the Bagdad Railway, and that the construction and exploitation of ports at Bagdad and Basra should be carried out by a separate company. British interests were to have a 40 per cent. participation in this company. Both governments undertook to prevent any discrimination in treatment on the railways or waterways of Asiatic Turkey. The German Government bound themselves in no circumstances, except by agreement with Great Britain, to support the establishment of any port or railway terminus on the Persian Gulf. They also recognized by agreeing to the levy, by the proposed riverain commission, of dues on German ships, the special position of Great Britain on the Shatt-el-Arab. The British Government bound themselves not to support the establishment of any railway in direct competition with the Bagdad Railway. A line from Egypt to the Gulf, and lines as feeders for the river navigation, were expressly stated not to be in direct competition.¹

In June, 1914, six weeks before the declara-

¹"The Bagdad Railway Negotiations," *Quarterly Review*, October, 1917, p. 522.

tion of war, it was announced in the British press that a satisfactory settlement had been attained. The press announcements from Berlin stated: "A complete understanding has been reached on all points at issue. The agreement will not come into force until after the conclusion of the negotiations with Turkey. The contents of the agreement can, therefore, not be divulged at present." On June 29 Sir Edward Grey announced: "We have made various agreements with Turkey; we have made agreements also with Germany separately on the Bagdad Railway, and some kindred matters."¹

Construction work on the railroad had been progressing slowly during these years. The removal of the objections of the Powers, and especially the aid tendered by France in the form of a loan, enabled the work to proceed more rapidly. Work on all the sections from Adana to Bagdad was carried on simultaneously and it was expected that through trains would be running from Berlin to Bagdad in 1917.

¹ *The German Road to the East*, Evans Lewin, p. 73; see also *Obstacles to Peace*, S. S. McClure, p. 41; and *Quarterly Review* (London), October, 1917.