COMMERCIAL DIPLOMACY: THE BERLIN-BAGHDAD RAILWAY AND ITS PEACEFUL EFFECTS ON PRE-WORLD WAR I ANGLO-GERMAN RELATIONS

Ryan Michael Bukaty

Thesis Prepared for the Degree of

MASTER OF ARTS

UNIVERSITY OF NORTH TEXAS

May 2016

APPROVED:

Geoffrey Wawro, Committee Chair
Michael Leggiere, Committee Member
Nancy Stockdale, Committee Member
Richard McCaslin, Chair of the Department of History

Slated as an economic outlet for Germany, the Baghdad Railway was designed to funnel political influence into the strategically viable regions of the Near East. The Railway was also designed to enrich Germany's coffers with natural resources and trade with the Ottomans, their subjects, and their port cities... Over time, the Railway became the only significant route for Germany to reach its "place in the sun," and what began as an international enterprise escalated into a bid for diplomatic influence in the waning Ottoman Empire.
Copyright 2016

by

Ryan Michael Bukaty
The years leading up to World War I were rocked by diplomatic crises, as the European Great Powers jockeyed for global influence. Replacing the conservative and diplomatically prudent Kaisers Wilhelm I and Friedrich III in 1888, Germany's Kaiser Wilhelm II embarked on Weltpolitik or world policy in the 1890s. This aggressive quest for overseas colonies, combined with the construction of a German High Seas Fleet, was a bare-faced challenge to British and French imperial power. Germany sought to change its status from the Continental power it had been under Otto von Bismarck and become a global one instead. Wilhelm II became notorious for mishandling diplomatic and political questions. His incessant promotion of German world policy, Weltpolitik, tended to alienate, not entice, other powers. Historians generally agree that the three-cornered imperial rivalry between Germany, Britain and France was a cause of World War I.

This thesis takes a more skeptical view. It argues that at least one example of imperial rivalry -- the Berlin-Baghdad Railway -- gave cause for hope of peace. Instead of driving Great Britain and Germany toward war, it drove them toward economic and ultimately political cooperation. This thesis argues that the Railway strengthened relations between London and Berlin and became a hefty counter-weight to armed conflict.

Historical literature on the origins of World War I often views colonial competition as a cause of the war. In Germany's Aims in the First World War, Fritz Fischer argues that Germany's aggressive desire for colonies and a quick empire via Weltpolitik triggered the outbreak of World War I. This argument was refined in his later work War of Illusions, in which he describes Germany's merging of political ambitions with economic claims into the world policy pursued by
the Kaiser.\textsuperscript{1} By citing the economist Arthur Dix and the historian Theodor Mommsen, Fischer notes how the leading imperialists in Germany defined that the establishment of colonies might alleviate domestic political tensions. However, the pursuit for colonies did not so much divide Britain and Germany as it brought closer together Britain and France. Trade between Germany and Britain was good enough that a division along imperial lines would not have been in both Powers' interests.\textsuperscript{2} To Fischer, Britain's closer allegiance with France as a result of colonial issues made Germany want to attain the rank of a world power even more by continuing to expand its \textit{Weltpolitik}.

Zara Steiner, in her book \textit{Britain and the Origins of the First World War}, takes the British perspective regarding the pursuit for colonies. She argues that when the British Empire began to show signs of stagnation, Germany's aggressive drive for colonies threatened to nullify the \textit{status quo} of Britain's extreterritorial possessions and prompted a reaction involving military strengthening. Britain was afraid of Germany's capability to upset Britain's long hold on overseas dominions.\textsuperscript{3}

James Joll and Gordon Martel, in \textit{The Origins of the First World War}, argue that the race for colonies could have been peaceful, but because the Great Powers were competing for territories in close vicinities to one another, colonizers believed that bringing in help from their government was necessary to ward hostile contestants from other European states.\textsuperscript{4} The authors cite A. G. Hopkins and P. J. Cain in their own work \textit{British Imperialism: Innovation and

\begin{itemize}
  \item[1] Fischer, \textit{War of Illusions}, 36.
  \item[2] Ibid., 50
\end{itemize}
Expansion, 1688 to 1914 to claim that financial circles were the main promoters for colonies.\(^5\) Joll and Martel believe that when Britain settled colonial matters with France and Russia in 1904 and 1907 respectively, Germany felt cornered and attempted to settled its own colonial matters with Britain, but any negotiations on the matter went through Paris and not Berlin.\(^6\) However, they set aside the example of the Baghdad Railway as a specific case in which agreements could be reached within imperial rivalries, yet it is only mentioned in two pages.\(^7\) This insufficiency is not enough to explain the importance of the Railway and how it helped influence the Anglo-German imperial rivalry.

The most recent work on the Baghdad Railway, Sean McMeekin's *The Berlin-Baghdad Express: The Ottoman Empire and Germany's Bid for World Power* from 2010, offers much in the role the Railway played during World War I and argues that it was an opportunity for Germany to seize territory in the Near East to the chagrin of the other Great Powers. Unfortunately, only the first three chapters discuss a general history of the Railway before 1914, leaving readers only general information about its inception and its financial difficulties. Plus, McMeekin discusses the Railway mostly from the perspective of German soldiers and adventurists such as Max von Oppenheim and Kreß von Kressenstein rather than from the statesmen in Berlin or London. This thesis compensates McMeekin's lack of detailed information on the Railway prior to 1914.

The Baghdad Railway was just as much a drive for imperialism as the authors argue. However, the Railway does not fit into their criteria for causing World War I because it was more of a bid for profit rather than a colony. Slated as an economic outlet for Germany, the

---

\(^{5}\) Ibid., 222.
\(^{6}\) Ibid., 224.
\(^{7}\) Ibid., 240-241.
Baghdad Railway was designed to funnel political influence into the strategically viable regions of the Near East. The Railway was also designed to enrich Germany's coffers with natural resources and trade with the Ottomans, their subjects, and their port cities. Over time, the Railway became the only significant route for Germany to reach its "place in the sun," and what began as an international enterprise escalated into a bid for diplomatic influence in the waning Ottoman Empire. This escalation would ultimately be settled by a cooperative form of imperialism between Germany and Britain, going against the historiographical trend of blaming foreign ventures and commercial aggrandizement as a cause for World War I.

Studying the Baghdad Railway has become as vital to understanding the origins of World War I and international relations in general as other factors such as the British Empire and the Russo-Japanese War. This is because the Railway is an early example of power politics and economic ventures in the twentieth century that tend to define countries' strategic policies which can either lead to catastrophe or cooperation. It is especially critical to understand the Railway considering it was based in the Near East, where most of the globe's attention is currently invested. The eastern Mediterranean, the Black Sea, and the territory stretching from the Levant to the Persian Gulf continues to interest international strategists and political councils. The Baghdad Railway, with its imperial undertones, economic overtones, and the force from abroad that sought its completion, illustrates the trend of how grand foreign excursions into lands that are not fully understood have far-reaching complications over time. Parallels drawn between the Railway scheme of the early twentieth century and the foreign influence in the same region in the twenty-first century include competition of Western powers for influence, disruption of national economies, and the overthrow of Near and Middle Eastern regimes. The ultimate objective of
this work is to demonstrate that Baghdad Railway, far from being a cause of the Great War, it was a project that brought bitter rivals together and lessened the chances of war.

To better understand the Baghdad Railway, one must first look into the time and setting in which the Railway was conceived. The twentieth century birthed a European culture of industrial progress, economic grandeur, and imperial gains. It was a threshold for the Great Powers because they had entered a golden age of national development. Great Britain had colonial possessions in every habitable continent, particularly in areas with economically viable waterways such as Australia, India, and Egypt, dominating sea trade worldwide. France had considerable influence in West Africa, Madagascar, and Indochina; concentrated populations administered from Paris could rival the British for influence in their overlapping spheres. The Russian Empire had the largest expanse of territory than any other Great Power, stretching from eastern Europe to the Bering Sea and expanding southwards into the Black Sea and Central Asia, which worried the British for the security of their crown jewel India. Germany's extraterritorial acquisitions were nowhere near the scale of its continental rivals, yet it possessed some of the finest technology and businesses to help prolong the Reich's growth into a more formidable state, with special focus invested in cooperating with the Ottoman Empire. This cooperation created an outlet that would carry German authority beyond Europe's borders. The feeling in Germany was that the "people and their leaders... wanted to be allowed a fair share in the exploitation of the world's natural resources, and space in which to move and breathe freely."  

The Ottoman Empire, Germany's main ally in the Baghdad Railway project, dominated the Near East and provided civil stability for four and a half centuries from North Africa to

---

Anatolia to Mesopotamia. Though the Ottomans participated in European power politics in that time, they never made their presence significantly felt beyond the Balkans. By the turn of the twentieth century, the Ottoman Empire was a shadow of its former self. For the previous three centuries the empire had been in a state of regression that slowly undermined the Sultan's authority, with some of the most notable examples being Greek independence in 1831 and the British occupation of Egypt and the capture of the Suez Canal in 1881. This decay rendered the empire as the derogatory "Sick Man of Europe."

When Germany sought a level of international influence that matched Britain's, France's, or Russia's, it would need to invest the vast majority of its political resources to attain it. As the Chancellor Bernhard von Bülow says in one of his many post-World War I works, "to renounce international politics would have been equivalent to condemning our national vitality to slow but sure decay." The country's political and geographical position in the early twentieth century often prohibited territorial expansion in Europe or on other continents. Primary naval and trade stations and the vast swathes of territory easily accessible by sea were mostly occupied by the other Great Powers. If the Germans, and especially the pan-Germanists and the Kaiser, wished to plant their banner abroad, they needed to exploit a narrow window of opportunity that could get them far enough. Contemporaries were under the conviction that expansion would alleviate the problems of economic inertia and overpopulation. There was also much diplomatic turbulence for Germany towards the end of the nineteenth century with the lapse of its Reinsurance Treaty with Russia, which originally guaranteed that if Germany was attacked by France, Russia would remain neutral. If Austria-Hungary attacked Russia, then Germany would remain neutral.

---

10 Jonathan S. McMurray, Distant Ties: Germany, the Ottoman Empire, and the Construction of the Baghdad Railway (Westport, CT: Praeger, 2001), 40.
Ironically, since the Germans ended the treaty, it had the effect of strengthening the German feeling of encirclement (*Einkreisung*) by the other Great Powers, causing anxiety in "the political world of European territories."¹¹ Since Russia was no longer bound by diplomatic obligations to check its ambitions on the continent, the Germans became more frightened with the "encirclement" they imposed on themselves.

An opportunity for political and economic expansion became visible within the Ottoman Empire. Whether out of pure admiration for the Kaiser, or because Germany was the last Great Power to contemplate imperial projects with the Ottomans, Abdul Hamid's preference was simple thanks to the incursions of the British and the French. The loss of Egypt and Suez split the nominal Ottoman lands in half and severed the Sultan's influence in Africa. Germany's race for imperial gains was crucial because approximately 85 percent of the world's surface by the time of the Kaiser's visits was under the sway of Germany's rivals, so it needed to find markets and political spheres wherever it could, including in the Ottoman Empire. Considering railroads were one of the main drivers of territorial expansion and commercial development, a railway that stretched from the Straits of Bosporus to the Persian Gulf would contribute immensely to the spread of German authority and to the economic recovery of the empire.

Constructing a railway was the most viable option for Germany. The French in the West and the Russian Empire in the East prohibited an extension of Germany's borders in Europe, and the British with their Royal Navy and sea control hampered Germany's ability to dispatch its own ships for commercial adventures or even to improve its own fleet. In an age of expanding navies, Germany could not match its own with Britain if its only outlet was the North Sea, automatically

confronting the Royal Navy. With only a few territorial claims in Southwest Africa and East Asia, the next best option was to enter the world market and export German products. Ultimately, it was the political feature of expansion that prompted the Germans to enter the Near East. The economic details of expansion were the means to achieve political ends, allowing for readjustment should imperial aggrandizement suddenly stop.\textsuperscript{12} Germany was intent on fulfilling its \textit{Weltpolitik}, but its means were scarce because of the country's failure as a colonizer.\textsuperscript{13} As a result, it desperately needed the political influence that matched its economic magnitude, not just as an outlet for industrial output but also to be recognized as an equal in the race for imperialism.\textsuperscript{14}

One major problem with Germany making headway into the Ottoman Empire was that Britain and Russia also claimed a right to territorial concessions in Ottoman lands. Berlin's policies in Turkey beginning in the 1890s often provoked negative attention from London and St. Petersburg because there was the chance that the Sick Man would expire within a generation, and neither Britain nor Russia seemed eager to include another participant in a possible Turkish partition.\textsuperscript{15} Britain wished to maintain its security in Egypt and sea trade in the Near East while Russia wanted access through the Straits of Bosporus for its warm-water fleet based in the Black Sea. The \textit{Times} of London regarded German entry in what was recently a newly-claimed sphere for Britain as a domino effect, stating that

\begin{itemize}
\item\textsuperscript{13} Edward Mead Earle, \textit{Turkey, the Great Powers, and the Baghdad Railway: A Study in Imperialism} (New York: The MacMillan Co., 1924), 49.
\item\textsuperscript{14} Charles Seymour, \textit{The Diplomatic Background of the War, 1870-1914} (New Haven, CT: Yale University Press, 1916), 87-88.
\item\textsuperscript{15} Ulrich Trumpener, "Germany and the End of the Ottoman Empire," in \textit{The Great Powers and the End of the Ottoman Empire}, ed. Marian Kent (London: George Allen & Unwin, Ltd., 1984), 121-122.
\end{itemize}
The commercial relations of Germany with the Ottoman Empire were until quite recently of little importance. England was in a position of unchallenged pre-eminence in this sphere, and what remained of the Western export trade to the Levant was mostly in the hands of France. But of late and especially within the last three years, a great change has taken place, and the influence of German finance and German commerce in the East has mightily increased. The event which brought German enterprise to the front was the appearance on the scene of the Deutsche Bank group of financiers, who entered into competition with the Anglo-French capital as represented by the Ottoman Bank.\(^\text{16}\)

The Deutsche Bank was Germany's premier finance institution. Its presence in the Ottoman Empire was a clear sign of Germany's ambitious enterprises. The newspaper confirmed that "the Reichstag Deputy and director of the Deutsche Bank," Georg Siemens, accompanied Wilhelm on the same train during his second visit to the Ottoman Empire.\(^\text{17}\)

Abdul Hamid had suffered from inefficient railway networks since the 1870s, but his own empire was incapable of financing any project since it declared state bankruptcy in 1875 and defaulted on its sovereign debts. Because German finance, provided by the Deutsche Bank, was about to enter the Ottomans' coffers, the Sultan now saw an opportunity to build a railway. His government was willing to commission both British and German firms for the enterprise, and although Western presence was nothing new, the government was more concerned about releasing itself from the yoke of the French, who had majority control of the Ottoman Public Debt Administration, a board of managers established to help pay off the empire's defaulted

\(^{16}\) "German Enterprise in the East," \textit{The Times} (London), October 28, 1898, 5.

\(^{17}\) Ibid.
foreign loans.\textsuperscript{18} Because of France's domination of the Public Debt Administration and the fact that government expenditures often had to go through it, French interests would often be included in Ottoman state matters, especially the Baghdad Railway.\textsuperscript{19} The Public Debt Administration was founded in 1881 and managed by thousands of European officials, who served as intermediaries with the creditors who financed the loans to the Ottomans. In time, the administration's workers outnumbered those in the empire's ministry of finance. Before the Kaiser ever visited the Ottoman Empire, on 4 October 1888 the Sultan's government granted a concession to a German business group headed by Alfred Kaulla, who was the director of the \textit{Württembergische Vereinsbank}, but his errand was on the Deutsche Bank's behalf. The convention granted Germany managerial rights over the rail line between Haidar Pasha in the Asian section of Constantinople to Ankara with the privilege of extending the line later. It was set to last for 99 years, and the revenues collected from the rail traffic would be sent to the Public Debt Administration.\textsuperscript{20}

As much as the Kaiser wished for German grandeur to be witnessed and experienced abroad, Siemens was skeptical. He was well aware of the chaos that could ensue when economic ventures overlapped with political agendas. In 1890, he had spoken in the Reichstag about the economic gains between a German-Ottoman collaboration, but he hesitated when he faced the prospect of constructing a railway that would head east from Constantinople because it would enter Russia's traditional sphere of influence.\textsuperscript{21} Consequently, Siemens had little desire to have the Deutsche Bank fund the construction of a railway running through the Ottoman Empire.

\textsuperscript{19} McMeekin, 39.
\textsuperscript{21} Gall, et al., 70.
However, when Wilhelm adamantly proclaimed himself the Guardian of Islam, coupled with the appointment of Adolf Marschall von Bieberstein as ambassador to Constantinople - and an avid promoter of Turco-German relations - Siemens could no longer resist lest he infuriate the Kaiser and damage his firm's reputation. Germany had its foot already in Turkey's door, but now it wanted to swing the door wide open.

