CHAPTER VI

THE BERLIN-BAGHDAD RAILWAY

The abortive negotiations of 1899 between Siemens and British capitalists obliged the German entrepreneur to look towards France for financial and political support in executing the Baghdad Railway project. Siemens efforts to secure British co-operation were sincere, if only because Germany could not afford to face the hostility which the project had evoked in Russia single-handed. Besides, German diplomacy was conscious of the insecure foundations on which its influence in Turkey rested, namely, the goodwill of Sultan Abdul Hamid. Liberal circles in that country viewed German preponderance with alarm and awaited an opportunity to frustrate the Kaiser's ambitions.¹

The Anatolian Company's attempt to gain support at Paris was more successful. In France powerful financial interests, represented in the Cabinet by the Minister of Finance, M. Rouvier, stood to benefit through co-operating in the venture.² French co-operation

¹ Memorandum on Baghdad Railway by Committee of Imperial Defence dated 26 January, 1906; F.D.S.P. No. 143, January 1906.
was conditional upon German support for Rouvier's scheme for the unification of the Ottoman Debt, a scheme sponsored by French bondholders, who held 60 per cent of the Turkish Government securities. The consolidation of the Ottoman Debt was anticipated to create a revenue surplus which could be utilised to provide a financial guarantee for the railway. Accord on the Debt question was accompanied by an agreement between French and German capitalists whereby each group undertook to provide 50 per cent of the capital required for the construction of the line.

**THE BAGHDAD RAILWAY CONCESSION OF 1902**

In the meanwhile, the Anatolian Company had presented a draft Convention to the Porte as stipulated in the Irade of 1899. Its principal provisions were as follows:

1. The Ottoman Government should concede to the Anatolian Railway Company a concession, valid for 99 years, for the construction of a line from Konia to Baghdad and Basra.

2. The Company should be authorised to establish a system of navigation in the

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1. H.M's Ambassador, Constantinople to Secretary of State for Foreign Affairs dated 27 January, 1902; F.D.S.P. No.19, May 1902; Memorandum on Baghdad Railway by Mark Sykes, Attache to British Embassy, Constantinople dated nil; F.D.S.P. No.149, January 1906.

2. Draft Convention presented by the Anatolian Railway Company to the Ottoman Government dated nil; F.D.S.P. No.193, February 1902. Also see supra.
Euphrates and Tigris. This was to be controlled by the Ministry of Marine. But it would form a part of the railway, and enjoy the same immunities (from customs etc.) as the railway.

3. The Company should have the right to construct ports at Castaboli, Basra and Kazima. These ports, too, were to constitute a part of the railway system.

4. The Company should also have the right to work all unleased mines within a radius of 20 km. on either side of the line.

5. The projected line was to pass through or near the towns of Eregli, Adana, Hamidieh, Tel-Habesh, Harran, Bas-ul-Ain, Habit, Misisibin, Tel-Avinist, Mosul, Tekrit, Sadidjah, Baghdad, Kerbala, Nadjef, Zobair and Basra. Associated with the trunk route were the following branch lines:

   (a) Hamidieh to Castaboli.
   (b) Tel-Habesh to Aleppo.
   (c) A point on the main line (to be decided later) to Urfa.
   (d) Sadidjah to Khanikin (on the Turkish-Persian border).
6. The line was to be divided into ten sections of 200 km each. The Company would submit plans for the first section within eight months of the issue of the Convention. The Ottoman Government would approve the plans within three months; and the Company would commence construction work within the next three months. Proceeding in this manner, the entire line was to be built within eight years. However, there was provision for stoppage of work in the event of an unforeseen contingency (like a European War).

7. The Ottoman Government was to retain the right to purchase the railway at any period after the first 30 years of the concession.

8. The Government would guarantee to the Company a net annual revenue of 13,000 francs per km of the line constructed and thrown open to traffic. The working expenses of the line were estimated at 50 per cent of the gross annual receipts.
at a maximum and 4,500 francs per annum/per km. of the line at a minimum. If the traffic receipts worked out to be less than the estimated amount, the Government undertook to make good the deficiency. For this purpose the revenues of certain sandjaks were to be handed over to the Public Debt Administration.

The terms of the draft Convention were described by Mr. Weakly, Commercial Attaché to the British Embassy at Constantinople, as embodying privileges of "a most extensive and exceptional character." While stipulating a cast-iron financial guarantee, they sought to secure a German monopoly for railway construction in Asia Minor outside the zone claimed by Russia as lying within her sphere of influence. The construction of the line would seriously affect the Smyrna-Aidin Railway; it would also put an end to the Mersina-Adana line as an independent concern. Weakly felt that the Turkish Government would not approve the scheme without introducing fundamental modifications in it. Accepting it as it stood meant delegating to Germany responsibility for the economic development of the regions.

1. Memorandum by Commercial Attaché to British Embassy, Constantinople dated 12 November, 1901; F.D.S.P.No.193, February 1903.
through which the railway passed.

Weakly's scepticism indicates that he miscalculated the degree of German influence at Constantinople. However, in assenting to the Anatolian Company's application, the Porte did introduce certain changes in it. As a concession to British feelings, the line was to end at Basra rather than at a terminus upon the Persian Gulf. Again, the time set for the completion of the project was extended to twelve years. The mining rights to be enjoyed by the company were also curtailed. Finally, changes were introduced in the clause concerning the financial obligations of the Ottoman Government. Instead of a kilometric guarantee, the company would receive an "annuity" of 12,500 francs for every km. of the line constructed. The Ottoman Government also undertook to pay 4,500 francs per annum towards the working expenses of each km. of the line opened to traffic.

The convention of 1902 remained silent on an important question, namely, the source from which the Ottoman Government would meet its financial obligations.

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1. Convention between Zinhi Pasha, Ottoman Minister of Commerce and Dr. Kurt Zander, President of the Anatolian Railway Company dated 21 January, 1902; F.d.S.P. No. 18, May 1902.

The tithe revenues of the provinces outside the Black Sea basin would prove insufficient; and Russia could not be expected to acquiesce in a security on the Black Sea sandjaks. O'Connor felt that the necessary funds would come from an increase in customs duties, and to facilitate such an increase the Porte was actually negotiating with the powers concerned. The Ambassador's forecast was confirmed when a secret annexe to the Convention was signed by Zihni Pasha and Dr. Kurt Zander, who became President of the Anatolian Company after Siemens's death, setting forth the manner in which the annuity and working expenses were to be guaranteed. It was stipulated therein that the financial guarantee to be accorded to the Company would come from: (i) a projected increase in customs duties; (ii) economies resulting from the unification of the Ottoman Debt; and (iii) the creation of state monopolies on certain consumer items.


2. The Ottoman Government had signed treaties with various European powers according to which it could not raise customs upon goods imported in the country beyond 5 per cent without their consent. See J.C. Hurewit, Diplomacy in the Near And Middle East, (1535-1914), (New York 1956), I,p.1.

3. H.M's Ambassador, Constantinople to Secretary of State for Foreign Affairs (with enclosures) dated 5 February, 1902: F.D.S.P. No.96, May 1902.
The clause linking the financial guarantee to be given to the Anatolian Company with the increase in customs duties proved to be of far-reaching consequences. The Ottoman Government could raise its tariffs only after obtaining the consent of the European Powers. The stipulation thus placed in the hands of the powers a lever for the protection of their interests in the Ottoman Empire, to the extent they were affected by the granting of a concession to the Germans.