Before the first rails to Baghdad were laid, German economic and political circles were divided over the proper course to pursue in the matter of the Railway. Bieberstein, in his capacity as ambassador to the Porte, would prove instrumental in funneling support for a railway in the Ottoman Empire. In early February 1899, he sought to convince Germany's Foreign Office, the Auswärtiges Amt, that funding a railway as an economic venture would fulfill the Reich's imperial ambitions as long as it was under exclusive German management. Bieberstein's statement countered Siemens's argument that other foreign investors would be required to provide the necessary capital to begin construction of the railway. On 23 December 1899, Siemens signed a convention with Zihni Pasha, the Ottoman Minister of Commerce and Public Works, which granted rights of extending a rail line from Konya in south-central Turkey to Baghdad to the Anatolian Railway Company (ARC), whose capital would be allocated to founding the Baghdad Railway Company (BRC). While Siemens was head of the Deutsche Bank, he was also the "president of the board of directors of the Anatolian Railway Company," and the new "railway line... from Konieh to Baghdad" would be built "on conditions and

---

22 Ibid., 71.
23 Ibid., 72.
24 Chapman, 35.
guarantees to be determined by common agreement between the Sublime Porte and the said company.”

The question of financial capital for the Baghdad Railway would hinder the BRC throughout its existence. Rapid industrialization and commercial development indeed made the German Reich immensely profitable, but its development came with a price. When Germany began instituting *Weltpolitik* after Bismarck retired as Chancellor, it acquired more expenditures than its coffers could cover. The expenditures included covering a higher standard of living for Germany's people, expanding the army, and the administration of Germany's interior and foreign policy. Nearly 200 million marks would be spent on the German navy. By World War I, the total debt would amount to three to four times the debt from 1872. By 1909, Germany had expenditures amounting to nearly 2 billion marks. Germany's main forms of income were in customs duties, excise taxes on alcohol and tobacco, stamp taxes on official documents, and material contributions from the other German states in the Reich. Its income would not be enough to pay its debt, which grew to over 4 billion marks by 1908. The BRC was deprived of German capital because it was being spent back inside Germany itself.

Bieberstein sought to reinvigorate Germany's cultural influence in the Ottoman lands; he believed that it was non-existent in comparison with British or French influence because of the lack of Germany's own language institutions, and he believed that a railway would guide a new program of German-based education and medical care in the Ottoman Empire. It did not occur to the ambassador, however, that if the railway was solely managed by Germany, even in name

---

27 Ibid., 137-138.
28 Ibid., 142.
29 McMurray, 55-56.
only, it would cause suspicion among the statesmen and observers in Britain, France, and Russia. The *Times* remarked on the parallel between the Kaiser's visit and Germany's approach into Ottoman affairs:

Doubtless the resentment with which William II's resolute assertion of Germany's rights [to protect Catholics in the Levant] in this respect has been hailed in certain quarters is not entirely attributable to religious zeal. Russia and France have taken particular offence at his determination to establish an effective German protectorate in a sphere which they have been used to consider as peculiarly their own.\(^{30}\)

Ultimately, the German objective shifted from merely building a railway to building one that had a great strategic advantage.\(^{31}\)

There was some doubt among Germans about the success of a railway that ranged from Constantinople through Mesopotamia. Hugo Grothe, a travel writer and director of the German-Anatolian Society, which was an academic institution meant to teach Germans about the economic, geographic, and cultural currents in Turkey. He explored the area through which the railway's route would go. When he recorded that a commission was dispatched in September 1899 to mark the route of the Baghdad Railway, he concluded "the total lack of any tangible achievements acts as a demurring ability to discuss with unholy hesitation, like fearful regression."\(^{32}\) In other words, the absence of transportation or agricultural infrastructure in Mesopotamia could not support the construction of a Baghdad Railway. The reason there was so little modernity in the region was that any money that could have been invested in development


seemed to disappear from the coffers in Constantinople. Grothe observed that the government and foreign investment, specifically French investment, were "shredding its economic work out of its own craft... and into the bags of Turkish bureaucratic aristocracy." As a result, the Mesopotamian stretches of a prospective railway were little more than a backwater. A quick construction of a rail network would quickly falter in that area. Importing the building material, skilled workers, cargo, and rolling stock to ensure sufficient transportation would be a low point of economic efficiency. Grothe believed the chances of a locally supported railway were no better:

Local markets and freight cannot service capital interests and operating costs in Upper Mesopotamia for long. Only when a methodical increase in population and with it an unhinging market and rise in productive railway construction to follow, the Turkish government is able to rely on it... It would well lie only in Turkish interests, when the railway company would even be presented the right, be placed in the vicinity of the rail stations, plantations, and population settlements.

The Germans' wish to build a railway became the Ottoman thought to have a railway. In other words, the railway from Anatolia to the Persian Gulf would have never been built if the Germans had not intervened and pressed the Ottoman desirability for one.

Before a convention was drafted to establish the Baghdad Railway, Arthur von Gwinner, who succeeded Siemens as head of the Deutsche Bank after the latter's death in 1901, followed in his predecessor's footsteps to secure foreign capital for a company that would construct the railway. He had reason to be optimistic after getting positive responses from some of Britain's

---

33 Ibid., 5.
34 Ibid., 17.
renowned bankers and politicians, including the banker Sir Ernest Cassel, J. S. Morgan & Co., Baring Brothers, the Prime Minister Arthur Balfour, and the Foreign Secretary Henry Petty-Fitzmaurice. His success was short-lived, however, due to the unpopularity of an Anglo-German cooperation in Parliament's House of Commons and the spite generated by the British press. Any partnership was nullified before it was ever conceived.\(^{35}\) It should be noted that "though the relations of English Ministers with the Press have been at times pregnant and intimate, the Government has never had an official organ, still less a subsidized Press Bureau."\(^{36}\) This illustrates the lack of unanimity between influential British parties regarding German entrepreneurial ventures. Hence, there was no united political front in London against a railway to Baghdad.

Germany did not think it needed Britain's permission to expand economically in the first place, let alone to include it in a cooperation. Germany and Britain had traditionally maintained peaceful relations until the end of the nineteenth century because Germany was a land power with no ambitions to dominate the high seas and Britain was a sea power that lived in "a splendid isolation" from the other European Powers. It was only when Germany began building a high seas fleet in the 1890s and Britain gravitated to the Triple Entente in the early 1900s that their relations became hostile.

Negotiations proceeded to found a company to construct a railway from Constantinople to Baghdad and hopefully to Basra on the Persian Gulf. Its ultimate objective was to function as the Eastern half of an extensive rail network with segments running through the Balkans and towards Berlin, providing the Reich with a direct land route to the markets and people of the

---

\(^{35}\) Gall, et al., 73.

Near East without running afoul of the Royal Navy. The statesmen in Constantinople believed that the railway would reinforce the Sultan's rule beyond Anatolia, where Ottoman authority was often nominal at best. In 1902, Grothe wrote that "the [Turkish] Ministry of War... had the hope of posting, with help, an 'iron' spine of a military march across the Asiatic estate with front positions against the East being managed." 37

In January 1902, "the [Ottoman] Imperial edict was published proclaiming the railway concessions" for Germany. Bernhard von Bülow, Chancellor of Germany from 1900 to 1909, "wished to come to an understanding with England in regard to the terminus of the Baghdad Railway and to avoid everything that might arouse opposition or suspicion in the breasts of India's masters." 38 As much as he wished for the completion of the railway, he had the foresight to acknowledge that investing in the scheme and enforcing its progress would be noticed and challenged by the other Great Powers.

On 5 March 1903, a convention was signed to formally establish the Imperial Ottoman Baghdad Railway Company (BRC), whose purpose was to fulfill the work of extending the rail line from Konya to Baghdad, which was previously handled by the ARC. The BRC functioned as a derivative of the ARC rather than its own entity. This is because ten percent of the BRC's capital, which was worth 15 million francs, was owned by the ARC. 39 Some British capital was nearly invested in the company, but Britain's interests were purchased by the German business group. 40 Not all powerful British statesmen were pessimistic about the nature of the Baghdad Railway convention. Three weeks after the convention was signed, Lord George Curzon, the

---

37 Grothe, 9.
39 Chapman, 42.
British Viceroy for India, "made a speech of a cause célèbre in Calcutta, which rests on the theory of... five Asian great powers and under these Germany is also approved as a joint [partner] with England, Russia, France, and Turkey." In other words, a degree of optimism persisted through the establishment of the BRC, which would hopefully lead to an economic cooperation between London and Berlin.

The BRC came under the ownership of the Deutsche Bank, whose managers knew well that the company could not have come into existence without assistance from foreign capital, particularly from the French-owned Banque Impériale Ottomane as well as from the Public Debt Administration, whose own capital was managed by an Anglo-French syndicate. In addition to the ARC and the BRC, the Deutsche Bank’s properties in the Ottoman Empire included the Turkish railways that led into Europe, Haidar Pasha's Port Company, and the tram routes in Constantinople. So many properties and assets concentrated in a commercially fickle region kept the Deutsche Bank on its toes when doing business. National aggrandizement was not on the Bank's agenda because it would discourage much needed financial assistance from Britain and France. On 23 April 1903, British Prime Minister Arthur Balfour gave a speech in the House of Commons saying that the British government would not provide any assistance, financial or otherwise, to the Railway since the terms of the convention favored the German syndicate above all the others. Resources the British would have invested in the railway, evidently, would not have directly correlated with the railway's profits. The British government had little stake in the BRC, but the Times was eager to echo the status of the railway and the mood of the German syndicate on 24 April:

41 Mehrmann-Coblenz, 64-65.
43 Mommsen, 88.
44 Feis, 351.
The English syndicate of financiers who had entertained the project have been unable to obtain the assent of the British Government to the fulfillment of conditions laid down by the German syndicate. These conditions were (1) That the British Government should give its benevolent support to the plan of supplying... the guarantee for the continuation of the railway beyond the first section [from Constantinople to Konya]; (2) that the British Government should hold out the prospect of despatching [sic] the Indian mails by the Baghdad Railway if it should turn out to be the best route; and (3) that the British Government should use its good offices to facilitate the acquisition of a suitable terminus for the railway on the Persian Gulf at Koweyt. A leading German promoter of the Bagdad Railway [Gwinner]... stated that the German promoters are considerably depressed at the news that the English financiers have declined to participate in the scheme.45

This depression was further augmented on 15 May 1903 when Joseph Chamberlain, an ardent imperialist and Britain's Colonial Secretary, spoke abhorrently towards the idea of economic cooperation between Britain and Germany in Turkey.46

Gwinner acted as chairmen to both the Deutsche Bank and the BRC. The conditions of the convention stated that two vice-chairmen would serve under Gwinner with one being German and the other being French.47 Influence from the Deutsche Bank became readily apparent by the British in the summer. On 4 July 1903, Britain's ambassador to Turkey, Sir Nicholas O'Conor, told the Foreign Secretary Petty-Fitzmaurice that

Forty per cent. of the capital was allotted to each financial group [Germany and France], but as the remaining 20 per cent. was distributed as to 10

45 “The Baghdad Railway: British Support Refused,” The Times (London), April 24, 1903, 5.
46 Kennedy, 261.
47 Gall, et al., 73-74.
per cent. to the Austrians, 5 per cent. to the Swiss, 2 per cent. to a Milan group of bankers, and 3 per cent. to a Constantinople group, all of whom were, he [Jean Antoine Cosntans, France's ambassador to Turkey] believed, more or less directly under the influence of the Deutsche Bank, the assurance of equal participation was illusory. Besides this, I understand M. Constans to say that a German should represent the Board of Directors on the Administrative Council. This Council was apparently to be composed of twenty-six members, ten each to the French and Germans, and the other to represent the smaller units who were affiliated with the Deutsche Bank, while the Ottoman Government were to have two delegates.48

According to Gwinner, he actually "had won the support of English finance in 1903, but Russian money and political aversion against Germany" and the absence of sufficient "French financiers whose government forbade publically any collaboration on the Baghdad project" prevented him from utilizing the extra capital.49

Russian challenges to Western support for Germany's railway in Turkey would not appear at first to be significant before the foundation of the Triple Entente, but France and Russia had a strong alliance when the Baghdad Railway convention was signed. This was a result of St. Petersburg's friendly foreign policy to the West after the Reinsurance Treaty lapsed. While Russia still possessed a powerful army before its sudden destruction in the Russo-Japanese War of 1905, its presence on the Russo-Turkish border was influential in Ottoman affairs. Naturally, the Tsar did not look kindly to Germany wanting to set foot in what had been Russia's traditional and exclusive area for expansion. Germany's penetration into the Ottoman Empire posed a threat

49 Arthur von Gwinner, Lebenserinnerungen (Frankfurt am Main: Fritz Knapp Verlag, 1975), 81.
to Russia's influence at the Porte and also to its territories around the Caucasus and the Black Sea.

Russia's success in denying the Deutsche Bank the necessary funds at around the same time the delegates signed the convention was a masterful diplomatic maneuver. The German syndicate was caught between a rock and a hard place. It needed to quickly compensate for its insufficient capital by continuing to seek it from other countries, which would be ensued by other foreign countries imposing their own demands on participating in the Baghdad Railway's construction and management. The other Great Powers would also dip deeper into Ottoman political affairs via the Public Debt Administration, who could then ask for financial assistance from St. Petersburg. If the German syndicate refused to compromise and allow other countries to partake in the railway scheme, then the scheme would have to be abandoned altogether, severely damaging Germany's reputation as a reliable diplomatic partner as well as a flourishing imperial power.

Conflicts of interest and the fear that the economic personalities charged with financing the Baghdad Railway were coming under German sway generated doubts of an Anglo-German partnership. So long as the British recognized the Sultan as the rightful ruler of the Ottoman Empire, they could not do much to attack his friendship with the Kaiser and his German imports. While the Railway was under construction, observers noted how many of the people in Anatolia were quick to accept and learn the newest machinery from the Reich.\[50\] 1903 was both an optimistic and despairing year for the Ottoman Empire, for it was the year that 22 percent of its debt had been paid. The reduction of debt was the result of the Decree of Muharrem, passed in

---

1881, and in 1903 the government wished to raise customs duties to help pay for the Railway's bonds and redeem more of the debt. However, due to the stipulations of the Decree that allowed the 22 percent redemption in the first place, any money from the increase would go to the bondholders, not to the government. The empire needed more money than it was able to spend, and because of its history of defaults, weak provincial administration, and severe lack of economic and agricultural development outside Anatolia, very few people were willing to invest in such an uncertain market. For the Sultan's realm to survive it needed assistance from the same European Great Powers who were anxious to seize any resources in the event of further loss of territory. The Reich hoped to see in the Ottoman Empire that "railways... like the Baghdad Railway... open up anew under German direction extensive regions and develop them into sources of supply for our import trade and into markets for our exports."  

The Baghdad Railway was the only major feature of security in the Ottoman Empire to attract more capital from abroad, thereby investing into the empire itself and revitalizing the "Sick Man" if not alleviate its symptoms of regressing power. As optimistic the Railway may have seemed to the Sultan and his subjects, it was under the management and ownership of powerful foreigners who mostly answered to their patron institutions, including the very influential Public Debt Administration, to whom even the Turkish government answered. The Sultan's open-door policy to railways was one of his more productive measures considering that "the Anatolian line put on a promising start. The economic and financial development of Turkey

51 Feis, 335.
allowed the establishment of new sources of revenue which can be used as a basis for the financing of the Baghdad Railway.\textsuperscript{53}

To better understand how the Baghdad Railway influenced diplomatic matters after 1903, one must first examine the economic and political situation of the Ottoman Empire and the interests of Britain and Germany in the Near East. Britain's influence in the region was more political than it was territorial. The British controlled essentially some of the most vital chokepoints of the Middle East, the most valuable being Suez, the Red Sea, and the Persian Gulf because they were on the routes to India and the Indian Ocean. Reinforcing these large, scattered positions from a comparatively small European island nation could not be afforded easily, so Britain's strategy was to maintain the status quo and prevent the other Great Powers from gaining traction in Southwest Asia. For several decades, it was Russia's encroaching sphere into Persia that frightened the British the most because of the land route the Tsar could obtain, strengthening his influence there in less time than the British needed to reinforce India. This prompted the British to consider inviting Germany into the "Great Game" for Central Asia as a mediator, if not a buffer, against further Russian expansion.\textsuperscript{54} Commercial traffic on the Tigris and Euphrates rivers was typically monopolized under the British, and Russia's potential relations with Persia could influence Mesopotamia's Shi'a communities, retarding trade in the Gulf. Russian inroads into Central Asia through Persia could work against British interests.

One specific matter of the 1903 convention was the kilometric guarantees granted to the BRC. The kilometric guarantees were guarantees made by the Ottoman government in which it would pay the BRC for every kilometer of rail completed and used for traffic, amounting to a

\textsuperscript{53} Karl Helfferich, \textit{Der Weltkrieg: die Vorgeschichte des Weltkrieges} (Berlin: Ullstein & Co., 1919), 126.
total of 31 million francs when the whole Railway was completed.\textsuperscript{55} The Baghdad Railway would later be seen as the primary threat against British authority in Mesopotamia and an object of harassment for India. It was "designed to bring the Persian Gulf into direct communication with Berlin... by reason of the kilometre guarantees the forestry, mining and other rights, which appertain to the concessions, to eventually bring the bankrupt Ottoman Empire" under German patronage.\textsuperscript{56}

The Foreign Office thought of ideas to secure Britain's hold on Mesopotamia and the Persian Gulf in the event of Germany requesting more financial aid. However, such hopes were dashed when Britain's allies would participate in the diplomatic wrangle for the Railway, which would revive Russia's interest in Persia.\textsuperscript{57} According to Ferdinand Begg, stockbroker, Unionist Member of Parliament, and later the Vice President of the London Chamber of Commerce, Britain's "predominance in the Persian Gulf is the result of three centuries of persistent effort. The first appearance of the Germans in the Gulf for trade purposes was in 1896, when a firm known as Wönckhaus established itself at Lingah on the Persian coast as dealers in shells and mother of pearl."\textsuperscript{58} In 1901, the British were granted a concession from Persia's government to extract newly discovered oil. To Britain's joy, "the convention, which covers an area of 500,000 square miles, runs for sixty years... and gives the exclusive right to produce and carry away oil and petroleum products throughout the Persian Empire, with the exception of certain provinces."\textsuperscript{59} Profiting from this oil concession was indeed great, but its high hopes were

\textsuperscript{57} Chapman, 76.
\textsuperscript{58} F. Faithfull Begg, \textit{Mesopotamia and the Bagdad Railway: an address to the members of the Chamber on Monday, July 16, 1917} (London: Chamber of Commerce, 1917), 22.
\textsuperscript{59} Ibid., 23.
countered by its liability. Britain's ships would have to sail around the Arabian Peninsula, nominally in the Ottoman sphere, and into the Gulf to transport the petroleum. The closest significant British presence to Persia was the Viceroy of India, who did not possess the transport networks needed to extract the oil through the terrain of Afghanistan. By 1903, 40 percent of imports into Persia were from Britain and steadily rising, while Russian imports into Persia and the Persian exports to Russia increased threefold since the 1890s.\(^{60}\)

Before the convention was signed, Balfour always regarded the Russians as the primary threat to British interests in the Near East. Though he paid attention to the conception of the Baghdad Railway, he initially viewed the German ambition as not as grand or as intimidating as Russian ones. This was because of Russia's aims in the Straits of Bosphorus and the Dardanelles in addition to Persia and Afghanistan. The Prime Minister was not the only statesman with this feeling. In early February 1903, the British Defence Committee (later to become the Committee of Imperial Defence) contemplated the possibility of war between Britain and the Russian Empire in the eastern Mediterranean. A single German business syndicate in Constantinople was nothing compared to the presence of the Tsar's Black Sea fleet, which could severely weaken Turkey's hold on the Dardanelles and cut the distance between Sevastopol to the Suez Canal in half.\(^{61}\)

The British also held oil interests in Baghdad and Mosul in addition to their navigation monopoly on the Tigris and Euphrates Rivers. From 1900 to 1902, about 95 percent of material tonnage entering and exiting Basra was under British auspices. The British Lynch Brothers Company was permitted by the Sultan to operate only two steamers in Mesopotamia, but the

\(^{60}\) Whigham, 347.  
steamers were able to transport 280 tons of freight during the summer and 400 tons during the winter. British trade between Baghdad and Basra in 1903 had a value of £2.5 million. The profits yielded from this route were a useful piece of leverage against Berlin and Constantinople during the Baghdad Railway's construction. Both Britain and Germany knew that "this region on the Persian Gulf is... treated as the key to the Baghdad Railway." If German entrepreneurship took over Britain's long-held predominance in Mesopotamia, Ottoman subjects would see Germany as the prevailing European Power responsible for bringing economic salvation and modernization to both Anatolia and Mesopotamia, further negating Britain's influence in the Middle East. This would clear a serious obstacle on the path to India which the Germans and Ottomans could exploit. Such a threat was easy to believe because India became Britain's largest consumer of its products in 1904, becoming a main priority for the Committee of Imperial Defence.

The Ottoman Empire's finances were all but bankrupt during the last few decades of its existence. After the Public Debt Administration was formed, hardly any money was invested in the country from the national coffers, and the Ottoman economy had a mean deficit of approximately $13 million. The Ottoman annual budget, therefore, was an annual joke among the Great Powers. From 1882 to 1909, the empire's debt would grow phenomenally to $275 million as a result of its reliance on foreign loans and wasted capital from the Ottoman State Bank of Agriculture. Turkey's growing debt occurred at a time when its trade with Britain was showing signs of fluctuation. Beginning in 1895, Anglo-Ottoman trade was valued at

---

63 Marian Kent, "Great Britain and the End of the Ottoman Empire, 1900-1923," in *The Great Powers and the End of the Ottoman Empire*, 179.
65 Cohen, 3.
approximately £11 million and even surpassed £13 million in 1897, only to drop to about £10.5 million in 1899. From 1886 to 1897, trade between Britain and the Ottomans rose by 60 percent, but Britain's dominance was quickly challenged by a remarkable leap in Germany's own trade with the Ottomans, which doubled at the same time and went from being the fourth most profitable trading partner with the empire to the second. British goods amounted to nearly 43 percent of the Ottomans' imports in 1888, but then it dropped to 35 percent between 1900 and 1901, and between 1908 and 1909 it went to a mere 30 percent of Ottoman imports. The shrinking percentage of British contributions to Turkish imports was attributed to the rise of imports from Germany. From 1900 to 1901, British imports were worth £7.4 million while the German value barely went beyond £500,000, and from 1905 to 1906 trade from Britain rose to £9.7 million. German trade doubled to approximately £1.2 million. By 1909, the trend slowly went in the opposite direction as the British trade value decreased to £8.6 million, but the German value continued to increase to £1.8 million.67 Even Bülow acknowledged later that "English policy is no doubt influenced by the widespread uneasiness due to Germany's industrial expansion."68 He remarked on the Anglo-German economic friction in the Near East:

Surely the English merchant has experienced overseas occasionally German competition. German and English economic interests compete in the world here and there. However, in regards to their policy on their railways across the world, England hardly has the great force so seldom seen in the

German Reich.69

Between 1892 and 1895, Britain attempted to establish its own rail network in the Ottoman Empire, but its hindrance and the ultimate demise of the prospect foreshadowed the

67 Chapman, 19.
68 Bülow, Imperial Germany, 110.
political consequences of foreign enterprises. Sir Edward Grey, who would become Britain's Secretary of State for Foreign Affairs, detailed the vain effort of Britain's railway project in the 1890s:

British firms were applying for railway concessions in Asia Minor, and the British Ambassador in Constantinople was, with the approval from the Foreign Office, giving them support. German firms were also applying, and the German Ambassador supporting them. Suddenly there came a sort of ultimatum from Berlin, requiring us to cease competition for railway concessions in Turkey for which Germans were applying, and stating that, unless we did so, the German Consul at Cairo would withdraw support from British Administration in Egypt. Instructions in this sense were actually sent without delay to the German Representative at Cairo, and the German ultimatum was followed - almost accompanied - by a despairing telegram from Lord Cromer [the Consul-General] pointing out that it would be impossible to carry on his work in Egypt without German support in face of French and Russian opposition.70

By the year the Baghdad Railway Convention was signed, some Britons believed that by promoting railroads in the Ottoman Empire the trade profits would double after a period of 15 years at the latest. The British speculators had no illusions about their lack of influence within the BRC, and they hoped the Ottoman economy would recover via the Baghdad Railway so they could still reap greater fortunes from trading with the empire.71 It was theorized that the cost of laying a mile of track in Turkey would cost only £8,000, but the real cost was estimated to be £10,000.72 The entire distance that was to be covered by track from Constantinople, or more accurately from Konya to Baghdad, would have amounted nominally to range from

71 Whigham, 245-246.
72 Ibid., 238-239.
approximately £9.6 million to £10.8 million, not including wages and accommodations for laborers, contractors, permits, rail maintenance, land surveys, construction gear, transportation, and other expenses. It was no wonder that Gwinner and the Deutsche Bank were so desperate to receive capital from outside the German and Ottoman Empires.

For German economic interests the stakes were higher than those of the British. While London enjoyed nearly unchallenged control over seaborne access to the ports of the Levant and Anatolia as well as the shipping lanes, the German government needed to make a claim quickly in Constantinople and secure as many commercial privileges as it could. This move was paramount because it was the last real opportunity for the Reich to establish itself not only a European economic hub, but as a global economic powerbase. Germany, Austria-Hungary, and the Ottoman Empire were to be incorporated into a Central European economic alliance that would enable them to become less dependent upon Britain's monopoly on sea trade.73

Germany's fortunes in Turkey were persistently on the rise. In 1888, Turkey received exports from Germany valued at 11.7 million marks while Germany received exports from Turkey valued at merely 2.3 million marks. When the Germans gained a greater presence in Turkey in 1905, both countries benefited immensely. The Germans were exporting their goods to the Ottomans at a value of 71 million marks while the empire earned 51.6 million marks in total exports, a six-fold increase. At the same time, and to Germany's delight, Ottoman trade with the other Great Powers changed very little.74 As long as the Germans were investing in the empire, they had just as much incentive to ensure the struggling economy would revive as much as the imperial government. Domestic necessities were paramount and German investors who had

73 Earle, 50.
74 Emin, 39.
government bonds from Constantinople tried to sell them, yet the investors continued to buy more bonds until their ownership of the Turkish national debt increased four-fold. In 1880, Germans owned five 5 percent of the debt. By 1914 they owned 20 percent.75 The empire's growing instability did not dissuade Germany's investment because of the importance the Reich placed on the Baghdad Railway. In 1880, 40 million marks were invested in the empire for which there was nothing to show. However, the situation changed with the foundation of the BRC, prompting more Germans to pour more money into the project and the empire, which went beyond 600 million marks before the outbreak of World War I.76

Article 7 of the convention states that "as soon as the gross kilometric receipts shall have reached 30,000 fr. per annum, the Imperial Government shall have the right to demand the construction of the second line which the concessionaires will be bound to build at their own expense."77 This stipulation was one of the few advantages the Turks held throughout the construction of the Railway before the war. Because the first line of the Railway was located in Anatolia, the most developed region in the Ottoman Empire, gaining receipts from a populous clientele who could afford the Railway's services was foreseeable. So long as the sufficient receipts could be met, the empire could have its cake and eat it too, all at the expense of the Great Powers who sat on the board of the BRC.

Ultimately, political matters would overshadow the economic hopes of the Baghdad Railway and trouble the diplomacy surrounding the Ottomans during the last decade and a half of peace. On 8 April 1904, the Entente Cordiale was formed with Great Britain and France. What

75 Feis, 319.
76 Ibid., 320.
made matters more fragile for Berlin was that as a result of Russia's alliance with France, it too got closer to Britain. Now, the popular concept of encirclement of Germany was gaining momentum, prompting politicians and business circles to escape their predicament by expanding further into the Ottoman Empire. Bülow's successor as Chancellor, Theobald von Bethmann Hollweg, remarked on the significance the Baghdad Railway held while the Entente existed:

German and English interests had come into closest contact in Asiatic Turkey, where the Baghdad Railway enterprise had caused much disfavour and disquiet in England. Agreement as to these issues was of all the more importance in that it offered an opportunity of coming to an arbitral settlement with France and Russia as to the mutual interests of those countries.78

This new Anglo-French alliance was exactly what Bülow feared. Previously, he fretted little in terms of France's alliance with Russia not because of their positions in Europe, but because their respective geopolitical agendas tended to contradict one another. In a letter to Germany's Consul-General in Sofia on 27 March 1904, Bülow stated that

The Russo-French Dual Alliance has never caused any anxiety to the German Government. We knew, indeed that this alliance was based on the French side of an idea of aggression, but on the Russian side on consideration of defence only, for a strengthening of France would worsen Russia's own prospects of obtaining the Straits. France has an interest in many countries' standing in the Straits and the Mediterranean coasts of Asia Minor and Syria... Russia is aware of that, and in deference to her relations with France, has for a quarter of a century taken no steps with regard to the Straits. Russia also knows... that it would be easier to disinterest Germany than France in the matter

of the Straits... We desire to keep our hands free, and, moreover, we are conscious that a German attempt to secure political interest in the Bagdad railway zone would be the surest means of bridging the deep chasm which has hitherto separated Russian and French Eastern policy.79

The British government was convinced that "good relations with Germany could not be founded on bad relations with France... It was the subsequent attempts of Germany to shake or break it that turned it into an Entente."80

1904 was also the year when the Railway was completed between Konya and Eregli, about 280 miles from southern Turkey's Mediterranean coast. What was astounding about the completion was not only the relatively quick time, but the fact that the segment cost 25 million francs less than the 54 million francs secured per the convention's terms.81 This pleased the Sultan, but the Baghdad Railway was not the only way Abdul Hamid could reinstate his authority over unruly peoples. According to the British clergyman J. T. Parfit, who was stationed in the Middle East during that time, the Hejaz Railway, running along the Mediterranean coast to Arabia and constructed around the same time as the Baghdad Railway, was also encouraged by the Germans. Parfit, protesting German imperialism in the region, knew the Hejaz Railway "would connect the Sultan's civil authority at Constantinople with his religious authority at Mecca and would help him to bring into subjection the Arab tribes and the Druzes of the Hauran,

79 Bernhard, Fürst von Bülow, Letters of Prince von Bülow: A selection from Prince von Bülow's official correspondence as Imperial Chancellor during the years 1903-1909, including, in particular, many confidential letters exchanged between him and the Emperor, trans. Frederic Whyte (London: Hutchinson & Co., Ltd., 1930), 44.
80 Viscount Grey of Fallodon, 51.
81 Jastrow, Jr., 115.
all of whom were favourably disposed to England and hated the policy of oppression so invariably pursued by the Turks.”

Others believed that Ottoman resurgence was bound to develop into a German proxy empire. The Belgian academic Charles Sarolea was pessimistic about the political stability of both the Near East and Europe should Germany be given so much influence in the Ottoman Empire and the Baghdad Railway:

By that concession [of 1903], not only does Germany obtain in the near future a complete economic control over the Turkish dominions which must sooner or later lead to a political protectorate, not only does Germany add to her sway the ancient Empire of Semiramis and Nabuchodosar, of Cyrus and Haroun al Rashid, but there is also created thereby a situation fraught [sic] with permanent danger to the peace of Europe, a constant menace to all the powers interested in those vast and wealthy regions, and eventually a complete rupture, in favour of Germany, of the balance of world power... Colonisation does follow the lines of communication; and the lines of communication are not merely commercial, but mainly political and strategical.