**TURKISH ENCROACHMENT ON KUWAIT**

The Turco-German negotiations at Constantinople were paralleled by a resurgence of Ottoman activity in the Gulf, the events of 1899 having convinced the Porte that England would exploit her special position in Kuwait to extract 'fair terms' as the price of co-operation in the construction of the railway. If a terminus for the line could be found outside the principality, the British design would have been thwarted. The Ottoman authorities soon initiated such a search as an answer to the British 'protectorate' over Kuwait.

Though the harbour at Kuwait was well-known, the adjoining coastal area had never been closely explored.
In 1863 Pelly had come across a possible harbour site, Umm Kasr, located in an inlet, Khor Abdullah, to the north-west of Kuwait Bay. The site constituted the no-man's-land between Mubarik's principality and the vilayet of Basra. Pelly's observations were apparently gained information of the potentialities of the site in 1901 and took steps to occupy it.

The Indian authorities first became aware of the situation when they learnt that Ottoman troops had moved from Safwan, a settlement on the border of Basra, to Um Kasr. The Resident, Colonel C.A. Kembali, told the Foreign Department that the exact boundaries of Kuwait were unknown. Mubarik laid claim to both Safwan and Umm Kasr. Whether the former belonged to him was debatable. But the occupation of Umm Kasr presented a different problem. It lay so close to Kuwait that the stationing of Turkish troops there could only be a manoeuvre to bully Mubarik into accepting Ottoman suzerainty.

2. For an appraisal of Umm Kasr as a harbour see: Secret Despatch No. 75 to Secretary of State for India dated 4 February, 1904; F.D.S.F. No. 200, March 1904.
3. Tel. Assistant Resident, Persian Gulf to Secretary, Foreign Department, GOI dated 21 January, 1901; F.D.S.F. No. 329, March 1902.
4. Tel. Resident, Persian Gulf to Secretary, Foreign Department, GOI dated 31 January, and 4 February, 1902; F.D.S.F. No. 553 and 559, March 1902.
Even though the significance of the Ottoman move had not dawned upon the Government of India, Curzon urged the Imperial authorities to secure the evacuation of the site through a representation at Constantinople. The Foreign Office considered it inexpedient to move in the manner suggested by the Viceroy so long as concrete proof of the Sheikh's claim was not forthcoming. However, O'Connor was instructed to inform the Porte that any forward movement on its part would be treated as a violation of the status quo which both countries had undertaken to uphold in the region.

In the meanwhile, a British ship-of-war, deputed to investigate the nature of the Turkish encroachment, revealed to the Foreign Department the true dimensions of the problem; namely, that Umm Kesr was a natural harbour which could be converted into a terminus for the Baghdad Railway. Kemball then realised that the probing movements in the Gulf were not related to local politics but aimed at undermining the British stand vis-a-vis the Baghdad

1. Tel. Viceroy to Secretary of State for India dated 7 February, 1902: F.D.S.P. No. 562, March 1902.
2. Tel. Secretary of State for India to Viceroy dated 11 February, 1902: F.D.S.P. No. 568, March 1902.
3. Tel. Adm. Bosanquet, C-in-C, East India Station to Secretary, Foreign Department, GDI dated 24 February, 1902: F.D.S.P. No. 307, July 1902.
Railway question. He advised Calcutta to protest in the strongest possible terms against the Turkish move; a recommendation Curzon accepted with alacrity.

At the Foreign Office, however, a cautious policy was favoured. O'Connor had learnt that the Porte intended to extend its outposts still further in the direction of Kuwait. But he pointed out that Mubarik's claim over the disputed territory was so tenuous that it would be impossible to make it the basis for a protest to the Ottoman Government. Her Majesty's Government could, therefore, only protect the integrity of the principality within the confines of Kuwait Bay. Kemball equated the Imperial Government's decision with a policy of abandonment. He held that the attitude of the Foreign Office would necessarily affect Anglo-Kuwait relations in their larger perspective. Mubarik's English orientation had alienated powerful elements in Kuwait. If the

1. Tel. Resident, Persian Gulf to Secretary, Foreign Department, GGI dated 15 March, 1902; F.D.S.P. No.346, July 1902.
2. Tel. Viceroy to Secretary of State for India dated 18 March, 1902; F.D.S.P. No.350, July 1902.
3. Tel. Secretary of State for India to Viceroy dated 12 March, 1902; F.D.S.P. No.335, July 1902.
4. Tel. Resident, Persian Gulf to Secretary, Foreign Department, GGI dated 15 March, 1902; F.D.S.P. No.346, July 1902; Tel. Viceroy to Secretary of State for India dated 12 March, 1902; F.D.S.P. No.350, July 1902.
chief was left to his own devices, circumstances would compel him to seek an adjustment with Constantinople. To keep Mubarik faithful to the English alliance, it was essential to support him against Turkish aggression.

The repeated representations from Calcutta forced Lansdowne to protest to the Porte against the probing movement towards Kuwait as an infraction of the status quo in the Gulf. However, when O'Connor communicated his sentiments to the Ottoman Foreign Minister, Tewfik Pasha frankly laid his cards on the table. Referring to England's attitude towards the Baghdad Railway, he stated that friction in the Gulf arose from Turkey's anxiety to keep a terminus for the line under her control in case difficulties were made about Kuwait. If the British adopted a cooperative attitude "nothing more would be heard of such incidents." The involved state of affairs led Lansdowne to redefine his attitude towards Kuwait as well as the Baghdad Railway. For, as he put it, the situation in

1. Tel. Secretary of State for Foreign Affairs to H.M's Ambassador, Constantinople dated 12 March, 1902: F.D.S.P.No.436, July 1902.
2. Tel. H.M's Ambassador, Constantinople to Secretary of State for Foreign Affairs dated 17 March, 1902: F.D.S.P. No.446, July 1902.
3. Ibid.
the Gulf was becoming "more and more embarrassing, and the time has come for looking it in the face."¹

Her Majesty's Government had saddled itself with an impossible client in the person of Mubarik. Nobody knew where the boundaries of his principality began or ended. Yet he had been promised "our 'good offices', whatever that may mean."² England had resisted encroachments on Kuwait on the plea that she would not permit any violation of the status quo. "But I doubt", Lansdowne commented, "whether any one really knows what the status quo is."³ The solution was to separate the Kuwait issue from the question of the Baghdad Railway. Turkey ought to be told that the Imperial Government recognised her suzerainty over the principality, but would resist attempts to give it a concrete expression.

As for the railway project, the Powers concerned could be informed that

we are not going to oppose the ... project, provided British Capital receives a share at least equal to that of any other power .... (Further), while we do not grudge a debouche for international commerce in the Gulf, ... we shall resist ... all attempts by other powers to obtain a foothold on its shares for naval or military purposes. This, I take it, is the "bed-rock" of our policy in the Gulf, and we shall pursue that policy not in virtue of ambiguous understandings with local Chiefs, but as the

¹ Memorandum by Secretary of State for Foreign Affairs dated 21 March, 1902: F.D.S.P. No.467, July 1902.
² Ibid.
³ Ibid.
predominant power in Southern Persia and in the Gulf.

The assurances conveyed to the Porte on Lansdowne's behalf were received with satisfaction at Constantinople since they indicated a positive and conciliatory attitude towards the related questions of Kuwait and the Baghdad Railway. The British Foreign Minister also clarified his Government's position before Count Metternich, the German Ambassador. The railway question, he asserted, had of late been attracting considerable attention in the country. The Foreign Office did not view the conception with "unfriendly eyes." However, British capitalists would co-operate in its realisation only on terms of complete equality. Metternich replied that Germany would welcome British enterprise. But if England held out for too long, and the line was completed with capital from other sources, she could not expect to participate in operating it afterwards. Lansdowne parried Metternich's reply by referring to the levers of pressure his country commanded. A financial guarantee for the project could only come from an increase in customs duties, and England's attitude towards the

1. Ibid.
2. H.M's Ambassador, Constantinople to Secretary of State for Foreign Affairs dated 25 March, 1902; F.D.S.P. No.477, July 1902.
The diplomatic exchanges at London and Constantinople cleared the stage for Anglo-German negotiations over the Baghdad Railway. The volte face executed by Lansdowne can largely be attributed to the patient diplomacy of Sultan Abdul Hamid, though a contributing factor was probably the renewed confidence with which the British surveyed the international scene in the spring of 1902. Whatever justification there may have been in 1899 for Salisbury's attitude towards Kuwait, the British stand had become increasingly difficult to maintain with the passage of time, and Lansdowne's realignment of British policy came none too soon to prevent England from drifting into an impasse.

THE ANGLO-GERMAN NEGOTIATIONS OF 1903

Immediately after the exchanges between Lansdowne and Metternich, Zander approached British capitalists with an offer for participation in the construction of the railway. The Foreign Office appointed Sir Clinton

1. Ibid.

2. Because of the Anglo-Japanese alliance and the favourable turn affairs had taken in South Africa.
Dawkins, a representative of the house of Morgan, to negotiate the terms upon which British capital would cooperate in the enterprise. The decision was unfortunate, for the Morgans were unpopular in commercial circles due to their American nationality, and because of the way in which they had manoeuvred in regard to a shipping combine for handling traffic between England and the United States.

Dawkins contacted Herr Gwinner, President of the Deutsche Bank, to settle the conditions on which England would participate in the scheme. The German financier told Sir Clinton that it had been decided to reserve 40 per cent of the capital for Germany, 30 per cent for France, 20 percent for England, and the remaining 10 per cent for Austria and Switzerland. The English representative straightaway rejected an offer which would have given Germany a clear preponderance over the Railway. Gwinner then made a tentative proposal whereby London, Paris and Berlin would each contribute 30 per cent of the capital, with the Anatolian Company retaining 10 per cent as its share. Dawkins considered the second offer reasonable, though he objected to the allocation of a share to the Anatolian Company, which was a German concern, and would speak for German interests.

1. Foreign Office Memorandum on the Baghdad Railway, (1898-1906); F.D.S.P.No.5, December 1906.
Gwinner did not deny the charge, yet he insisted on separate representation for the Company, on the plea that it had pioneered in the construction of railways in Turkey. At this stage the negotiations came to an inconclusive end. ¹

Soon after these discussions an agreement was signed at Berlin between a French and a German group, represented by the Ottoman and Deutsche Banks, concerning participation in the scheme on a basis of equality.² The Franco-German combine reserved an equal share for England in case she decided to cooperate in the venture. Opposition was voiced in France against assistance being given to German schemes of aggrandisement in the Middle East. But Delcasse silenced his critics by asserting that the undertaking would ultimately assume an international character from which it would be foolish for France to withhold her co-operation.³

Developments in the continent aroused concern in British circles and a proposal was made that Her

¹, Ibid.
², Memorandum on Baghdad Railway by Allwyn Parker, Part III, The Anglo-German Negotiations of 1903: P.D.S.F. No.8, December 1906. Hereafter referred to as Memorandum on Baghdad Railway by Allwyn Parker.
³, Despatch from Paris Correspondent: The Times dated 25 March, 1902.
Majesty's Government should purchase some shares of the Baghdad Railway. Lansdowne was not totally averse to the idea, though he pointed out that it would be "unusual" for public funds to be invested in such a project. However, if governmental purchase was the only way in which England could secure a permanent interest in the railway, it would be worthwhile to guarantee a certain number of shares which would then find a ready sale in the open market.\(^1\)

The suggestion for purchase of shares by the Government did not lead to tangible results and Lansdowne told British capitalists interested in the project, (the firms of Baring and Morgan and the financier, Sir Ernest Cassels) that it would be inexpedient to allow the railway to be constructed by a combination from which England was excluded.\(^2\)

The Foreign Office, thereupon, decided to send Lord Revelstoke, an associate of Baring, to represent British interests at a meeting to be held in France on 24 March, 1903, to finalise details regarding the conditions on which the various national groups were

1. Minute by Secretary of State for Foreign Affairs dated 18 June, 1902: quoted in Memorandum on Baghdad Railway by Allwyn Parker.

2. Secretary of State for Foreign Affairs to Messrs. Baring dated 23 February, 1903: quoted in Memorandum on Baghdad Railway by Allwyn Parker.
to participate in the Baghdad scheme.

At the Paris meeting Revelstoke handed over to Gwinner a statement defining the objects for which England would extend her good offices to the Anatolian Company once the terms for British participation were settled. These were: (i) a reasonable increase in the Turkish customs; (ii) a contract to the railway for transport of mails to India; and (iii) assistance towards securing a terminus at or near Kuwait. Speaking for Germany, Gwinner suggested that the three national groups should participate in the project in the following manner: France, Germany and England should each contribute 25 per cent of the capital; the Anatolian Company should have 10 per cent as its share, the remaining funds being provided by the minor nations. The Board of Directors administering the railway was to comprise thirty members. Corresponding to the pattern of capital distribution, each of the three countries was to nominate eight Directors, the rest being chosen by the Anatolian Company and the minor nations.

Revelstoke advanced some objections to the German

1. Memorandum given by the Foreign Office to Lord Revelstoke dated 23 March, 1903; quoted in Memorandum on Baghdad Railway by Allwyn Parker.

scheme. He suggested that each of the three powers should contribute 26 per cent of the capital, in order to prevent England and France from being out-voted by Germany in combination with the Anatolian Company and the minor nations. He also pressed for the Constantinople-Konia line to be integrated with the rest of the system. The German reaction to the British demands was favourable. Gwinner consented in principle to the amalgamation of the German line with the international section. He further agreed to the condition that the composition of the Board of Directors be made independent of the actual movement of shares, thus setting at rest fears that Germany would acquire a controlling voice in the executive organ through accumulating shares in her possession over the passage of time. With Germany having "practically accepted the terms laid down (by England)," the negotiations were heading towards a successful conclusion.

1. H.M.'s Ambassador, Constantinople to Secretary of State for Foreign Affairs dated 15 December, 1903; F.D.S.P. No.1450, February 1905.

2. Memorandum by Secretary of State for Foreign Affairs dated 7 April, 1903; quoted in Memorandum on Baghdad Railway by Alwyn Parker.