Parallel with Parfit’s conclusion, Sarolea acknowledged the utilization of German influence in Turkey personified by the Deutsche Bank and the BRC. The Turks would show the Germans good favor and provide Wilhelm an outlet for his Weltpolitik, as Sarolea notes:

The Turk only thinks of the immediate future, and in the immediate future his trusted friend the German Kaiser would be invaluable to keep off both the Armenian and the Slav. The German trader would be the natural commercial

---

82 Parfit, 60.
83 Charles Sarolea, The Bagdad Railway and German Expansion as a Factor in European Politics (Edinburgh: Oliver & Boyd, 1907), 4-5.
enemy of the Armenian. German political influence would neutralise the
political influence of the Slavs inside and outside the Balkan Peninsula.\textsuperscript{84}

Political events in and outside the Ottoman Empire shaped the development of the
Baghdad Railway just as much as the negotiations and the progress of the Railway tended to
dictate political attitudes in Europe. Russia's final defeat in the Russo-Japanese War in 1905
stimulated much alteration in the political sphere of Turkey. With Russia's army and most of the
navy utterly destroyed, it temporarily posed no threat to the Ottomans or to the Baghdad
Railway. Russia's presence in the Railway's affairs would not disappear entirely, however,
especially when the Liberal Party in Britain won a resounding electoral victory in Parliament,
engendering a sweepingly pro-Russian mood in the British government. This mood was the
result of the Tsar's establishment of a constitutional monarchy in Russia, which was hopeful
among British Liberals.\textsuperscript{85} Abdul Hamid eagerly wished for more rail to be laid and soon, but
once again ran into the trouble of securing funding. Instead of relying on foreign capital, he
thought a better option would be to raise tariffs for all imports to 11 percent from the original 8
percent. Naturally, all the Great Powers with interests in the Near East save for Germany
opposed this measure, for they feared rightly that the spare income from the increased tariffs
would be funneled directly to the BRC.\textsuperscript{86}

The British decided to be more pragmatic with the Railway scheme. Aware that the
Germans and the Ottomans would persist in finding ways to resume the construction towards
Baghdad, the British chose to join in the project rather than halt it. London wished to secure its
Middle Eastern interests if allowed to help direct the Railway's management and destination. The

\textsuperscript{84} Ibid., 17.
\textsuperscript{85} McMeekin, 50.
\textsuperscript{86} McMurray, 58.
first step to influence the BRC was to include Britain's allies France and Russia. They would be used as leverage to protect Britain's presence on the outskirts of the Ottoman Empire. Unfortunately, Britain's allies were unwilling to pursue the route to Baghdad with the Railway, let alone assist with its management. France had earlier commercial ties in the Near East because of its religious and colonial presence in Syria. The city of Damascus served as the northern terminus of the Hejaz Railway, providing much convenience for economic opportunity and political influence for the French. Russia, however, was not so eager. After the devastating defeat of the Russian army at the Battle of Mukden, the Tsar currently was unable to maintain a serious presence south of the Caucasus. If the Russians appeared to be in league with the British and French in the Ottoman Empire, it could provoke a German response to tighten its grip on Constantinople, and the Ottomans would direct their animosity towards the Russians. The Germans would have a pretext to contest the Russians for territory in both the Caucasus and the north of Persia if the Tsar was on board with London.  

Ambassador O'Conor recommended that the terminal section of the Baghdad Railway, from Baghdad to Basra, should be entirely under the dominion of Britain.  

If the British held the terminal section, the majority of the Railway would still be in German hands and Britain could still access Mesopotamia. Although the plan seemed to serve all interested parties, internationalization of the Railway was endangered in early spring 1905 during the First Morocco Crisis, when Kaiser Wilhelm visited Morocco's capital of Tangier and provocatively declared to protect the country's sovereignty against French political ambition. During the

88 Chapman, 79.
conference in Algeciras to lessen the diplomatic tension, Bülow recollected how the British reacted to the Kaiser's actions in Tangier:

As the Algeciras Conference began I received an interesting letter from [Paul Wolff] Metternich [Germany's ambassador to Britain] on the general European situation, with particular reference to England. In the summer of 1905 he had discussed with the Liberal Party chiefs the anti-German propaganda in England, of which he had pointed out the dangers. Lord [Charles] Spencer [MP], one of the most respected Liberal leaders... energetically and publicly intervened in favour of a conciliation policy. The English Press, especially the Liberal newspapers, took a calmer and, to some extent, even a friendly tone towards us.\(^{89}\)

Despite the favor of the British press for Germany, the crisis was paramount in isolating the Reich from France and Britain, and it prompted Petty-Fitzmaurice to abandon the idea of cooperating with Berlin on the Railway for fear of frustrating Britain's relations with France. He warned O'Connor that if Britain joined forces with Germany on the Railway, France would bring its Russian allies back into the fold.\(^ {90}\) Railway matters in Mesopotamia were made frustratingly complicated before in 1903, when Britain's Consul General for Baghdad ostentatiously appointed himself as the "Resident" for Turkish Arabia. Whether it was with the knowledge of the British government or otherwise, the "Resident" saw himself as the protector of Shi'a pilgrims from India as well as the liaison between Mesopotamia's Indian residents and the Viceroy of India.\(^ {91}\) The confusion was compounded by the fact that appointment of this "Residency" was seen as a

\(^{90}\) Cohen, 45.
\(^{91}\) Ibid., 9.
matter of India's Political Service, yet British posts in Baghdad were decided by London via Britain's ambassador in Constantinople.92

Germany's reaction to the Algeciras conference was just as pessimistic. The diplomat Prince Karl Lichnowsky commented critically on "the uselessness of [Germany's] Triple Alliance [which] had been shown at Algeçiras."93 Germany's Triple Alliance included the Austro-Hungarian Empire and Italy. Originally meant to strengthen the Reich's position in Central Europe against France and Russia, Austria-Hungary had been on the political and economic decline since the Ausgleich of 1867, relinquishing centuries of influence of the Hapsburg monarchs and weakening the authority of Vienna by granting autonomy to the Hungarians, whose population outnumbered the Austrians. Austria-Hungary was so burdened by its internal problems that it had little energy for overseas adventures. In fact, Bosnia-Herzegovina was the only "colonial" annexation that Austria-Hungary permitted itself. Italy had likewise concluded the last phases of violent national unification a few decades prior, and Austria happened to be the latest of its foes due to the latter's long hold on Trieste and Trentino. Though the Italians had a powerful fleet, they did not share the Germans' competition against the Entente. While Austria-Hungary was rendered irrelevant in the race for colonial aggrandizement and Italy's participation in the Triple Alliance was entirely opportunistic, there was little the Germans alone could accomplish at Algeciras. Yet, few in Germany accepted the fact that they were burdened with inept allies, for "among the German people... the belief gained ground that

92 Ibid., 14.
our foreign policy was feeble and was giving way before the 'Encirclement' - that high-sounding phrases were succeeded by pusillanimous surrender."\textsuperscript{94}

The new international outlook for the Baghdad Railway would change following the appointment of Britain's new young Foreign Secretary, Sir Edward Grey. Succeeding Petty-Fitzmaurice, Grey would be at the helm of British and non-German interest groups who sought to minimize the German influence of the Baghdad Railway. In the first place, he relinquished the economic features Britain had in its policy of challenging the Railway. According to Britain's Secretary of State for War, Richard Haldane, the new Foreign Secretary "hoped for improved relations with Russia, and even for more satisfactory relations with Germany, provided always that in the latter case these did not interfere with the friendship between England and France."\textsuperscript{95} Grey's communication to Berlin immediately after his appointment denounced any business opposition, and he believed that economic cooperation would actually mend the relationship between the two countries, wishing to restrict any Anglo-German tension to matters of strategy.\textsuperscript{96} The Foreign Secretary had to work hard to convince his countrymen that the Baghdad Railway was, and could continue as, an ambitious enterprise and not as a bid for international prestige. Viceroy Curzon of India was utterly convinced that the purpose behind the BRC was to provide a route for the Germans to invade India.\textsuperscript{97} He and other British imperialists were unwilling to relinquish Britain's foreign territories, especially those northwest of India, in Egypt, and in South

\textsuperscript{94} Ibid.
\textsuperscript{95} Richard Haldane, \textit{Before the War} (London: Cassell & Co., Ltd., 1920), 94-95.
\textsuperscript{96} Kennedy, 316-317.
\textsuperscript{97} Ibid., 411.
Africa to appease the German syndicate. As much as Grey wanted amicability with Germany, his advisors "were mainly anti-German in their tendencies."

Bülow, like his British counterparts, was also unwilling to surrender the aims of Weltpolitik so casually to appease his opponents. The Chancellor believed that Turkey was the last opportunity for Germany to seize its claim as an imperial power because of the amount of time and effort to create the BRC. He was convinced that "the new era of unbounded German world-policy, which was so often foretold abroad, has not dawned. But we certainly have acquired the means of effectively protecting our interests, of resisting aggression, and of maintaining and developing our position everywhere, especially in Asia Minor." Naturally, the last move Bülow was ready to make was abandon the BRC to foreign financiers, which, to him, would have meant the Reich resigning itself to participate less in global affairs. For Germany to persist, the Ottomans had to remain as they were, for Bülow believed that "the continued existence of Turkey serves our interest from the industrial, military, and political points of view." After leaving office, Bülow would not relent in promoting the Baghdad Railway:

The development of our railway systems, our natural waterways, our canals, and the oversea traffic... have brought the foreign market within easier reach. Industry has need of the foreign market in order to maintain its present development, to extend it and to provide millions of workmen with sufficiently profitable work. For this reason it is the duty of economic policy to conclude

---

98 Ibid., 414.
100 Bülow, Imperial Germany, 49.
101 Ibid., 74.
favourable commercial treaties of long duration in order to keep the foreign market open.\textsuperscript{102}

The Chancellor's interpretations of \textit{Weltpolitik} in his memoirs echoed those of Karl Helfferich, who was the director of the ARC and a member of the managerial board for the BRC, illustrating a rare moment in which Germany's political and financial circles agreed in Near East policy:

A counterpoise can be created by German enterprise and German capital establishing a field for their activity beyond the borders of our country, and thereby gaining a direct influence over foreign territories that may be important to us as sources of supply and as markets. This can be done in an effectual way by acquiring over-sea colonial possessions; for in such case economic influence is secured and strengthened in the most effective manner possible by political domination. Insofar... our end must be reached by means of a far-sighted financial and economic activity.\textsuperscript{103}

In order for Grey to get Britain into the Baghdad Railway scheme, he had first to get into the good graces of the Sultan. When "an ambiguous collapse in the German economic sector" loomed in July 1905, the British had an opportunity to help fulfill the Railway's infrastructure "with the help from the British ambassadors. The vilayets of Baghdad and Basra thus conceived of irrigation plants. Curzon's organ, the 'Times of India,' made for prime propaganda for this idea."\textsuperscript{104} Britain's foremost desire, however, was the control of the line running from Baghdad to Basra on the Persian Gulf coast. This particular stipulation in future negotiations would persist until all matters were settled.

\textsuperscript{102} Ibid., 265.
\textsuperscript{103} Helfferich, \textit{Germany's Economic Progress and National Wealth}, 81.
\textsuperscript{104} Mehrmann-Coblenz, 80.
By 1906, some progress was made. Grey acquiesced to Constantinople's request of raising the dues from 8 to 11 percent without demanding the revenue from the raise not be allocated to the BRC. However, he still had apprehensions of leaving the BRC in German hands. In April, he told Paul Cambon, the French ambassador to Britain, that the British government was not ready to continue negotiating the progress of the Baghdad Railway with the Reich if Paris and St. Petersburg were not included in the negotiations.\(^{105}\) The Foreign Secretary was still hesitant at angering the Russians if Britain started working in conjunction with the BRC. As the ambassador to St. Petersburg, Sir Cecil Spring-Rice, said to him on 24 May 1906:

> With regard to the Bagdad Railway the question was whether or no
> Great Britain should participate, in common with France, in the enterprise
> inaugurated by Germany. We had hitherto refused the German offer to
> participate mainly because we were not willing... to enter into a combination
> which Russia might regard as an unfriendly act.\(^{106}\)

Other British statesmen were under the impression that even if they wanted to join the Railway scheme, they still would not have gotten far because of the strong imperial sentiments held by Germany's politicians. In a meeting on 9 June 1906 between Sir Eyre Crowe, a diplomat for the Foreign Office's Western Department, and Grey recorded that

> The view is that Germany requires the assent of Great Britain to certain
> political plans... That assent Germany strives in vain to get by (friendly) asking!
> If however Germany is strong enough to make England think twice before
> interfering between Germany and the objects of her policy, then England will
> find it worth while to make up to Germany and seek her friendship. In fact, good
> relations are to be obtained with England only by the establishment of German

---

\(^{105}\) Cohen, 46.

\(^{106}\) *British Documents on the Origins of the War*, vol. IV, 233.
hegemony. The above views... are constantly placed before the emperor

[Wilhelm]. 107

Some of Britain's statesmen including Grey wished for the Ottoman Empire to remain intact against German and Russian inroads. Whether the empire remained financially subservient to the German syndicate or its territory slowly eaten by the Tsar, British politicians believed that the other Great Powers vied for the opportunity to enrich themselves at the expense of the Sick Man, who would persist as long as it could pay the Public Debt Administration. O'Conor believed that Britain's interests in Egypt were becoming tied to the survival of the Sultan's regime, and for Britain to continue holding its territories it needed to participate and assist further in the Public Debt Administration. If the Ottomans continued paying their debt to their foreign creditors, then the Great Powers had an incentive to let the empire continue; if not as an empire, then simply as a source of income. On 3 July 1906, O'Conor sent a message to the Foreign Secretary regarding the anxiety of not investing more interest in the Debt Administration. He told Grey about

A memorandum prepared by... the British Delegate on the Council of the Administration of the Ottoman Public Debt... [who] expresses his apprehension that the non-participation of British financiers... will ultimately result in placing France and Germany in a specially favourable position for interfering in the arrangements to be made consequent of the financial cataclysm which he appears to think, and perhaps rightly, is inevitable in Turkey. 108

107 Ibid., No. 418.
The Foreign Office wanted to make itself clear that it did not want the Baghdad Railway to prevent the British from utilizing the full worth of the Ottoman Empire. Britain's major news outlet, the *Times*, reiterated Turkey's desire to raise its customs dues and that some in Germany still wished for more foreign capital and the introduction of a British syndicate:

To increase the Turkish Customs duties is a question independent of the Baghdad Railway scheme, but it [the German newspaper *National-Zeitung*] takes occasion to reiterate that Germany would welcome the participation of British capital and the exercise of 'financial influences' by Great Britain in the enterprise.\(^\text{109}\)

The *Times* would reflect Grey's feelings about treating the Baghdad Railway as a strategic mission than a commercial one. It advocated with the government that the terminal section from Baghdad to Basra should be under Britain so it could function as a bulwark against other hopeful imperial players for the Gulf of Persia. The *Times* stated:

If that railway were constructed, it ought to be an absolute *sine qua non* that England should have control of the section between Baghdad and the Persian Gulf, and that the rest of the line should be under international control. This project, which was commercial at present, by reason of the immense importance of this route to our trade, of our position in Persia, and of the defense of India, was likely to become of even more importance politically than commercially.\(^\text{111}\)

Helfferich acknowledged the Baghdad Railway's political characteristics. He later understood London's apprehension, accepting "the British statesmen and the British public opinion regarding

---


\(^{111}\) *The Times* (London), August 3, 1906, 6c.
the railway as standing outside British control of the approach to the Persian Gulf and the likelihood of a German assessment on the Gulf coast, therein seen as a threat to India.”

Grey's strategic approach to the Baghdad Railway was in conjunction with Russia's desire to freely use the Straits of Bosporus. The Russian Foreign Minister, Alexander Isvolsky, was obsessed with ensuring Russia's access through the Straits to recover his country's faltered trade after the Russo-Japanese War. Russia's merchant marine was always permitted to access the Mediterranean, but Isvolsky feared the prospect of the narrow corridor being under control from either the Germans or the Ottoman Sultan. Therefore, it was proposed that Russia's weak Black Sea fleet be permitted to protect its trade through the Straits as a counter to the German and British presences in the Near East. The Black Sea fleet was not as powerful as the Royal Navy, but it still posed an immediate threat to Suez if it was allowed to escort merchant ships past the Dardanelles. If Britain promoted the idea of internationalizing the Railway, it would send a message of conciliation to the other Great Powers rather than exploiting imperial opportunities, denying the other Powers a pretext to challenge Britain's territorial possessions. Charles Hardinge, the Foreign Under-Secretary and future Viceroy of India, believed that if Russia got involved in Turkish affairs with its Straits policy, it would focus its attention against Germany and not Britain.

Isvolsky was interested in negotiating for the Baghdad Railway as much as he wanted Russia to enjoy free passage through the Straits. He knew the Deutsche Bank's need to receive foreign capital would be opportune for St. Petersburg to gain influence in Railway talks. Although the Russian economy was not on the scale as its Western counterparts, its close

---

112 Helfferich, Der Weltkrieg, 50.
113 Miller, 25-26.
114 Ibid., 26.
alliance with France enlarged the money pool the BRC needed to access. On 29 October 1906, Sir Frank Lascelles, Britain's ambassador to Germany, informed Grey of the Russian Minister's view on the Railway:

[Isvolsky] had expressed the opinion that the Baghdad Railway should be considered a German Undertaking and that Germany should certainly be consulted in any question connected with it. As Germany was seeking for the participation of English, French, and Russian Capital in this undertaking, he was strongly of opinion that any negotiations on the subject should be conducted by the four Powers conjointly and not separately.  

A four-way approach to the Baghdad Railway, or even an Anglo-Russian cooperation, did not sit well with Germany. Isvolsky became aware of this instantly. Arthur Nicolson, Britain's ambassador to Russia, informed Grey of Isvolsky's viewpoint in which "there had been misgivings in the German mind that an understanding between Great Britain and Russia would in a sense isolate Germany." He then told Wilhelm von Schön, Germany's Foreign Minister, that "the main object of our negotiations was to remove 'causes of friction,' as these were the identical words which [Isvolsky] had used at Berlin."  