3. H.M.'s Ambassador, Constantinople to Secretary of State for Foreign Affairs dated 15 December, 1903; F.D.S.P. No.1450, February 1905.
However, in England powerful forces rallied against Lansdowne's move for co-operation with Germany in the project. The Cabinet got the first indications of the coming storm when W.T. Gibson-Bowles and Sir Charles Dilke rose to interpellate the Government in the Commons. Gibson-Bowles questioned the expediency of British participation in the scheme on several grounds. Russia, he stressed, was very sensitive to German ambitions in Asia Minor of which the railway constituted a concrete expression. It would be a folly to antagonise her at a time when there was every likelihood of London and St. Petersburg amicably resolving their differences in the Middle East. On a more restricted horizon, the project would have an adverse effect on the two British railways in operation in Turkey, as well as British trade in the region. It would, therefore, be both politically and economically a mistake if they were to go out of their way to give ... special countenance to this German railway ... in such a manner as to induce British capitalists to put their money into it.2

Sir Charles Dilke spoke in a similar vein. He emphasised two points: England's predominant position in

2. Ibid.
3. Ibid.
the Gulf; and the fact that the Turkish tariffs
could not be raised without her consent. It was not
surprising that Berlin was so anxious to secure
British participation. But with the Government
holding "the trump cards in its hands," it was necessary
to weigh the pros and cons of the business before
arriving at any decision.

From the ministerial benches A.J. Balfour, the
Prime Minister, gave an eloquent exposition of the
official standpoint.1 Imparting a new dimension to the
debate, Balfour spoke with a vivid consciousness of the
significance of the railway as a 'route' to India and
the futility with which England had opposed the
construction of the Suez Canal half a century earlier.
He questioned Hilke's assumption that the scheme could
not be completed without British assistance. True,
England was in a position to hamper and impede the
execution of the project; but it would be a fallacy to
assume that it could not be carried out without her
assistance. The question before the House was, therefore,

whether it is or is not desirable that,
if this railway connecting the base of the
Mediterranean with the Persian Gulf is
to be constructed, British capital and
British interests should be as largely
represented in it as the capital and
interests of any Foreign Power.2

1. Ibid.
2. Ibid.
3. Ibid.
As Balfour viewed it, strategic areas in which England had a stake, but was unable to absorb, ought to be in the hands of two or three powers rather than in the hands of one. The Government's attitude towards the railway would be defined by this consideration.

Balfour's statement was welcomed in Germany. But opinion in England was sceptical of the benefits of co-operation in the scheme. The Times referred to England's supremacy over the seas and contended that the country had no pressing interest in the conception since "our natural route to the East, in peace and war, remained the sea route." It further questioned the Prime Minister's assertion that the railway would be built even if the British refused to have anything to do with it. The journal concluded with the recommendation that the issue be closely examined by the naval and military advisers of the Crown in conjunction with the Government of India; and, whatever be the decision reached, it was "absolutely essential" to retain control over the terminus of the line upon the Gulf.

1. Despatches from Berlin Correspondent; The Times dated 10 April, and 11 April, 1903; Also see extract from Reuter's telegram dated 10 April, 1903; F.D.S.P. No.60/72, October 1903.

2. The Times dated 9 April, 1903; Also see extract from Reuter's telegram dated 9 April, 1903; F.D.S.P. No.66/72, October 1903.
The opposition voiced in the Commons and the press led Lansdowne to adopt a cautious attitude. He told Revelstoke and Cassels that a "serious attempt" was being made to make it impossible for Her Majesty's Government to associate itself with the project on the score that it was harmful for British interests. The "attack was founded upon mis-apprehensions," but until its true proportions could be discerned, it would be inexpedient for the Government to associate itself with the negotiations being conducted with the Anatolian Company.

However, the campaign against the Government showed no signs of abating. Instead, it gained momentum at an alarming pace. For behind it stood a formidable combination of interests: the owners of the Euphrates Steam Navigation Company, whom the railway threatened with ruin; the financiers associated with the Peninsular and Oriental Steamships, which undertaking carried the mails to India on a lucrative

1. Memorandum by Secretary of State for Foreign Affairs dated 7 April, 1903, quoted in Memorandum on Baghdad Railway by Allwyn Parker.

2. Ibid.

3. See letter by Mr. H.F.B. Lynch, H.P. (proprietor of the Euphrates Steam Navigation Company) dated 16 April, 1903; The Times dated 18 April, 1903; Also see Speech by Mr. H.F.B. Lynch on "Railways in the Middle East" delivered on 1 May, 1911; Proceedings of the Central Asian Society, No. 6 of 1911.
contract, and finally, the English subscribers to the Ottoman State Debt, whose interests were adversely affected by Rouvier's scheme of consolidation. Immediately before the railway negotiations Lansdowne had vexed public opinion in the country through collaborating with Berlin in a debt collecting expedition to Venezuela. His critics exploited the climate of opinion thus created to further their ends. In a letter to The Times, Gibson-Bowles referred to the entrepreneurs:

1. See letter by Sir T. Sutherland, Director of Peninsular and Oriental Steam Navigation Company; The Times dated 22 April, 1903; Also see letter by "Indian Mail" dated nil; The Times dated 18 April, 1903.

2. Letter by a Bondholder "C"; The Times dated 24 April, 1903. The Turkish bonds fell into four categories termed A, B, C & D respectively. According to the terms of issue, the monies accruing to the Ottoman Government through indirect taxation were to be directed to the bond-holders. Rouvier sought to consolidate the different categories of bonds into a uniform type, paying interest at the fixed rate of 4 per cent. The scheme was opposed by English bondholders, since the bonds held by them were due for amortisations in 1910; it would benefit only holders of C and D groups (French and German nationals), which were due to be redeemed in 1935 and 1946 respectively. See "higham, op. cit., pp. 247-49."
engaged in negotiations with the Germans and asked:

Who are these British Capitalists? Do they hail from Colone, from Frankfurt, from Judea, or from all three? And do they make their suggestions on their own behalf, or on that of German capitalists, or the German Government? If either of the latter, we must be careful we are not driven into another Venetian agreement ...•

The campaign launched by vested interests was virulent enough to force the Government into reconsidering its policy towards the scheme. However, some revelations in the press tilted the scales all the more decisively in favour of the opposition. The Convention of 1902 between the Porte and the Anatolian Company had been followed by a later Convention signed on 5 March, 1903. Through this agreement the difficulty in finding a financial guarantee for the railway had been resolved in a novel manner. The Turkish Government was to hand over to the Anatolian Company bonds for a loan bearing interest at 4 per cent, and the company would issue the bonds and pay itself the cost of

1. Letter by H.T. Gibson-Bowles dated 13 April, 1903; The Times dated 14 April, 1903; Also see Speech by Gibson-Bowles on the "Bagdad Railway" delivered before the Central Asian Society on 24 April, 1903; The Imperial and Asiatic Quarterly Review, July-October issue, 1903, pp. 396-92.

constructing the line. The Times published on 11 April, 1903, an adverse report on the new Convention by Mr. Waugh, the Vice-Consul at Constantinople. Waugh drew attention to Article 35 of the Convention which stated that "the holders of the loan shall have no right to any voice in the management of the Company." This stipulation proved that control over the railway would rest in German hands, and would be independent of the nationality of the capital raised to execute the project.

From St. Petersburg came more disconcerting intelligence. The Novoe Vremya contended that Berlin was short of money, and could not raise more than 20 per cent of the total capital required. France would contribute 40 per cent; and Russia had been sounded to subscribe the remaining amount. But the Russian Government had no illusions about the project, and had cautioned Russian financiers against lending themselves to a scheme designed to further German interests. It was only after being rebuffed at St. Petersburg that Germany had turned to London for support.

Waugh's critique of the Convention of 1903 and the disclosures of the Novoe Vremya provided The Times,

1. Digest of Report by British Vice-Consul at Constantinople given in The Times dated 11 April, 1903.

2. Despatch from St. Petersburg Correspondent; The Times dated 14 April, 1903.
which was now openly supporting the bondholders,\(^1\) with ample material for launching campaign against the Baghdad Railway. In a tone "as bigoted against the Germans as 'La Patrie' is against the Jews or Dreyfus\(^2\)," the journal asserted that it was difficult to believe that ... British statesmen ... could for a moment hesitate about their reactions towards this project. The main arguments on which the Prime Minister based his plea for extending a favourable consideration towards the undertaking were that it could, and would, be carried out without our support, and that it was not a German, but an international enterprise. The Convention and its annexes effectively dispose of both conditions.

It went on to argue that from other considerations, too, participation by British capitalists would prove detrimental for the country. On the political front, the railway would encourage Russia to assume an active policy in the Gulf, thereby raising difficulties for the Government; on the commercial front, it would stimulate the land-borne trade from Central Europe to Turkey to the disadvantage of England's sea-borne trade with Mesopotamia. Only Germany and Turkey stood to gain

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1. See Editorial in The Times dated 24 April, 1903.
2. Englishman dated 24 April, 1903.
3. The Times dated 22 April, 1903; Also see The Times dated 14 April, and 18 April, 1903.
from the project, and it was not for England "to promote the policy of either at such grave risks ... to our own interests."\(^1\)

The Times' editorial was endorsed by other journals like the Pall Mall Gazette, the Westminster Gazette, the Globe, the Morning Post, the Daily News, and the Daily Chronicle.\(^2\) The unanimity of opinion against the project alarmed the Government. On 22 April, 1903, the question was discussed at a crucial Cabinet meeting.\(^3\) Both Balfour and Lansdowne argued for the association of British capital in the enterprise, in spite of the Germanophobic articles in the press. However, they failed to convince their colleagues, particularly Joseph Chamberlain, whose associations made him especially susceptible to commercial pressures.\(^4\) Consequently, Balfour declared in the Commons that Her Majesty's Government had rejected the terms offered.

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1. Ibid.
2. See extract from Reuter's telegram dated 22 April, 1903; F.O.S.P. No.60/72, October 1903. Only the conservative Daily Telegraph supported Balfour's stand, declaring that opposition to participation in the railway was due to exaggerated Germanophobia. It further stated that if British capital was prevented from co-operating, the Germans would find the necessary funds elsewhere.
3. See extract from Reuter's telegram dated 23 April, 1903; F.O.S.P. No.60/72, October 1903.
to British entrepreneurs for participation in the project since they did not adequately guarantee British interests. The Prime Minister was congratulated on his decision and advised to "reserve a free hand ... (for the) defence of our old and valuable interests on the shores of the Persian Gulf and in adjacent territories."  

The break-down of Anglo-German negotiations was a bitter blow for O'Connor. The Ambassador had worked assiduously for co-operation between the two countries and he regretted the "anti-German feeling" which had influenced public opinion in a question calling for dispassionate appraisal. In a communication to Lansdowne he cogently refuted the arguments raised against British participation in the project. O'Connor first referred to Consul Vaughan's report which had attempted to prove that the railway would be administered solely by Germany. He admitted that the concession was in the first instance conferred on the Anatolian Company. But it was further stipulated that the company would transfer its rights to a succeeding concern, whose constitution would be settled by the financial groups of England, France and Germany. It was the composition of the Board of

2. The Times dated 24 April, 1903.
3. H.M.'s Ambassador, Constantinople to Secretary of State for Foreign Affairs dated 28 April, 1903; F.O.37, No.1460, February 1905.
Directors of this company that had been settled in the negotiations between Gwinner and Velstoke in a manner as to ensure that the executive authority was "really international in the sense that it would be impossible to direct its policy ... to the benefit of any single country ..."¹

Again, much had been made of the claim that the financial guarantee for the conception would come from an increase in tariffs. Of course, Turkey could raise her customs only after securing the consent of England and other European Powers, and the revenue thus realised was due to go to the bondholders. But was such an argument tenable in practice? If the bondholders, instead of agreeing to a scheme like Rouvier's, insisted on the satisfaction of their entire claim, they would receive nothing. Why should the Ottoman Government impose a burden upon its subjects to benefit foreign bondholders? Besides, the restriction on customs could not be maintained in perpetuity. It was a "limitation on sovereignty" to which very few states submitted.

In conclusion, the ambassador examined the argument that participation in the project would arouse intense Russian hostility. As evidence to the contrary he pointed to the fact that French businessmen had associated themselves with the scheme, certainly not

¹ "Ibid."
"without the approval of their Government, and I have reason to believe that this approval was given with ... the consent of their ally."¹ It could, therefore, be inferred that while Russia would not view the extension of British influence in the Gulf with indifference, the enterprise would not arouse her ill-will towards England in a particularly dangerous form.

England's refusal to co-operate with the Anatolian Company did not evoke any marked reaction at Berlin, though inspired articles in the press refuted the charges levied against Germany.² The Germans had still not despaired of securing British participation in the project. O'Connor told O'Connor that he appreciated the fact that neither Lansdowne nor British capitalists could disregard the campaign set going by those " clamouring for an understanding with Russia"³. But the terms he had offered to Revelstoke should have been made public. If such a step had been taken, British opinion would have reacted less adversely to the German initiative, "and the way left open for a resumption of negotiations at a future and not very distant date."⁴

¹. Ibid.
². Despatch from Berlin Correspondent, The Times, dated 24 April, 1903.
³. H.M.'s Ambassador, Constantinople to Secretary of State for Foreign Affairs dated 15 December, 1903;
⁴. Ibid.
⁵. Ibid.
⁶. Ibid.
⁷. Ibid.
⁸. Ibid.
⁹. Ibid.
Paradoxically, it was at Paris that the British refusal led to immediate repercussions. In 1902 Delcassé had justified French co-operation on the plea that it was a prospectively international, and not German, project that was being encouraged.\(^1\) Balfour's rejection of the German offer placed the issue in a new perspective. Then shortly afterwards, French businessmen approached their Government for its support with the backing of Rouvier, Delcassé opposed the endorsement of their application out of consideration for Russian and English susceptibilities.\(^2\) Because of his opposition the Cabinet withheld its support from the capitalists. However, French financiers had so vital a stake in Turkey that they continued to associate themselves with the Germans in the enterprise in the inferior position of debenture holders.\(^3\)

The failure of the negotiations concerning the Baghdad Railway throws interesting light on the pressures to which British statesmen were susceptible. It is clear that both Balfour and Lansdowne wanted

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1. See supra p.
British enterprise to associate itself with the construction of the railway. They did so for two reasons. The Suez Canal had demonstrated the futility of a negative attitude towards such enterprises; further, the terms offered to English capital would have made the project a genuinely international undertaking. But the financial interests which stood to lose if the scheme materialised, namely, the English bondholders and the Steamship Companies operating in eastern waters, proved too formidable a force for the Government of the day. The rejection of the German offer was, however, a 'financial' rather than a 'political' decision. The attitude of the English press in India provides evidence in support of this contention. Indian papers, which were quick to voice criticism when 'imperial' interests were threatened, were in favour of participation in the project; and in certain cases they went so far as to comment adversely on Balfour's decision to turn down the German request for British co-operation.