On 27 November 1906, the Foreign Office communicated to Isvolsky about its suggestion to not invoke the matter of the Railway before the Germans did, but the Foreign Office also told him it would be willing to agree on something along those lines with France and Russia at a later date.  

Few in Britain worried about antagonism between St. Petersburg and London because most were focused on internationalization of the Baghdad Railway. As the *Times* reported on 1 December:

---

115 *British Documents on the Origins of the War*, vol. IV, 248.
116 Ibid., No. 369.
117 Chapman, 81.
It is of at least as much importance to the Great Powers of Europe that
the Baghdad Railway should be under international control, as it was that the
Suez Canal should be so. In the latter instance it has worked to the general
satisfaction, and no doubt in the case of the Baghdad Railway it would work
equally well. Everybody would like to see that... successfully carried out, but
only in conditions which would render it a great international highway under
European and not under exclusively Turco-German control.¹¹⁸

Paul Rohrbach, the Settlement Commissioner for Germany's colonies in Southwest Africa from
1903 to 1906 and one of the most outspoken promoters of German imperialism, reflected on this
international attraction, stating that "the history of the plans of the Baghdad Railway has stood
on its own moment in high grade under the effects of political history, Turkish or otherwise. Not
only England, [but] especially also Russia take at the outset the right of defense through several
claims."¹¹⁹

Whatever the long-term objectives were in the Near East for the Great Powers, Grey's
idea for internationalizing the Baghdad Railway would offer breathing space to alleviate others'
fears of being undermined. German entrepreneurs supported Grey's measure for financial
reasons, but most of Germany's political authorities did not like the idea. When Haldane visited
Berlin in the fall of 1906, he was told by the Kaiser himself "that it would be wrong to infer that
he [Wilhelm] had any critical thought about our entente with France. On the contrary he believed
that it might even facilitate good relations between France and Germany."¹²⁰ Bethmann Hollweg,
who was then serving as the Interior Minister for Prussia, remarked years later that "England...
was looking in the first place to the maintenance of its power group intact, and as the group had

¹¹⁸ "The Baghdad Railway," The Times (London), December 1, 1906, 7d.
¹¹⁹ Paul Rohrbach, Die Bagdadbahn (Berlin: Verlag von Wiegandt & Grieben (G. K. Sarasin), 1911), 28.
¹²⁰ Haldane, Before the War, 37.
been drawn up in battle order against Germany, as was clear to the whole world, this involved [sic] the keeping of the antagonism alive.”¹²¹ In his own post-World War I reflection, Grey commented on the mode through which German foreign policy operated on the Baghdad Railway and its opposition to internationalization in 1906:

> German policy seems to have been based upon the belief that moral scruples and altruistic motives do not count in international affairs. Germany did not believe that they existed in other nations, and she did not assume them for herself. The highest morality, for a German Government, was the national interest; this overrode other considerations, and as such she pursued it at Constantinople.¹²²

While the Entente discussed ways of handling the Baghdad Railway and of responding to the Deutsche Bank's requests for capital, Bülow remained adamant in keeping the Railway under German control and relied on legality to keep the Railway from being internationalized. He sought to keep the other Great Powers respecting German prestige in the Ottoman Empire, and Gwinner and the Deutsche Bank's board of directors were unable to detach the Baghdad Railway from the diplomatic anxiety. The Chancellor tried formal recognition of German ownership to dissuade the British from pursuing any further ambitions in the Railway, as he told his ambassador to Britain Paul Metternich on 9 February 1907:

> The concession for the construction of the Bagdad Railway has been handed over to the Anatolian Railway Company by his majesty the Sultan, in legal form, and has thereby become German property. Sir Charles Hardinge... expressly declared the Bagdad Railway to be an entirely German undertaking...

¹²¹ Bethmann Hollweg, 56.
¹²² Viscount Grey of Fallodon, K. G., 128-129.
Government, Mr. [Walter] Runiciman [Parliamentary Secretary to the Local Government Board], admitted that the concession for the construction of the Bagdad Railway is the property of a German company. On its part, the German syndicate is in a position to carry forward the railway for years to come, without any foreign financial help, so soon as the Porte supplies the securities for the construction provided by its agreement.123

Because the Baghdad Railway had the attention of Britain, France, and Russia, Bülow would not loosen the reins of the Railway, even as the reins themselves were slowly slipping from his grip. As the Railway extended southeastwards towards Mesopotamia and Persia, the prospect of Germany contesting Russia and Britain in Central Asia was becoming believable within the Entente. The Railway's progress prompted the Russians to take a firmer stance against the project, as Nicolson told Grey on 19 February:

Germany would not trouble us... but it would be necessary for Russia to come to an arrangement with her in regard to the Russian zone [of influence]. Such an arrangement could only be made over the Bagdad railway... M. Isvolsky replied that Russia had hitherto assumed an obstructive attitude towards the Bagdad railway. She could withdraw this obstruction on the understanding that Germany engaged to leave her alone in her zone. I understood M. Isvolsky to say that an arrangement in respect to the Bagdad railway should be made 'd'un commun accord.'124

German policy makers did not wish to anger the Russians because they "pursued... the question of segments of the Baghdad Railway between Russia and Germany and getting in view of the

ultimate relation between the Russian-Persian and German-Turkish railway network."¹²⁵ On 31 August 1907, the Russians became members of the Entente by a convention signed between them and the British. The terms addressed British and Russian gains in Central Asia and gave the two states specific territories to govern in Persia, neither of which would overlap. These terms did not include Isvolsky's wish for free access through the Straits of Bosphorus, but he assumed Russia's new friendship with Britain was consent to allow Russian warships to sail in and out of the Straits.¹²⁶

In the middle of November 1907, a conference was held to decide unsolved matters of the Baghdad Railway at Windsor Castle in Britain. Among those present were the Kaiser Wilhelm, Schön the German Foreign Minister, General Karl von Einem the German Minister of War, Metternich the German ambassador, Haldane the British Minister of War, Grey the Foreign Secretary, and King Edward VII. Though the conference was focused on the Railway scheme, it was also a publicity campaign which "depended on Germany thorough reversal of the trending spite from England in 1907."¹²⁷ The Railway's terminus was the main topic of discussion. Schön described the collective anxiety among the British delegates in which "individual English statesmen, for instance the Secretary of State for India, went so far as to fear that if Germany had sole control of the railway she might be in a position to push forward troops towards India."¹²⁸

The fear was confirmed by Haldane, who told the German delegation "that I could not answer for the Foreign Office, but that, speaking as War Minister, one thing I knew we wanted was a 'gate' to protect India from troops coming down the new railway."¹²⁹ Though Haldane had been reiterating Britain's old strategic objective in Southwest Asia, the clergyman Parfit, who was still

¹²⁵ Helfferich, Der Weltkrieg, 76.
¹²⁶ Miller, 26-27.
¹²⁸ Schön, 62.
¹²⁹ Haldane, Before the War, 48.
immersed with both Germans and Ottoman subjects in the region, claimed that "as far back as 1906 there were Germans who openly declared they would make a tool of Islam in the event of a world war and... would fashion the dynamite to blow into the air the rule of the Western Powers from Morocco to Calcutta." The War Minister's request seemed to be a simple concession to the British in exchange for their recognition of German ownership of the Railway. Germany's imperialists were not receptive to the proposition. Rohrbach, in particular, loathed any idea of the Railway terminal section coming under the control of Britain. Ironically, he invoked the Ottomans' right to not be denied the Railway in their own territory:

It is in direct pretension when it was suggested from England, that because the Baghdad Railway builds a new way to India, its terminus must stay under English control. The terminus of the Baghdad Railway, which is wholly a Turkish railroad, can be laid on Turkish land, and as such the English have utterly nothing to find. It must suffice for England when they have the Persian Gulf as a way for a sphere of influence and when the Strait of Hormuz or Bandar Abbas [Gulf city in Iran] actually controls the important passage to India's territorial waters.

Rohrbach was convinced of an inherent conflict between British and German interests regarding the Baghdad Railway. In his 1915 book Germany's Isolation, the former Settlement Commissioner believed "that the Bagdad railroad is equal to political life insurance for Germany" because it was the only bargaining chip the German syndicate had in the Near East.

The Kaiser acquiesced to Haldane's suggestion about giving Britain sole control of the terminal section. If the Germans or Turks did indeed transport troops on the Railway, they could

---

130 Parfit, 102.
131 Rohrbach, Die Bagdadbahn, 48.
still reinforce their hold on Mesopotamia much faster and much more easily than the British could. Agreeing to Haldane's demands would also appease London and grant the Germans a sense of peace in the project. Metternich did not agree with either the Kaiser or Haldane. On 19 November 1907, he sent a message to Bülow after the negotiations explaining his disagreement. Metternich believed that Germany was so distant and bereft of overseas colonies that it could not pose a threat to India even if Germany controlled the Baghdad Railway.

English India would have loved to see... when the Bagdad Railway was not built on the Persian Gulf or in the immediate vicinity... Ask your friends to view the map where Germany lies and where Asia Minor lies, and what is between us, and ask yourselves the question: how can German troops reach Asia Minor? The question is naturally not answered.¹³³

In his *Germany's Isolation*, Rohrbach was in agreement with Metternich's reasoning. As far as he was concerned, the British did not just want their "gate" to protect India, but they also wanted to sever Egypt and Arabia from the Ottoman Empire in case the Baghdad Railway would be used in a military action. Rohrbach, like Metternich, claimed it could never pose such a threat:

[England's] goal was no other than to sever Arabia, the countries adjoining the Euphrates and Tigris, and southern Syria from Turkey, with a view of incorporating them, in some fashion or other, into the enormous territory under her domination. If England were able to exercise a political control, assured against hostile influence, over the territory between the Gulf of Persia and the eastern Mediterranean coast, she may look upon Egypt as immune from

---

attack. Even the completion of a railroad, such as the present German-Turkish plan of a Bagdad line, could not endanger the security of that country.  

Wilhelm did not heed Metternich’s disagreement and he approved Haldane’s plan. Haldane then relayed Wilhelm's approval to the Foreign Office. The Foreign Office responded to Haldane that "the British government would be very glad to discuss the Emperor's suggestion, but that it would be necessary, before making a settlement, to bring into the discussion France and Russia." Wilhelm was fine negotiating solely with Britain, but not with the other two members of the Entente because "he feared that the bringing in Russia particularly, not to speak of France, would cause difficulty." One of the main points of contention during the conference was to decide whether the fate of the Railway should be discussed between Britain and Germany (á deux) or to include Russia and France (á quatre). The Times concurred with the British government, but, officially, the newspaper suggested the Railway be internationalized on the grounds of fair play for Turkey:

In both British and German quarters the opinion is frequently expressed that it might be well for the two Governments to come to an understanding that neither should put difficulties in the way of the other, but should work, if not together, on parallel lines for the economic development of Turkey. In any such arrangement France, of course, would have to be included, and it is undeniable that the three Governments could do a great deal in this way to improve the conditions of the country. 

---

134 Rohrbach, Germany's Isolation, 34-35.
135 Haldane, Before the War, 49.
136 “The Baghdad Railway Scheme,” The Times (London), November 15, 1907, 7b.
When Isvolsky caught wind of the proposal to negotiate the Railway á quatre, he was in league with it because a four-way discussion would be useful in halting the Railway's construction until further notice.¹³⁷

Haldane's fortune got nearly turned around overnight. The Kaiser and his delegation were "ready to discuss... the question of the terminal portion of the railway, but [they] did not desire to bring the other two powers into that discussion, because the conference would probably fail and accentuate the differences between [them] and the other Powers."¹³⁸ To the German imperialists, "the English attempt to delay the Bagdad road... went hand in hand with their attempt completely to isolate Germany from Turkey."¹³⁹ Even if that was the case, the terminal section could not have been utilized while the completed lines went beyond Anatolia. Article 29 of the 1903 convention stated "so long as the main line from Konia to Baghdad is not entirely completed, the concessionaires may not open to traffic the ports of the line from Baghdad to Busra which they may have constructed."¹⁴⁰ This clause ensured that none of the concessionaries could exploit the Railway before it was entirely finished. On the eve of World War I, the Railway had not even reached Aleppo in northern Syria.¹⁴¹

Unfortunately for the delegates at Windsor, the agreement reached between Haldane and Wilhelm would not last long. The agreement that would have recognized British control of the terminal section was blocked by Bülow, who was not present at the conference. Haldane was just as confused as anyone else as to how Bülow convinced Wilhelm to abandon the agreement. In his memoirs, Haldane still had trouble determining the reason: "Whether he did not wish for an

¹³⁷ Chapman, 86.
¹³⁸ Haldane, Before the War, 51.
¹⁴⁰ Baghdad Railway: Convention of March 5, 1903, 43.
expanded entente; whether the feeling was strong in Germany that the Baghdad Railway had become a specifically German concern and should not be shared; or what other reason he may have held, I do not know.\textsuperscript{142} In Bülow's letter to Metternich earlier on 9 February 1907, he declared that "the transfer of the line from Bagdad to the Persian Gulf to England could never be seriously taken into consideration, because the Sultan would never declare himself satisfied with this idea."\textsuperscript{143} The Chancellor believed that if the terminal section came under British control then it would be a green light for the other Great Powers to have better access to controlling the Railway for themselves. Such a prospect could expose Germany's weak hold in the Near East and be exploited by the Entente. Bülow refined his viewpoint about the Windsor conference in another letter to Metternich on 12 June 1908:

Fears about the Bagdad Railway are unfounded and exaggerated. We do not at all exclude the idea of an understanding with Russia and England; we only wish to keep the lead in the work initiated by German enterprise. To conferences \textit{à quatre}, such as England proposed last year, we shall not agree at the present political conjuncture.\textsuperscript{144}

On 25 June 1908, Metternich told the Foreign Office that the German delegation had rejected the proposal of negotiating \textit{à quatre}. The reason was that four-way negotiations would make Germany stand alone against the other three Great Powers.\textsuperscript{145}

Bülow convinced the Kaiser that German hegemony over the Baghdad Railway was more important than cooperation with the other three Great Powers because he believed the conditions attached to any agreement would not be to Germany's benefit. Years afterwards, Haldane

\textsuperscript{142} Haldane, \textit{Before the War}, 52.
\textsuperscript{143} Bülow, \textit{Letters of Prince von Bülow}, 209.
\textsuperscript{144} Bülow, \textit{Letters of Prince von Bülow}, 245-246.
\textsuperscript{145} Chapman, 85.
claimed that "the leaders of [Germany's] opinion were bent on domination to the Near East... For it had become plain that moral considerations would not be allowed by the authorities at Berlin to weigh in the balance against material advantages to be gained by power of domination." In his memoirs, Haldane reflects on a more optimistic conclusion to the Windsor conference:

Although the negotiations terminated in no definite result, they assisted in promoting ease in relations between the two Foreign Offices concerned, and things went for a time smoothly. Grey kept the French and Russians informed about all we did, and he was equally candid with the German Ambassador. 

The conclusion to the conference had two sides. It demonstrated how strong national and political interests can often hinder international cooperation in foreign ventures. However, the conference also showed that the Baghdad Railway was not a device that drove divisions between Germany and the Entente, but rather as an opportunity for mutual gain. The interests of "France and Russia... materially made this question especially concerning in international politics." 