The Revival of the Baghdad Railway Question

Notwithstanding the forecasts voiced in London, the British attitude did not prevent German entrepreneurs from initiating the construction of the Baghdad Railway. As stipulated in the Convention of 1903, the Ottoman

1. Englishmen dated 14 April, 16 April, 24 April, and 8 May, 1903; Times of India dated 13 April, 1903.
Government floated a loan of 84 million francs at 4 per cent and handed over the proceeds to the Baghdad Railway Company, as it was now termed, for constructing the first section of the line from Konia to Sregli. The loan was raised partly in Berlin and partly in Paris. Work on the project started immediately, and the first section was completed and thrown open to traffic in November, 1904.\(^1\)

In spite of an encouraging start, the difficulties which the Company had to overcome still lay ahead. They concerned problems of finance and engineering. The Konia-Sregli track had been laid across the Anatolian plateau at an altitude of 3,000 feet. Further ahead the railway had to traverse the Taurus range, and only after piercing this barrier could it descend on to the valleys of the Euphrates and the Tigris. The two sections of the line across the Taurus (Sregli-Adana and Adana-Tel-Habesh) were anticipated to prove the most difficult and costly portions since constructing them involved over a hundred miles of blasting and tunneling across difficult terrain.\(^2\) The expenditure over these sections

1. H.M's Consul-General, Zurich to Secretary of State for Foreign Affairs 'with enclosures' dated 11 October, 1904; F.D.S.P.No.1462, February 1905; H.M's Vice-Consul, Adana to H.M's Charge d'Affaires, Constantinople dated 26 November, 1904; F.D.S.P.No.1463, February 1905.

2. Memorandum on Baghdad Railway by Alwyn Parker, Part II, The Baghdad Railway Convention by 1903; F.D.S.P. No.8, December 1906; For an account of the route to be traversed by the railway see Whigham, op. cit.,Chapter XVI, passim.
particularly the second, would be considerably above
the normal figure. The Germans, therefore, wanted
a guarantee for the two sections simultaneously in
order to recoup themselves partially on the third
section for the very high expenditure they would
incur on the Eregli-Adana section. The Porte was
prepared to raise a loan for only one section of 200
km. The question had, therefore, drifted into an
impasse.

The construction of the first section of the
Baghdad Railway did not pass unnoticed in England.
Despite the problems facing the German Company,
option in England was jolted out of the complacent
assumption that British non-co-operation would render
the scheme impossible of execution. A variety of factors
soon combined to revive interest in the scheme at a
government level.

The opening shot in the campaign which sought to
reverse the tide of 1903 was fired by Colonel H. Picot, a
diplomat who had served at Teheran. Speaking under the

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1. H.M's Vice-Consul, Adana to H.M's Charge d'Affaires, Constantinople dated 20 November, 1904; F.D.S.P. No.1463, February 1905; Note by Under-Secretary, Foreign Department, GOI dated 12 September 1904; F.D.S.P. No.1446/1469, February 1905.

2. Vide extract from "Overland Mail" dated 15 April, 1904; F.D.S.P. No.1482, February 1905.
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auspices of the Central Asian Society, Picot dwelt at
length upon German ambitions in the Near and Middle
East; he also expressed the hope that Her Majesty's
Government would see its way to safeguard British
interests in the region through encouraging the partici-
pation of British capital in the Baghdad Railway. Picot's
theme was reiterated, again before the Asian Society, by
Lord Ronaldshay, a future Secretary of State for India.
Ronaldshay argued that England's stake in the Middle
East made the participation of British capital in the
railway imperative. He viewed with alarm the prospect
of a continental power exercising preponderance over
the area lying between the Bosphorus and the Gulf. A
bargain between Russia and Germany was likely, and the
Government should act before it found itself excluded
from the region by a hostile combination. 1 Associating
itself with the sentiments expressed by Ronaldshay,
the Statesman stated that when Germany next approached
England for co-operation "we have little doubt that an
arrangement satisfactory to all concerned will be found
possible." 2

Indicative too of the changed climate of opinion

1. See speech by Lord Ronaldshay entitled,
"Notes On A Journey Across Asia"; Proceedings of the
Central Asian Society, No.4 of 1904.

German line to the Gulf would prove disastrous for British trade with Mesopotamia. An argument advanced by Lansdowne's critics in 1903 was that the project would adversely affect the country's commerce. O'Connor had even then maintained that the railway would bring prosperity to the regions through which it passed and create enlarged markets of which England would receive her share. In course of time his views gained recognition from various quarters. Towards the close of 1904, the Liverpool and Blackburn Chambers of Commerce addressed resolutions to the India Office, in which it was asserted that control over communications between Baghdad and the Gulf by a continental power would seriously imperil British commercial interests.

The Board of Trade arrived at a similar conclusion. It asserted that available evidence showed

1. H.M.'s Ambassador, Constantinople to Secretary of State for Foreign Affairs dated 15 December, 1903; F.D.S.P. No.1450, February 1905.

2. Liverpool Chamber of Commerce to India Office dated 21 December, 1904; F.D.S.P. No.112, January 1906; Blackburn Chamber of Commerce to India Office dated 17 February, 1906; F.D.S.P. No.119, January 1906.

3. Memorandum on Baghdad Railway by Board of Trade dated 23 June, 1905; F.D.S.P. No.130, January 1906.
that Germany would not abandon the scheme, but would execute it even if England refused to co-operate. The raising of the Turkish customs was not an indispensable condition for the construction of the railway. Yet it would not be easy for the Porte to find alternative sources of revenue for guaranteeing the project, financial difficulties being particularly acute at a moment when the Baghdad Company faced the construction of the costliest sections of the line. The time was, therefore, opportune to re-open negotiations with Berlin.

Assuming the desirability of British participation, the question arose as to what were the objectives the Government was to keep in view. In the first instance it was essential to acquire control over the section of the line from Baghdad to the Gulf; thereby the German character of the line from Constantinople to Konia would be counter-balanced. An arrangement giving England adequate representation in the Directorate controlling the track between Baghdad and Konia was also desirable. A further desideratum was the right of participation in the navigation of the Mesopotamian rivers.

While the opinions voiced by various commercial

1. Ibid.
bodies could not have failed to influence the Government, a decisive factor in effecting the reopening of the question was a memorandum by the Committee of Imperial Defence. Referring to a General Staff statement concerning the "disadvantages, political, commercial and strategic, which the control by Germany of a line to the Persian Gulf would entail upon Great Britain", the Defence Committee entered upon an exhaustive analysis of the problem. It pointed out that when British co-operation was first sought in 1903, political rather than financial considerations stood in the forefront. Germany was anxious not to draw Russian hostility solely upon herself. However, since the war with Japan had weakened Russia, the desire for British co-operation, in so far as it was determined by political factors, had abated. In the altered circumstances of 1906 it was the need for capital that was compelling Berlin to cast about for partners. Here again it would be wrong to assume that Germany would find it impossible to construct the railway single-handed. But she would do so only as the last alternative. However, once Germany solved the problem of inadequate

finances, England's preponderance in the Gulf offered no means of obstructing the progress of the line to an outlet on the sea.

The Defence Committee noted in conclusion that Her Majesty's Government should try to prevent its influence in south Persia and Mesopotamia from being eclipsed by a foreign enterprise controlling communications between Baghdad and the Gulf. It was, therefore, essential for England to associate herself with the project provided she was able to secure the following conditions:

1. The construction, control and management of the Baghdad to Gulf section of the line, together with the branch line from the former station to Khanikin.

2. The pooling of the general traffic under an arrangement giving Great Britain adequate representation in the Directorate.

The revival of British interest in the Baghdad Railway encouraged O'Connor to broach the subject in a conversation with Dr. Kurt Sander. From Sander's

1. Ibid.

2. Sir Nicholas O'Connor to Lord Lansdowne (private) dated 12 January, 1905; quoted in Memorandum on Baghdad Railway by Mark Sykes, Attaché to British Embassy, Constantinople dated 20 August, 1905; F.D.S.P. No.149, January 1906; Tel. H.M.'s Ambassador, Constantinople to Secretary of State for Foreign Affairs dated 31 January, 1905; F.D.S.P. No.142, January 1906.
reaction to his overture he gained an impression that Germany still desired British participation in the scheme, and that she would be willing to cede control over the Baghdad to Gulf section of the line to British capitalists. Then a garbled version of the exchanges betweenSender and the Ambassador reached London through a German source, the Foreign Office drew the conclusion that "the Germans are very anxious for our support."

However, changes in the international scene, particularly the entente cordiale with France, imposed a policy of restraint upon England. Lansdowne was anxious not to provide Germany with an opportunity to drive a wedge between Paris and London, and he apprised Gambon of the situation. German financiers, he told the French Ambassador, would make another attempt to secure British support for the Baghdad Railway. Her Majesty's Government was inclined to encourage British capitalists to respond in the affirmative, provided the Baghdad to Gulf section of the line was handed over to them. But England would not take any decision "without prior consultation.


with the French Government. 1 Cambon reacted adversely to the Foreign Minister's disclosure. He argued that England had political objectives in view when she demanded control over the stretch of the railway between the Gulf and Baghdad. The proper thing would be to look upon the project as a business proposition, and deal with it accordingly.

It was left to Sir George Clarke, Secretary to the Committee for Imperial Defence, to point to a way out of the impasse. 2 Could France, he suggested, agree to a scheme which safeguarded her interests along the Mediterranean littoral? Germany could be permitted control over the Constantinople-Konia line; France could exercise a monopoly over the Syrian lines; and England assume a similar position in relation to the Gulf section. Such a division of spheres of preponderance would protect the interests of each of the three powers. As for the line between Konia and Baghdad, it would be internationalised, with England, France and Germany contributing equal amounts of capital towards its construction, and enjoying corresponding representation in the Board of Directors.

1. Ibid.

2. Secretary, Committee of Imperial Defence to Secretary of State for Foreign Affairs dated 4 August, 1905: F.D.S.P. No.136, January 1906.
O'Connor viewed Clarke's scheme in a favourable light. But the proposal did not commend itself to Lansdowne. He told O'Connor that although it was essential to keep in touch with the German financiers, he was "particularly anxious" to avoid making isolated overtures. To the Foreign Minister the internationalisation of the entire railway appeared the best solution of all, with France, Great Britain (and if possible the United States) participating with Germany on terms of equality in the scheme. The Foreign Office, in fact, wanted as wide a base of participation in the railway as could be managed. Sir Edward Grey, Lansdowne's successor in Campbell-Bannerman's Liberal Cabinet, sought to include Russia in the scheme in addition to France. Grey told Cambon that the Imperial Government wanted to participate in the project; but it would not move without France, or in the face of the "opposition of Russia." Could not Russian hostility be mitigated

1. H.M's Ambassador, Constantinople to Secretary of State for Foreign Affairs dated 12 April, 1906: F.D.S.P. No.21, December 1906.
2. Tel. Secretary of State for Foreign Affairs to H.M's Ambassador, Constantinople dated 1 August, 1905: F.D.S.P. No.142, January 1906.
3. Ibid.
4. Secretary of State for Foreign Affairs to H.M's Ambassador, Paris dated 6 April, 1906: F.D.S.P. No.16, December 1906.
by permitting her to link her trans-Caspian Railways with Kandahar, which would further be joined through a branch line to Baghdad and the Gulf. Grey thus extended Clarke's formula in such a manner as to take into account Russian susceptibilities. Mr. (later Sir Cecil) Spring-rice, the British ambassador at St. Petersburg, described his proposal as one that would "reconcile the conflicting interests by a general scheme which would do justice to the claims of all the parties concerned."

INDIA AND THE BAGHDADE RAILWAY

The reactivation of the Baghded Railway question led the Indian authorities to present a comprehensive statement to London outlining the way in which the conception would affect Indian interests. The issue was first discussed at length in 1903 in connection with certain problems relating to the British position in Persia. The two trends of opinion prevailing in England had then found their protagonists in the councils of the Government of India. Sir Edward Law, the Finance Member, who possessed an intimate knowledge of the subject, having served on the Ottoman Debt

1. H.R.'s ambassador, St. Petersburg to Secretary of State for Foreign Affairs dated 28 March, 1906; W.B.S.P. No. 26, December 1906.
2. See in Sir p.
Administration prior to his Indian appointment, favoured participation in the project. Referring to the belief that the scheme would fizzle out if British support was withheld, Law pointed to the success with which Germany had constructed, and was operating, the Konia-Constantinople line as evidence to the contrary. He asserted:

The resources of the German money market are now considerably greater than they were when the Anatolian enterprise was started, and, in view of its marked success, it is inconceivable to me that the idea of its prolongation to the Persian Gulf should be abandoned. It may take many years to build by sections, but it will be done, and if done by Germany alone, and in spite of British discouragement, our final position with regard to it will be a very unenviable one.

Law's views were not shared by Curzon. The Viceroy felt that the intrusion of yet another European Power (Germany) in the Gulf ought to be opposed. It would result in the Germanisation of Mesopotamia and enable Berlin to blackmail in turn the two Powers interested in the region. Germany, therefore, should not be encouraged in any way in the construction of the railway.

1. Note by Finance Member to the Government of India dated 20 December, 1903; F.D.P.B. No.1/21, March 1904.
2. Ibid.
Whatever be the Indian stand in 1903, Grey's attempt to evolve a formula in 1906 which would reconcile all the European powers to the Baghdad Railway further complicated the situation so far as the Government of India was concerned. Speaking for the Foreign Department, Sir Louis Dené concurred in the suggestion that Russia be appeased by providing her with a link to the Gulf through Khanikin. The Foreign Office could in return stipulate a free hand in south Persia. Such an arrangement would confer political stability on the Middle East. It would also enable England to contest any demand for a débouché at a point further south than Basra or Kuwait.

Dené's acquiescence in the Imperial Government's proposal was disputed by military opinion in India, which exhibited an implacable hostility towards Russia. Colonel T. Talieson, the Assistant Quartermaster-General, asserted that the whole idea amounted to purchasing Russia's consent by permitting her to construct strategic railways in north Persia. But would the sacrifice yield tangible results? The time was near at hand "when Russia and Germany must gravitate towards each other."