As the conference at Windsor was being concluded, matters in the Ottoman Empire were taking a turn for the worse. In 1908, the empire suffered from lack of grain due to recent bad harvests and popular insurrections against the Sultan. This, however, did not stop Abdul Hamid from further promoting the Baghdad Railway's construction because he was more concerned with security of his borders than internal stability. He showed his dedication to the Baghdad Railway in June 1908 when Constantinople granted Helfferich an additional 840 kilometers for the rail line, through the mountain ranges of the Taurus and the Amanus, on behalf of the

---

146 Haldane, Before the War, 52.
147 Haldane, Richard Burdon Haldane, 238.
148 Helfferich, Der Weltkrieg, 121.
BRC.\textsuperscript{149} As the Railway continued to be built, the empire showed signs of popular discontent for the government as those who became more hungry and poorer underlined the financial and material division within Ottoman society.\textsuperscript{150}

On 24 July 1908, the Sultan was overthrown in a \textit{coup} by a new political party called the Committee of Union and Progress (CUP), commonly known as the Young Turks. Abdul Hamid was ousted and his successor Mehmed V would not become Sultan until 24 April 1909, and only as a figurehead. Kaiser Wilhelm no longer had a friend whom to call when seeking to establish German economic hegemony in the Near East. The BRC, which had been partially dependent on Abdul Hamid to keep competitors at bay, was now at the mercy of a new group of bureaucrats who loathed the Sultan and his inability to manage domestic affairs. The new government in Constantinople consisted of officers who were mostly educated in Britain and France, and they responded often positively to those Powers. Everything for which Wilhelm and the syndicate worked was about to be for naught. Europe's Great Powers, especially Britain and Germany, sought to exploit the brief power vacuum to gain as much favor from the new government as possible. On 28 July 1908, Bülow attempted to convince the Kaiser that most Turks did not support the \textit{coup}:

\begin{quote}
The foreign Press, hostile to Germany, is seeking to represent the present revulsion of feeling in Turkey as an English victory and a German reverse. English papers insinuate that we advised the Sultan in the sense of an early withdrawal of the Constitution... Helfferich tells me that the whole of Islam, all respectable Turks, especially the loyal officers, saw in the Sultan's
\end{quote}

\textsuperscript{149} Gall, et al., 93.
\textsuperscript{150} McMurray, 72.
complete change of attitude the last possible means of saving Turkey, which in
its present economic condition has been going to pieces.\textsuperscript{151}

After the \textit{coup}, the CUP's position soon became untenable. Popular support for the CUP was on the rise before July, but it was not constant. It seized control of the government with the promise to reinstate the old constitution, but that promise became neglected after the Sultan was exiled. The government then became riddled with career office-holders and newly made politicians who sought their own interests. Because of the CUP's inclination to govern on pro-Western policies, the conservative and religious circles in Constantinople were outraged at the new secular authority. Most of the party's problems could not be addressed because three of their leading personalities, Enver Pasha, Ali Faud, and Kâmil Pasha, were absent from the capital.\textsuperscript{152}

Britain's ambassador to Berlin, Lascelles, told Grey that the problems surrounding the CUP's \textit{coup} was a reaction prompted by Western diplomatic intrusion. On 13 August 1908, just before being succeeded as ambassador, he told Grey of the Kaiser's point of view of Turkey's new situation:

\begin{quote}
His Majesty [Kaiser Wilhelm] referred to the recent events in Turkey, which he considered were directly attributable to the visit paid by the King [of England] to the Emperor of Russia at Reval [Tallinn, Estonia]... His Majesty explained that the Young Turk party feared that a close understanding between England and Russia might lead to the imposition of Reforms in Macedonia by foreign agency... The Emperor went on to say that he understood the majority of Diplomatists at Constantinople did not believe in the existence of public opinion in Turkey as a Power which need be taken into consideration. Baron von Marschall had however frequently pointed out that it was a factor which had to
\end{quote}

\textsuperscript{151} Bülow, \textit{Letters of Prince von Bülow}, 251.
\textsuperscript{152} Miller, 62.
be counted with, and that it was powerful enough to compel the Sultan to draw
the sword sooner than yield to the demands of the Powers.\(^\text{153}\)

In contrast, Gwinner claimed in his memoirs that "the English representative in the
administration of the 'Dette Publique,' Sir Henry Babbington Smith, indicated later to me... our...
Baghdad contract from May 1908 [Helfferich's 840 extra kilometers] is the reason behind the
break-out of the Young Turk revolution and the displacement of Abdul Hamid the following
month."\(^\text{154}\)

For Grey, the problem was not the new personalities in charge of the Porte, but it was
their ability to maintain power. So long as the new government in Constantinople was not secure,
neither were Britain's trading firms within the Ottoman Empire. Grey expressed his worries
privately to Sir Gerard Lowther, Britain's new ambassador to the empire, on 23 August 1908:

I was distressed to find when I came into office how completely we had
been ousted from commercial enterprises in Turkey and how apparently
hopeless it was to get any footing there... It seemed as if British enterprise by
itself had no prospect. Since then I have been disappointed to find that a very
poor set of financiers had got commercial enterprises in Turkey into their hands.
It was, I suppose, inevitable under the old regime, for its methods were such that
it did not attract the best class of financier. If Turkey puts its house in order I
hope that good financiers here will come forward and by degrees strengthen the
British influence in such things as the Ottoman Bank.\(^\text{155}\)

Lowther became the new ambassador to the Ottoman Empire on 30 July 1908. This was
followed by the appointment of Sir Richard Crawford as the empire's new Customs

\(^{154}\) Gwinner, 84.
\(^{155}\) Ibid., 267.
Administrator and Sir William Willcocks as counsel for the Department of Public Works in order to improve irrigation projects in Mesopotamia.\textsuperscript{156} Lowther was most apprehensive about his new post. On 23 September, he explained his distrust of the new Ottoman government to Grey:

> That occult body, the Committee, has from the first worked with great mystery. It had no acknowledged head; occasionally persons crept up who were said to be the leading men, but they disappeared to give way to others. At times we were told that the head-quarters were at Salonica, at others at Constantinople, and then again at Monastir [Bitola, Macedonia]. No individual presided permanently. They seemed to desire to avoid the possibility of one man coming to the fore. But they were none the less active in working the elections.\textsuperscript{157}

As the CUP became more accepting of British influence, old Ottoman territories sought to exploit the political weakness that currently constrained the empire. Starting on 5 October 1908, Prince Ferdinand of Bulgaria declared his country's independence, which was followed by the annexation of Bosnia-Herzegovina by Austria-Hungary, which was followed by Crete's declaration to join Greece.\textsuperscript{158} The Austrian annexation proved to be disastrous for Germany's relations with the Ottomans. Germany's ambassador to the Ottomans Bieberstein had intimate ties with the Austro-Hungarians, and before the annexation he even promised the Ottoman government that they would not threaten the empire's sovereignty. The day of the annexation destroyed instantly Bieberstein's credibility.\textsuperscript{159}

> Ironically, the British and the Germans would have to work together for both of them to successfully prosper during Turkey's transition from the Sultan to the CUP. Before the Sultan

\textsuperscript{156} Chapman, 91.  
\textsuperscript{157} British Documents on the Origins of the War, vol. V, 259.  
\textsuperscript{158} McMurray, 76.  
\textsuperscript{159} Ibid., 77.
was overthrown, both Powers had a good idea of where they stood in relation to Constantinople. After July 1908, however, they feared their influence was becoming endangered. The German syndicate was still in need of capital for the terminal stretch to Basra, and since the British still had a vote in Turkey's office of customs duties, the syndicate needed their approval to release the funds from the customs duties to continue construction. Plus, the Ottoman government was still obliged to fulfill its terms in the Baghdad Railway convention, which included paying the BRC per kilometer of completed rail.\(^{160}\) Though Abdul Hamid was out of power, if the Ottomans refused to pay the BRC for the completed segments, then the Public Debt Administration would press them for more compensation on their defaulted loans. One of the empire's more prominent financial institutions, the Imperial Ottoman Bank, which was managed by both the empire and France, responded to the coup by keeping distant from the Deutsche Bank and invested in British firms. Gwinner, Helfferich, and the other main administrators of the Deutsche Bank had to follow the trend of working with the British just to stay in business.\(^{161}\)

Another instance when Anglo-German cooperation was necessary to fulfill strategic and economic interests was the discovery of oil in Mesopotamia. The Anglo-Persian Oil Company was the primary firm in extracting and exporting the oil, except it had the problem of finding a market for it. The company advertised the oil to the Royal Navy as an innovative fuel, but when it failed to attract attention it nearly went bankrupt until it was saved by London's purchases of company shares. Later in 1909, both the British and German parties collaborated to establish the National Bank of Turkey, whose purpose was to get the oil out of Mesopotamia and promote the

\(^{160}\) Joll and Martel, 238.
\(^{161}\) Gall, et al. 74.
Baghdad Railway. British imperialism and commercialism needed to cooperate with the German syndicate just so the British could remain in the Middle East.\textsuperscript{162}

From the summer of 1908, there was a chance that commercial rivalry could be abated between the two Powers. Marschall was optimistic about this prospect, and he needed something to revive his and Germany's image among the Ottomans. On 12 December 1908, Bülow told Britain's new ambassador to Berlin, Sir Edward Goeschen, that matters could be alleviated between the two countries in regards to their projects in Turkey. Grey concurred and told Metternich that so long as the Germans recognized the CUP as legitimate, then a general agreement could be reached.\textsuperscript{163} Marschall was eager to see such a cooperation come to fruition because he believed that any agreement would come at the expense of the alliance between Britain and Russia. Both Marschall and the Kaiser knew the Russians had no desire to see the Ottomans renewed under a new government. If the British wanted to maintain and expand its influence in the Middle East, it was proven that they needed to reconcile their recent competition with the Germans, which meant that the new regime in Turkey needed to be supported and even strengthened. This meant obstructing St. Petersburg's traditional sphere of influence in the Caucasus Mountains and the Black Sea.\textsuperscript{164} Earlier on 15 September 1908, Isvolsky tried to convince other European statesmen to recognize Russia's desire to pass freely through the Straits of Bosporus. This was opportune for Marschall to start negotiating with the British for an alliance since the British continued to support the Ottomans in protecting the Straits from the Tsar's Black Sea fleet.\textsuperscript{165}

\begin{footnotesize}
\textsuperscript{162} Joll and Martel, 239.
\textsuperscript{163} Chapman, 101.
\textsuperscript{164} Ibid., 101-102.
\textsuperscript{165} Fischer, War of Illusions, 331.
\end{footnotesize}
An Anglo-German collaboration in the Near East had better chances of success than a direct alliance between Britain and the Ottoman Empire. After the coup, Kâmil Pasha, the new Grand Vizier, attempted to foster friendly relations with the British by requesting their endorsement of an alliance between the empire, Bulgaria, Serbia, and Montenegro, only to be met with failure. The CUP persisted to gain Britain's favor, and in November 1908, two of its prominent politicians, Dr. Nazım Bey and Ahmed Rıza - the latter of whom was president of the Chamber of Deputies, the Ottoman parliament's lower house - were dispatched to London to negotiate with Grey for an Anglo-Ottoman alliance. Likewise, the result amounted to nothing. Because the CUP was unable to cultivate new alliances on its own terms, the most it could to retain its position was appease the European Great Powers.

As the political distrust among Britain, Germany and Turkey was being addressed, construction of the Baghdad Railway was once more in danger of halting. Helfferich was worried at the repercussions Germany would suffer if the line to Basra was not completed. Any popular backlash in Germany was well bearing if it meant working with the British for the sake of the Railway. On 30 November 1908, Helfferich communicated to Gwinner about his resigned attitude to German domination of the Railway:

We evidently much overestimated our position under the old régime. Many who pretended to be our real friends only did so because the Sultan was the declared friend of Germany... The dream of a Bagdad Railway, German down to the Gulf, is over... We can to-day grant the British the control over the Bagdad-Basra section without the Turks casting us out as betrayers of their country. We can stand it if our pan-Germans cry out about betrayal... I beg you

166 Aksakal, 59.
to consider how, if at all, a speedy understanding over the Bagdad Railway is possible with England - of course in consonance with our interests.¹⁶⁷

Bülow claimed that "since the end of the [British] policy of isolation in the year 1908, England no longer thinks of making her whole international policy, or every detail of her relations with Germany dependent on her antagonism to us." Though it was the Chancellor who wished to exclude British influence from the Baghdad Railway, he later said that "peace and friendship between Germany and England are beneficial to both countries, and that enmity and strife are equally disadvantageous for both."¹⁶⁸ Germany's own Foreign Secretary Schön joined the trend with collaborating with the British on the Railway. On 8 December 1908 he sent a memorandum to Berlin explaining the situation between the Turkish government and the steadily insecure Railway scheme:

> Feeling in Turkey is doubtless unfavourable to the Detusche Bank's enterprises. Seeing that the last Railway Convention was chiefly brought about by means of the baksheesh customs under the old régime, a discussion of this convention in the Turkish Parliament would give our enemies a good opportunity for an attack on German business methods. For this reason and because of the constant British intrigues against us it is not unlikely that the Turkish Parliament may submit the Bagdad Railway Agreements to an unwelcome criticism and ask us to cancel them. This painful situation might be averted by an understanding with England.¹⁶⁹

Grey was not blind to the financial instability in the empire after the CUP coup, and he was hesitant in establishing business syndicates in Turkey so soon without settling matters in the

¹⁶⁸ Bülow, *Imperial Germany*, 110-111.
¹⁶⁹ *German Diplomatic Documents*, XXXVIII. 559.
Railway. Three days after Schön submitted his memorandum in Berlin, on 11 December, Germany's First Secretary in London, Wilhelm von Stumm, submitted his own explanation of Grey's concerns:

"[Grey] said that leading financial circles in England were thinking of extending their activities to Turkey in future. This did not mean any interference with German interests. On the contrary he wished for Anglo-German cooperation in Turkey... A reliable friend in the Foreign Office... told me that the... guarantees for the Bagdad Railway were disliked in England, as they meant much financial injury to Turkey because the enterprise had been greatly over-capitalized in order to assure greater profits for the banks which were finding the money. My informant further told me in strict confidence that Sir E. Grey had refused his support to various British financiers, who had approached him with railway projects in Turkey, on the ground that he wished to avoid conflicting with German commercial interests there.\footnote{Ibid., XXVII. 566.}

Also in December 1908, Constantinople received its latest Briton in its employ. Rear Admiral Sir Douglas Gamble was appointed to modernize the decrepit Ottoman navy. This new appointment, however, would not last long. The initiative was optimistic, but by August 1909, Gamble's faltering health and the lack of progress in improving the Ottomans' naval performance was followed by his resignation. Simultaneously, the Germans were regaining their old favor with Constantinople while Lowther became more distrustful of the CUP.\footnote{Miller, 59-60.}

In February 1909, the fury surrounding the Bosnian annexation crisis was calmed when Austria-Hungary financially compensated the Ottomans. In April, Bulgaria did the same for
The Ottomans were also reinvigorating itself militarily under a German officer, General Colmar von der Goltz. Appointed in June 1909, von der Goltz's mission in modernizing the Ottoman army was meant to enable it to conquer Greece and revive its former reputation as a worthy fighting force. He was asked by the Kaiser to perform this task since the general had spent the 1880s and the 1890s in Constantinople. The Ottomans needed an army more than they needed navy. Continual loss of territory that had been long held in the Balkans severely undermined Turkey's position as a powerful state. As a result, ideas had been circulating about a formal alliance between Germany and the Ottoman Empire, but allying with the Sick Man would benefit Germany's rivals rather than the Germans themselves. If Constantinople and Berlin agreed to a military alliance, it would provide a pretext for reaction from the British and the Russians. Many feared war would follow the creation of such an alliance, and the prospect of the Ottomans holding their own against the Entente was small. Therefore, the Reich's statesmen decided that no alliance would be concluded until the Ottomans were capable of sustaining themselves militarily.

The British sought to make more out of their opportunity in the Ottoman Empire by constructing their own branch line of the Baghdad Railway. Germany's plan was to lay the rail line along the Euphrates River, so the British wished to build a line along the Tigris. Bülow understood Britain's desire for its own branch line, and to him this idea was better than a German-Ottoman alliance. On 10 February 1909, he sent a memorandum to the Permanent Under-Secretary of Foreign Affairs Hardinge, saying "we... wished to make it perfectly clear that the rights and interests of the Eastern Railway, in which German capital was interested, as well

---

172 McMurray, 78.
173 Seymour, 208.
174 Aksakal, 69.
175 Ibid., 70.
as of creditors of the Turkish Debt, should remain safeguarded."

In September, Lowther requested a concession for the Tigris branch that was intended to extend from Baghdad to Basra. The last thing to which the Turks would agree would be another guarantee that they would pay more money to Europeans for extra kilometers that did not seem necessary, especially if both lines were in close proximity to each other. However, Lowther's plan was to fund the project from Britain's own receipts rather than have the Ottomans pay for completed sections. In other words, Britain planned to use the profits from its trade to construct its branch line. Marschall learned of Lowther's initiative and observed its progress. On 25 October 1909, he informed Germany's Foreign Office, the Auswärtiges Amt, of the negotiations' final result:

The Grand Vizir [Hüseyin Hilmi Pasha] tells me... Winston Churchill, the President of the Board of Trade, and General Sir Ian Hamilton declared to Mahmoud Shevket [Turkish Minister of War] that a British syndicate was shortly about to ask for a concession for a railway from the Persian Gulf (Koweit) through Basra to Bagdad, and without any guarantee. Both of them... alleged would be highly advantageous for Turkey. In the meantime Tewfik Pasha [former Minister of Foreign Affairs] has telegraphed from London that similar overtures have been made to him with the observation that the works could begin at once.

Unfortunately for the British syndicate, the Grand Vizier refused to grant the concession simply "for political reasons." On 26 October, Marschall explained to the Auswärtiges Amt what Hilmi Pasha's political reasons were:

---

176 Bülow, Letters of Prince von Bülow, 297.
177 Busch, 314.
178 German Diplomatic Documents, XXVII. 576.
179 Ibid.
The Grand Vizir... sees that the reason for the British opposition to our
Bagdad railway is that a rail connection between the Capital and the vilayet of
Bagdad would strengthen the authority of the Turkish State in the South and
disturb the British aim of expansion northwards from the Persian Gulf. 180

The Grand Vizier believed that if the British branch line was constructed, it would undermine the
recovery of Ottoman power in Mesopotamia.