1. Note by Secretary, Foreign Department, COI dated 19 February, 1906: F.O.5.R. No.1/110, December 1906.


3. Ibid.
Russia wanted to subjugate the whole of Asia. So long as the Anglo-Japanese alliance remained in existence, she would not be able to deploy her full strength in Asia without leaving herself exposed on the west. An understanding with Germany would secure her western flank. Such an agreement could easily be reached if Russia abandoned her traditional aims in Turkey. In return St. Petersburg would get a

free hand in the Middle and Far East and the chance of eventual sovereignty of Persia, Afghanistan, India and a large portion of China, (which) would certainly make the bargain not one to be wholly despised .... That she (Germany) and Russia will find it mutually advantageous to come to some arrangement for the spoliation of the common rival seems to be assured, and I consider that any spontaneous sacrifice which we may offer to Russia will be made in vain.*

Concurring in the conclusions drawn by Halleson, General H. Mullaly, the Quartermaster-General, drew attention to the principles underlying the defence of India. Persia, he stated, confronted the natural ramparts of India. It was a region where alien encroachments were to be resolutely resisted. Mesopotamia, on the other hand, came lower down the

1. Ibid.
scale of priorities. It would be "suicidal" to countenance a Russian railway in the nearer and more dangerous zone, as a questionable set-off against threatened danger in the more distant zone. Such a policy should be "opposed on the very primary and fundamental principles of policy and strategy which must determine the ultimate safety of India."

It was left to Lord Kitchener, the Commander-in-Chief, to sum up the strategic implications of the railway for the Indian Empire. Kitchener viewed the problem in a fresh light. The Baghdad Railway, he pointed out, not only linked the Bosphorus with the Persian Gulf; it was also a means of communication between the Gulf and the Mediterranean. In other words, it was a highway to India just as much as it was a trans-Turkish railway. Each of these aspects required separate consideration. Viewed as a route to India, England stood in danger of repeating the mistake she had earlier committed in connection with the Suez Canal. But the tactics she had adopted would prove barren of results "because we ... (are) trying to hinder the development of one of the great trade routes of the world ...." Her Majesty's Government ought to abandon

1. Ibid.
3. Ibid.
this negative policy and associate itself with the project at the earliest opportunity. Otherwise England would regret her exclusion from a project pregnant with significance for her possessions in Asia.

As a system of communications across Turkey the Baghdad Railway, if dominated by Germany, presented to Kitchener equally disturbing features. Once clear of the Anatolian Highlands, it traversed regions where settled government was not known. Railway penetration inevitably brought in its wake civilised administration, and it was clear that Germany had reserved for herself this responsibility in Turkish Arabia. It would be further assumed that effective power in the region would pass over to Germany soon after the construction of the line. With a Russo-German alliance visible on the horizon, such a consummation could not be viewed with equanimity. Finally, the acquisition of a small section of the line would be of little use in a crisis. "In my opinion", Kitchener concluded, "it is only by taking our part ... in the scheme as a whole that we can really safeguard our interests!"

The despatch addressed to the Imperial Government on the Baghdad Railway was framed on the lines

1. Ibid.
adumbrated in Kitchener's note 1 At the outset it
dwelt upon the manner in which the railway, if completed,
world affect Indian interests. A German terminus at
the head of the Gulf would lead to the Germanisation
of Mesopotamia; it would disturb British relations
with the Arab chiefs of the Gulf; finally, it would
reflect adversely on the British position in Persia,
and necessitate the maintenance of a powerful fleet
in the Gulf. On a more extended horizon, the railway
would consolidate German influence over the Turkish
territories across which it ran. Such a development
was not free from danger, and "with the shadow of an
eventual Russo-German alliance looming in the distance,
there would be ground for serious apprehension ...." 2
Again, the Ottoman Government planned to link the
Hejaz Railway with the Baghdad line. If this programme
materialised "our position in Egypt and at Aden and even
the Red Sea route to India would be threatened" 3 In
view of these considerations, England ought to prevent
Germany from gaining control over the project through
associating herself with it. It was for the Imperial
Government to decide the manner in which British

1. Secret Despatch No. 98 to Secretary of State
for India dated 12 July, 1906; P.D.S.P. No. 70, December
1906.
2. Ibid.
3. Ibid.
enterprise should participate in the scheme. But the
government of India was convinced that control over the
south-eastern section alone would not suffice to safe-
guard British interests in any emergency. "In our
opinion", the despatch echoed Kitchener's words, "our
interests can be most effectively safeguarded by some
arrangement that will enable the British Government
to take part in the scheme as a whole".  

"With the Kitchener despatch the wheel had come
full circle to the policy initiated by Lansdowne in
1903. In view of the importance of the issues at
stake, the Baghdad Railway question ranked among the
major problems confronting European diplomacy in the
decades before World War I. Of the four great powers-
Russia, France, Germany and England - each brought to
bear a distinct, if not contradictory, policy on the
question. Russia's attitude had the supreme virtue
of simplicity; being apprehensive that a modern system
of communications would strengthen Turkey, she did not
want the railway to be constructed at all. France,
having subscribed large sums of money towards the loans
floated by the Ottoman Government, had a vested interest
in the integrity of the empire. As for Germany, she
looked upon Turkey as a market for her goods. However,
economic penetration is indistinguishable from political

1. Ibid.
domination, and though German diplomatists and financiers tried hard to sell the project as a business proposition, the attempt fooled nobody, least of all their European rivals.

Yet it was to British statesmen that the Baghdad Railway presented the most serious dilemma. England's imperial interests, on the one hand, and her responsibilities as a European Power, on the other, invested the conception with irreconcilable implications. The British were interested in dominating the lines of communication to India. For this very reason they wanted to prevent the scheme from maturing, for such a consummation would have imposed an additional burden upon their limited military resources. As Malleson put it:

So long as we depend entirely on sea-power for the preservation of our Empire, and remain ... a negligible quantity on land, our policy throughout the East must, as it seems to me, be merely the maintenance of the status quo. It may not be a very heroic or enterprising policy, but it is nevertheless one which is forced upon us by our comparative importance on land.*

The alternative to obstructionism was cooperation with Germany. Both Balfour and Lansdowne were against a negative approach. But their attempt to reach an understanding with the Anatolian Railway

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1. Note by Assistant Quartermaster-General dated 27 April, 1906; F.O.S.P. No.1/110, December 1906.
Company was thwarted by the financial interests which stood to lose if the conception materialised. However, while they pursued a correct strategy in 1903, the conservative statesmen can be accused of inept tactics. Through launching a scheme involving Anglo-German co-operation so soon after the Venezuelan fiasco, they provided their critics with a lever with which to agitate the public mind. Again, no steps were taken to counter the impression created by the appearance of tendentious articles in journals like The Times. Finally, and here Lansdowne's critics had a point to make, England's interests in the Gulf were not protected through a stipulation reserving control over the Baghdad to Gulf section of the line for British capitalists.

Since it was concern for Indian interests which led to the demand for control over the south-eastern section of the Baghdad Railway, it is somewhat of a mystery to observe the Government of India contending that only the internationalisation of the entire line would safeguard British interests. However, the Indian stand was not as inconsistent as it appears on the surface. When the issue was revived in 1905, the altered inter-national situation had imparted a new colour to it. The Foreign Office was chary of taking any step without France; and with the entente cordiale...
soon to be converted into the triple entente, Russian susceptibilities had also to be taken into account. Hence the proposal for an international railway between Ismia and Baghdad, with branch lines fanning out in four directions, and controlled by England, France, Germany and Russia in their respective spheres of interest.

For Indian statesmen, however, Russia was—and remained—the enemy, which explains the opposition, particularly in military circles, to any concession to Petersburg in Persia. So deep-rooted was this suspicion that it lead to a (mistaken) belief in the inevitability of a Russo-German deal at England's expense. The proposal for the internationalisation of the entire line was also born of a distaste for any bargain with Russia. An attempt was made to tone down this sentiment in the policy statement addressed to the Imperial Government. The anti-Russian premises of Indian policy vis-a-vis the Baghdad Railway remained, nevertheless, a reality.