At the same time when Lowther was requesting railway concessions from the Ottomans,
the Ottomans were seeking to raise their customs duties once again, from 11 percent to 15
percent. Again, they needed permission from the British, who would grant another raise on three
conditions: "1. Erection of Customs offices and other buildings for convenience of trade at
certain spots. 2. Admission of the English market into the larger Turkish loans. 3. The effects of
raising the tariff not to apply in carrying out contracts which were concluded under the old
régime." 181 Similar to the previous customs duties raise, the revenues were not allowed to go to
the BRC. As London and Constantinople negotiated the raise, Gwinner went to speak directly to
Britain's statesmen to gather more of their support for the Baghdad Railway. As director of the
BRC, he was willing to surrender the terminal section to a different company with British,
French, Turkish and German capital, 25 percent from each country. British banks liked
Gwinner's idea, but they could do nothing with it because the government rejected it
immediately; it thought Gwinner's plan was deception just to get more support for the BRC. 182

On 28 October 1909, Metternich told Theobald von Bethmann Hollweg, who had succeeded
Bülow as Chancellor of Germany, of the links between the Turkish customs duties raise and the
British plan for a railway on the Euphrates River:

180 Ibid., XXVII. 579.
181 Ibid., XXVII. 574.
182 McMurray, 80.
It was calculated that British trade would have to bear a considerable portion of it [the raised duties]... It was therefore contemplated here to build a railway in the Euphrates territory, in order to make British trade independent of the Bagdad Railway... As things were no British Foreign Minister could, in face of the country and Parliament, consent to the four per cent. increase without first receiving an assurance from the Turkish Government that the increase of revenue from it was not to be used for extending the Bagdad Railway.\textsuperscript{183}

On 6 February 1910, Bethmann Hollweg reiterated to Marschall the German government's desire of controlling the Baghdad Railway's terminal section:

England's efforts in the Baghdad question have already been declared:

to attain control of the Baghdad-Persian Gulf stretch, which is a task for the rights of Germans. I can represent an agreement about the Baghdad Railway only... before public German opinion when I am present to point out German compensations. The compensations would be found in a general, political agreement. We come without a general agreement, so an understanding must involve the Baghdad Railway with other compensations.\textsuperscript{184}

On 10 February, Metternich told the Chancellor of the financial strain the German syndicate was feeling, and that "England argues... that by taking a share of British capital will lighten the burden, which our group does in fact feel oppressive."\textsuperscript{185} Bethmann Hollweg would not budge on the issue of the terminal section and would follow Bülow's policy of trying to keep it under German control.

The new Chancellor's stubbornness prompted the Ottomans to negotiate with the Germans and British directly about the terminal section. In the summer of 1910, the Ottoman

\textsuperscript{183} *German Diplomatic Documents*, XXVII. 580.
\textsuperscript{184} *Die Auswärtige Politik des Deutschen Reiches*, XXVII/9993.
\textsuperscript{185} *German Diplomatic Documents*, XXVII. 623.
Foreign Minister Rifaat Pasha spoke with the British Foreign Office and learned that London would not back away from the matter of the terminal section unless it was internationalized. Rifaat Pasha was then convinced that the empire would never escape this problem if it tried to play favorites with the Great Powers, so he proposed the plan of having a Turkish company build the terminal section. On 4 July 1910, the Foreign Minister presented his idea to the German chargé d'affaires in Constantinople, who promised Rifaat Pasha he would bring the matter before the German government and he would also speak with Helfferich about it. On 27 July, Britain announced it would surrender the terminal section to a Turkish company under certain conditions. The conditions were Turkish ownership would be permanent, British merchants would not be subject to price discrimination on the Baghdad Railway, that 60 percent of all the rolling stock and construction materials for the terminus would be provided by British suppliers, and another section of the Railway would be built by the British through Kuwait, which had been under British influence since 1899. Britain knew that Ottoman control of the terminal section alone would not be enough to bring the empire back to a strong position economically or militarily. The Ottomans were aware of this and knew that they needed a revitalized military to take control of their own affairs again. On 30 July 1910, Lowther told Grey of the empire's hope for a stronger army and how it would work in the Ottoman-German partnership:

Mahmoud Shevket has more than once said that all Turkey requires is a strong military force and with that her position is assured. Germany has... encouraged that view and she does not have to provide the funds required to furnish the latest military equipment, which is however naturally for the greater part purchased in Germany... The Turks think, rightly or wrongly, that Germany has at any rate in the near future no political designs in this country and that her

---

186 Chapman, 118.  
187 Cohen, 200.
aspirations are purely commercial, that these cannot injure them and that the Bagdad Line must inevitably be of advantage both from the military point of view and for the development of Asia Minor.\textsuperscript{188}

Ottoman dependence on the Great Powers was taking its toll, and in 1910 the Finance Ministry declared that no more railway concessions with guarantees would be granted. The empire wanted to avoid anymore financial traps, but their economy would fare no better. By mid-1910, Mehmet Cavid Bey, the Ottoman Finance Minister, asked London and Paris for loans in order to make the empire less dependent on the Public Debt Administration. Because the Debt Administration was dominated by the Western Powers, both the British and the French denied Cavid Bey's request.\textsuperscript{189} The Ottomans got a better hold of their finances in the imperial budget of 1909 to 1910, the first accurate budget published after the CUP coup. In this latest budget, the Ottomans recorded T£25.1 million (Turkish pounds) in revenue and T£32.1 million in expenditure. T£11 million were paid to the Debt Administration.\textsuperscript{190} Germany was also not so eager to give the Ottomans a loan, but it did sell six warships to their navy.\textsuperscript{191} In December 1910, Helfferich took advantage of the empire's need and proposed a loan on behalf of Germany. The loan would be 160 million francs with an interest rate of 4 percent and a repayment period of 98 years. With Helfferich's loan approved by both Berlin and Vienna, the CUP accepted it.\textsuperscript{192}

By 1911, several eastern segments of the Baghdad Railway had begun construction, and it was speculated that the whole length of the Railway would reach Baghdad by 1915.\textsuperscript{193} Throughout the year, however, most of the British public was concerned with internal affairs

\textsuperscript{188} British Documents on the Origins of the War, vol. IX, 161. 
\textsuperscript{189} Aksakal, 60. 
\textsuperscript{190} Feis, 315. 
\textsuperscript{191} Aksakal., 62. 
\textsuperscript{192} McMurray, 83. 
\textsuperscript{193} Chapman, 139.
such as social legislation and the national budget, not foreign policy or the Railway. On 10 February 1911, as plans for a Turkish company to control the terminal section were being laid, Marschall told the Auswärtiges Amt of the terms demanded by the new Grand Vizier Ibrahim Hakkı Pasha:

The Grand Vizir’s... idea is to form a new company for the Gulf line - Turkey's share to be 40 per cent., and that of the Germans, French and British to be 20 per cent. each. The Chairman of the Board is always to be a Turk... The Company [BRC] had declared its readiness to renounce the 4 per cent. increase of the Customs tariff unconditionally. The original idea of constructing the Gulf line under the Turkish government had been given up. The present plan was to form the new company with British, Turkish, German and French capital in proportions to be agreed upon... The Porte was obliged to stress the point that the terminus of the line must be under its control, i.e., a Turkish Custom House and Turkish police to be installed there. After Koweit, Basra, as a terminus would have to be considered.

Hakkı Pasha proved to be more resistant to the British syndicate than his predecessors or other Ottoman statesmen. Above all, he was adamant with keeping the 4 percent rise of customs dues no matter what would happen. His attitude towards the British worried even the new German Foreign Secretary and Schön's successor, Alfred von Kiderlen-Wächter. On 10 March 1911, Kiderlen-Wächter pleaded with Marschall to sway the Grand Vizier from his strong stance against the British:

Please discuss Sir Edward Grey's speech yesterday in the House of Commons... with the Grand Vizir: 'We have neither right nor claim to protest

---

194 Ibid., 136.
195 German Diplomatic Documents, XXVII. 670.
against the completion of the Bagdad Railway by German concessionaries and the Turks in accordance with the terms of the concession. This undisguised confession will make it easier for the Grand Vizir to realise that his anxiety regarding the British susceptibilities is exaggerated. Sir Edward Grey's intelligent view of the matter offers hope of a universally satisfactory conclusion to the Bagdad Railway question.¹⁹⁶

On the same day, Metternich told Bethmann Hollweg that Britain did not approve of the Ottomans' proposals for the Baghdad Railway, "but this did not exclude the possibility of an understanding." The understanding Metternich mentioned was "England's approval to maintain an increase in [Turkish] duties, and... winning financial support of the English and French money markets" for Germany.¹⁹⁷ On 11 March, Marschall responded to the Auswärtiges Amt:

Hakki Pacha... had been pleased by the passage declaring England had no right to object... But unfortunately... Sir E. Grey declared definitely that, as the railway was competing with British concessionaires - meaning Lynch and his Tigris navigation - England would not consent to the 4 per cent. increase... Sir Edward Grey's words made the following impression: 'You Turks may let the Bagdad Railway be built, which you have conceded to the Germans, but England will take care to protect her own interests.' This indirect threat showed that the opening sentence of the speech was not honestly meant.¹⁹⁸

To Marschall, the British never changed their stance on the Baghdad Railway or on the Ottoman Empire after the Grand Vizier announced his ambitious plan. In fact, soon after Marschall sent his message to the Auswärtiges Amt, Germany's chargé d'affaires in London

¹⁹⁶ Ibid., XXVII. 682.
¹⁹⁸ German Diplomatic Documents, XXVII. 682.
Richard von Kühlmann said that Britain's Foreign Office "asked the War Ministry, the Admiralty and the Board of Trade to show reviews on the matter in deciding which department will jar through the railway construction, and which claim from those departments' standpoints will be recommended."

In other words, Kühlmann suggested the British government wished to disrupt construction of the terminal section. Grey later admitted that the British government in 1911 "somehow engaged in blocking Germany's projects in other parts of the world. We were bound to oppose her plans, where they were inimical or dangerous to British interests." Germany's imperialists had been claiming for years what Grey stated. Rohrbach, for example, believed that "the English attempt to delay the Bagdad road by consistently objecting to any improvement in the Turkish customhouse, went hand in hand with their attempt completely to isolate Germany and Turkey." Helfferich wanted the Germans to retain interest in the Turkish company that was planned to construct the terminal section. He believed that until the terminus "is transmitted to a newly formed Turkish company... the German interest to the company will not be rated less as that of any other non-Turkish group."

On 21 March 1911, the BRC signed another convention with Constantinople. It was supplementary to the original 1903 convention, but not as rewarding. The new convention said that the BRC could build extra railway segments from Tel Helif in northern Syria to Baghdad, but the Ottoman treasury would not grant the BRC any more financial commitments and the company would not construct any railway section that went south from Baghdad. In exchange, the BRC would build a secondary railway leading from Iskenderun on Turkey's southern coast to Osmaniye, which lied on the Baghdad Railway and was 70 kilometers north of Iskenderun.

---

199 Die Große Politik, Nr. 11464.
200 Viscount Grey of Fallodon, 117.
201 Rohrbach, German World Policies, 168.
202 Helfferich, Der Weltkrieg, 137.
supplementary railway would give the German syndicate an exclusive supply channel from the Mediterranean port city to the Baghdad Railway.\textsuperscript{203} This was a good way for Germany to retain its interests because Germany, by 1911, had already invested T£30 million into the empire.\textsuperscript{204}

In the Second Morocco Crisis of July 1911, Germany was left in a worse position diplomatically. Before, Kaiser Wilhelm only spoke of defending Moroccan sovereignty against the French. Now he sent the warship \textit{Panther} to Agadir, alarming the Entente, especially the French, into preparing for a possible war with Germany. "When French bankers so abruptly called in their German loans and caused wholesale liquidation by the German borrowers," it revealed the "evidence of the dependence of Germany upon foreign capital" and, by extension, the BRC's dependence on it as well.\textsuperscript{205} Grey saw parallels in the First and Second Crises, believing the "Conference at Algeciras in 1906 [was] an attempt to break the... Entente by demonstrating to France that friendship with Britain would bring France more trouble than help. On this assumption Agadir would be a second attempt to effect the same object."\textsuperscript{206} Agadir had little direct effect on the Baghdad Railway, but the dispatch of the \textit{Panther} further solidified the Anglo-French alliance. The French became especially concerned with German imperialism, and "in the crisis of... 1911, when they had thought war to be possibly imminent, they had pressed for some undertaking or promise of help from" the British.\textsuperscript{207} Wilhelm's attempt at gunboat diplomacy severely hurt Germany's chances of gaining anymore concessions for the Baghdad Railway because of approval needed through the Public Debt Administration.

\textsuperscript{203} McMurray, 84.
\textsuperscript{204} Harry N. Howard, \textit{The Partition of Turkey: A Diplomatic History, 1913-1923} (New York: Howard Fertig, 1966), 48.
\textsuperscript{206} Viscount Grey of Fallodon, 230-231.
\textsuperscript{207} Ibid., 275-276.
As Germany continued to make a colonial legacy, Britain became more aware of the German influence on the Ottoman Empire through the Baghdad Railway. 1911 was the year when the Chancellor of the Exchequer, David Lloyd George, told the House of Commons that the kilometric guarantees of 1903 still gave the German syndicate a strong grip on Ottoman finances.\footnote{Earle, 200-201.} Lloyd George was very aggressive against German expansion beyond Europe, but he had reason to fear Germany's continued hold on the Railway. On 19 August 1911, Germany and Russia signed an agreement regarding their spheres of influence in the Middle East. The agreement was reached between the two countries in Potsdam in November 1910, but when it was finally signed it give the British cause for concern. Russia would recognize Germany's ownership of the Railway while Germany would recognize Russia's position in Persia and give Russia permission to build its own segment of the Baghdad Railway to Persia and not to the Gulf. Britain viewed this treaty as another German move to drive a wedge between members of the Entente.\footnote{Sweet, in \textit{British Foreign Policy Under Sir Edward Grey}, 231.} The British did not believe that the Russo-German agreement would help Germany regain economic or political influence in the Near East. Instead, they feared that the agreement would make Russia a threat to India once more. Therefore, many of Britain's statesmen desperately sought to preserve their alliance with the Russians at any cost.\footnote{Joll and Martel, 247.}

The British tried harder to get the terminal section built through Kuwait, but Hakkı Pasha especially did not want the terminal section built there. He told Bieberstein earlier in March 1911 that "if England does not give up Kuwait, we will lay the endpoint at Basra."\footnote{Die Auswärtige Politik des Deutschen Reiches, XXVII/10034.} On 22 August 1911, the German \textit{chargé d'affaires} in London told Bethmann Hollweg that "the Turkish ambassador in London [Djavid Bey] said to me that England is conceding to just nominal
sovereignty, or rather suzerainty, than having to bind itself to the Sheik, without suffering thoroughgoing influence from Turkey in Kuwait; namely England preserves that there not always be a presence of Turkish soldiers.\textsuperscript{212} Another blow to the Railway's progress was the Italian invasion of the Ottoman province of Tripoli on 29 September. The Italo-Turkish War slowed the Railway's construction further when many of the workers were conscripted, disorganizing supply routes to the Railway and having the BRC use its resources in replacing the enlisted workmen.\textsuperscript{213} Even as the Railway's progress lagged from the war, the British and Germans still negotiated about a customs duties raise. On 20 December 1911, Metternich told Bethmann Hollweg how the British were planning to deal with the customs duties issue:

Sir Edward Grey... can put before Parliament the English approval for the four percent increase for customs dues, which the major English traders are meeting only then to defend if this is for the guaranteed Baghdad-Gulf stretch against the tariff discrimination and not expose England's strategic position in the Persian Gulf... He has spoken with the English trade department about the tariff question. This is the answer, that security against differentiation will only then be won if at the stipulation of the tariff on the Baghdad-Gulf stretch... if also an English voice will be admitted in the management board of the entire line to Baghdad.\textsuperscript{214}

There would still be attempts between Britain and Germany to maintain peaceful relations. On 29 January 1912, the British banker Sir Ernest Cassel gave Kaiser Wilhelm a memorandum explaining Britain's new cordial approach to German imperialism. It said "England sincerely desires not to interfere with German colonial expansion. To give effect to this she is prepared forthwith to discuss whatever the German aspirations in that direction may be. England

\textsuperscript{212} \textit{Die Große Politik}, Nr. 11474.  
\textsuperscript{213} McMurray, 92.  
\textsuperscript{214} \textit{Die Große Politik}, Nr. 13344.
will be glad to know that there is a field or special points where she can help Germany." In February, Haldane went to Berlin and discussed with the Kaiser and the Bethmann Hollweg in Berlin possible solutions to their diplomatic issues, including the Baghdad Railway. The Chancellor gave Haldane a series of proposals that could end their problems: if Britain allowed the Turkish customs duties raise, then Germany will give Britain the terminal section, and then Britain would allow Germany to construct railway extensions in Persia. Haldane, in turn, "offered... to cede Zanzibar and Pemba in return for [Germany] satisfying British wishes regarding the Bagdad Railway." When Metternich learned of the proposals he complained to Bethmann Hollweg on 1 March that "now they raise difficulties about the two islands and describe the concession regarding the Bagdad Railway as insufficient."

Britain changed its stance on German expansion once more and focused again on the terminal section. On 31 March 1912, Marschall informed the Chancellor of Britain's newest demand:

In a memorandum returned by the British Government... the following sentence was added: 'The British Government must stipulate that in the event of the railway ever being prolonged to the Persian Gulf, it must be brought to Koweit under conditions to be settled by agreement between Great Britain and Turkey alone, and a clause to this effect must be embodied in a convention dealing with these matters'... The Turkish Council of Ministers wishes to avoid a discussion about the Basra-Koweit section, and has proposed Basra to England as the definite terminal of the line. [Foreign Minister] Assim Bey... says that the reason for it is that, in the present political situation, it does not appear suitable

215 German Diplomatic Documents, XXXI. 97.
216 Chapman, 170.
217 German Diplomatic Documents, XXXI. 145.
On 8 October 1912, the Balkan Wars erupted, throwing the Ottoman Empire into disarray. Not only did the Ottomans risk losing the last of their European territories, but the wars' location threatened to bring in the influence of the Great Powers. Like the Italo-Turkish War for Tripoli, more of the Railway's workers were conscripted into the Ottoman army. Challenges with replacing skilled personnel were so rampant that the BRC created a subsidiary company to solve the problem: the Company for the Construction of Railways in Turkey (CCRT). The CCRT itself was riddled with complications. Though it was founded by the BRC, the CCRT was established with German, French, Austrian, Italian, and Swiss capital. It was based in Glarus, Switzerland with regional headquarters in the Ottoman cities of Eregli, Adana, and Aleppo, and it was managed by the firm Philip Holzmann AG in Frankfurt. Matters were further complicated when the only workers the CCRT could recruit were those who were found unfit for the Ottoman army. The replacements performed so poorly that the CCRT recorded 94,000 francs in deficit. Before October 1912, the BRC had 406 employees, and now it had only 309.219 The Balkan Wars concerned also the Great Powers' interests in Turkey, and they hurt Britain's most of all. From 1910 to 1912, Britain had the most profitable trade with the Ottomans than any of the other European Powers with over 162 million marks worth of exports to Turkey and receiving 100 million marks worth of Turkish imports. In the same period, Germany only had 80 million marks and 25 million marks respectively, both of which were less than that of Austria-Hungary.220

---

218 Ibid., XXXI. 332.
219 McMurray, 94.
220 Müller, 59.
London regained an advantage in the diplomacy of the Baghdad Railway when Bieberstein succeeded Metternich as ambassador to Britain in 1912. Bieberstein's newest appointment was not a serious duty because his failing health kept him from being anymore effective in Constantinople. He died on 24 September and the post was filled by Karl Lichnowsky, who was more understanding with the British than his predecessors. Lichnowsky always believed Britain's approach to German expansion as cordial. In a pamphlet he published after World War I, Lichnowsky believed there was still time and room to negotiate even as late as November 1912:

Sir Edward Grey had not relinquished the idea of arriving at an agreement with us, and in the first place tried to do this in colonial and economic questions. Conversations were in progress with the capable and business-like Envoy von Kühlmann concerning the renewal of the Portuguese colonial agreement and Mesopotamia (Bagdad Railway), the unavowed object of which was to divide both the colonies and Asia Minor into spheres of influence.221

While Lichnowsky negotiated with Grey, Germany announced that now it wanted political influence over the Straits of Bosporus rather than let the Russians have them:

Instead of coming to terms with Russia on a basis of the independence of the Sultan, whom even Petrograd did not wish to eject from Constantinople, and of confining ourselves to our economic interests in the Near East and to the partitioning of Asia Minor into spheres of influence while renouncing any intention of military or political influence, it was our political ambition to dominate on the Bosporus.222

221 Lichnowsky, 4.
222 Ibid., 7.
As much as the Great Powers wanted to protect their Ottoman interests, the CUP was just as determined to keep the empire intact for as long as it could in the midst of the Balkan Wars. When Kâmil Pasha, who was serving his fourth term as Grand Vizier, sought to end the conflict with an armistice on 23 January 1913, most of the CUP responded with another coup led by his former colleague Enver Pasha. Also in January, Grey tried to reassure Germany that in the event of a Turkish partition it would be involved as much as Russia, France or Britain. The Foreign Secretary wanted to ensure that Turkey would not go the same way as Morocco.223

As the Balkan Wars continued, Helfferich published Germany's Economic Progress and National Wealth. In it, he argues that Germany was rebounding from its earlier financial shortcomings and becoming an economic powerbase:

> Germany's foreign trade has grown more rapidly... than that of the other countries, even that of the United States. Ours gained more than threefold, that of the United States two-and-three-fourths times, England's was somewhat more than doubled, and that of France not quite doubled... Germany's foreign trade... now exceeds [France's] by more than half; and whereas it was then not much more than half of England's trade, it is now 85 per cent of it.224

Helfferich emphasized particularly how Germany's sea trade improved phenomenally since Wilhelm became Kaiser:

> In 1913 the net register-tonnage of steamships was six times as great as in the year 1888; and where as the tonnage of steamers at that time was only about three-fifths as great as that of sailing vessels, it is now nearly seven times as great. Out of a gross steam tonnage amounting to about 4 400 000 tons on

---

223 Marian Kent, "Constantinople and Asiatic Turkey," in British Foreign Policy Under Sir Edward Grey, 155.
224 Helfferich, Germany's Economic Progress and National Wealth, 74.
January 1, 1913, about one-fourth was represented by steamers less than five years old, and more than half by steamers less than ten years old.  

Ottoman trade was certainly valuable to the Germans, but also to the British. In 1913, while Ottoman exports to Germany were only worth T£1.2 million, German exports to the empire were valued at T£4.7 million. Ottoman exports to Britain, on the other hand, were T£4.7 million and British exports to the empire were worth T£8.1 million. Profitable trade with the Ottomans was enough to convince Grey there was still time for Britain and Germany to compromise on the terminal section. On 24 February 1913, Lichnowsky told Bethmann Hollweg about the British Foreign Office's newest program for the Baghdad Railway, which was discussed with Hakkı Pasha in London:

The British programme included the following points: 1. A declaration that - assuming that we consented - the section from Bagdad to Basra should be a Turkish State railway. 2. The section from Basra to Koweit not to be built until complete agreement has been attained between the powers concerned... on all questions involved, and 3. On the whole of the Bagdad line there must be no unfair treatment by means of tariffs etc.

The German government continued to distrust British intentions. Berlin knew Grey did not want the Baghdad Railway to become an economic issue, but it preferred the Railway was not interpreted by the British as a strategic matter. On 25 March 1913, Gottlieb von Jagow, who had succeeded Kiderlen-Wächter as Foreign Minsiter, told Lichnowsky to learn more about Britain's objective for the Railway:

225 Ibid., 75.
227 German Diplomatic Documents, XXXVII. 141.
In your conversations with British statesmen... If [the Railway] is mentioned speak on the lines of the [Deutsche] bank's statement: It is sufficiently known from the beginning we have pursued commercial schemes only, but the attitude of the British Press and the Opposition has been... to stamp it as a political question. In order to reach an agreement we must become more precisely informed of what England wants and is prepared to give. At present we are clear on neither point... An agreement on any basis other than *do ut des* [contract of exchange] could not be suggested to the Bagdad Railway Company, nor could the [Ottoman] Imperial Government defend it before public opinion. We are in no way forced to promote the understanding however much we may welcome it, but, being in possession of well documented rights, we can easily wait for events to develop further; whereas if England clings to her opposition, she might delay the work, but she cannot prevent its final completion.²²⁸

The British government wanted to be as cordial as possible with Germany's foreign policy in Europe, but it was a different matter in the Near East. After the second CUP *coup* in January 1913, Britain was wary of forming trust with Constantinople. With Enver Pasha as the *de facto* head of the new government and Mahmoud Shevket Pasha as Grand Vizier - and Kâmil's replacement - the empire shifted back towards its pro-German attitude. As a result, the British were willing to improve their relations with Germany if it meant protecting their Near Eastern interests. Bieberstein's successor as ambassador to the Ottomans, Hans von Wangenheim, informed Bethmann Hollweg on 24 April 1913 of Britain's attitude in the empire:

> Here in Turkey the British are noticeably turning away from Russia and making an effort to come to terms with Germany... But there are unfortunately no signs to indicate that British policy has changed its attitude towards Germany's aspirations in Turkey. On the contrary it is my impression that the

²²⁸ Ibid., XXXVII. 154.
British Government still regards our activities in Turkey with suspicion and is trying to lay obstacles in our path in every possible way. An instance of this is the British attempt to bring old Kâmil back into power and get Mahmoud Shevket out, because he is an open friend to Germany.  

Shevket Pasha, like Hakkı Pasha, wanted the empire to stand on its own and not be supported by Europeans. He wanted to institute internal reforms. On 26 April, the Grand Vizier spoke with Wangenheim about dividing the responsibility of reforming Ottoman institutions among the Europeans. He told Wangenheim that Germany, with its charge of modernizing the Ottoman education system and army, would be the most influential party in the program.

In early May 1913, while Shevket Pasha was planning for further Ottoman reforms, Henry Lynch, chairman of the Lynch Brothers company - which fought for navigation rights on the Tigris River - tried to enter negotiations for the Baghdad Railway. Grey told Lichnowsky "that the very active Mr. Lynch... was producing a general impression of being very intimate with official circles in England" and he "acquired a right to speak for them confidentially or semi-officially." The problem was Lynch did not speak for the Foreign Office, nor did he share Grey's objective of finalizing a terminus for the Railway. Lynch's initiative would jeopardize the Foreign Secretary's plan for a settlement on a terminus. On 9 May 1913, Lichnowsky told Bethmann Hollweg that "Grey considered it a condition of the success he hoped for in our discussions that the conversation should be confined to the official and accredited representatives only... the Foreign Office does not altogether trust Mr. Lynch." However, the Foreign Office did want Lynch's company to maintain its monopoly on trade on the Tigris River. Grey simply

---

229 Ibid., XXXVII. 163.
230 Fischer, War of Illusions, 333.
231 German Diplomatic Documents, XXXVII. 173.
did not want Lynch to be overtaken by other firms for the river trade. Lichnowsky tried to dissuade Grey from supporting Lynch, and he told the Chancellor on 21 June:

In spite of strong efforts it has been impossible to induce the British to give up the monopoly for navigating the river. Sir E. Grey regards it as a counterweight for having entirely renounced participation in the railway and would not conclude the Agreement without it. But he is ready to give every possible guarantee that our trade shall enjoy full equality of rights on the river...
The British Government... wish to restrict his [Lynch's] influence as much as possible.\textsuperscript{232}

Gwinner, unlike Lynch, was acknowledged by the German government to join Lichnowsky and the envoy Richard von Kühlmann in June 1913 in London to negotiate with the British on the terminal section.\textsuperscript{233} Jagow preferred an agreement similar to Grey's, that the navigation on the Tigris be available to all business parties and not be under a German monopoly. On 3 September, he told Kühlmann that German ownership of the Baghdad Railway was enough:

We have no interest in showing favour to the navigation of the Tigris and Euphrates, which will be more or less in competition with the Bagdad Railway and in which we shall receive a comparatively paltry share. We would far rather that the irrigation works in Mesopotamia should thoroughly open up the country and provide generous freights for our railway.\textsuperscript{234}

As the British and Germans negotiated still over the terminal section, the Ottoman Empire formed into an authoritarian government under Enver Pasha, Djemal Pasha, and Talaat Pasha. The empire's poor performance in the Balkan Wars cost it most of its European domains,

\textsuperscript{232} Ibid., XXXVII. 197.
\textsuperscript{233} Gwinner, 86.
\textsuperscript{234} \textit{German Diplomatic Documents}, XXXVII. 232.
and the three pashas initiated their own internal reforms including strengthening provincial administration, reorganizing taxation, and limiting the civil rights of the empire's minority peoples. On 30 June 1913, on request from Enver Pasha, Kaiser Wilhelm appointed General Liman von Sanders to lead a mission of 42 German officers in Constantinople. The Balkan Wars proved the ineptitude of the Ottoman military, and both Enver Pasha and the Grand Vizier Shevket Pasha believed that German instruction was their best chance to repair their army's reputation as a capable fighting force. Liman's mission, meant to last for five years, empowered him to inspect the Ottoman military, appoint capable officers, administer military training institutions, and direct the empire's war council. Unfortunately, problems arose immediately between the two main Germans in Turkey, Liman and Wangenheim. Wangenheim never liked Liman because the general always pushed his authority from simply observing and training Ottoman soldiers to intruding into diplomatic matters. Specifically, Liman went so far as attempting to direct Ottoman foreign policy without consulting the ambassador.

On 10 August 1913, the Treaty of Bucharest ended the Balkan Wars. The peace that followed gave both the Ottomans and the Germans worry instead of relief. Not only was Ottoman imperial influence greatly reduced in Europe, but Serbia greatly enlarged its territory, scaring Turkey and Germany into believing that the Balkan Peninsula would fall into the hands of the Slavs and strengthening influence from Russia. Turkey lost many of its Aegean islands to Italy and Greece. Germany's close friend in the Balkans, Bulgaria, was less strong than before because the treaty forced it to dismantle its military fortresses. The Ottomans became doubtful about the Germans' assistance to keep the empire strong. Liman's mission became more

---

235 McMurray, 96.
236 Howard, 40.
237 Fischer, War of Illusions, 337.
important in Ottoman affairs after the Treaty of Bucharest because it was the only significant
German presence in Constantinople that could make an impression on Enver Pasha. With the
loss of most of the Balkan territories, the CUP considered closer relations with Russia, but
Wangenheim and Liman both convinced the government not to do so. Bethmann Hollweg also
tried to keep Constantinople in league with Berlin. On 17 November 1913, the Chancellor spoke
with Russia's Prime Minister Vladimir Kokovstov in St. Petersburg and attempted to reassure
him that Liman's mission was nothing more than an exercise in the Turco-German friendship.
Germany was desperate to keep the Ottoman Empire from weakening further, otherwise a
Turkish partition would negate years' worth of Berlin's policies and investment in the Near East.
Only the Ottoman army was capable of keeping the empire together.

The German negotiators in Britain, meanwhile, fared hardly better. On 4 November 1913,
Kühlmann communicated to Bethmann Hollweg that "Sir Edward Grey has reserved himself the
final move" for concluding a settlement with the Baghdad Railway. On 20 November, the
Foreign Office brought in other departments to secure Britain's river navigation interests in
Mesopotamia as more leverage when the Germans asked for more concessions for the
Railway. On 24 January 1914, Jagow warned Lichnowsky not to let London fully control the
rivers in Mesopotamia or else the rivers would be used to disrupt the full utility of the Baghdad
Railway:

As regards irrigation... the British Government wish to obtain a
promise from the Porte that the British firms, which have been working on an
irrigation scheme for Mesopotamia, shall be entrusted with the task of carrying

---

238 Howard, 74.
239 Fischer, War of Illusions, 339.
240 Die Große Politik, Nr. 14787.
241 Ibid., Nr. 17495.
this out... There is a very obvious danger of such a monopoly covering the whole of South and centre of Mesopotamia. Thus not only the river navigation, but also the cultivation of the soil would be delivered into the hands of the British... and the Bagdad Railway would be left in the cold as a business enterprise. 242

On 25 January, the German Foreign Minister told Wangenheim the same message and alerted him about the significance of the British leverage against the Railway:

Despite the explanation of the... Foreign Office, that the English government sought in no way a monopoly on irrigation in Mesopotamia, the danger of such a monopoly for all of southern and central Mesopotamia is very near. Next to the river traffic the land culture would have lied in the hands of the English, and the Baghdad Railway would have been neutralized as an economic project. Such a development of these things cannot be wished upon Turkey, for it is already materially and financially interested in the Baghdad project because of the kilometric guarantees. Just as much we could accept Mesopotamia being delivered to England. 243

By March 1914, the British were considering using some of the Baghdad Railway's "local lines serving as feeders for river navigation." 244 On 18 March, the Deutsche Bank's representative in London told Helfferich how this "could not be our loss, meaning they [the British] have to respect the fixed protection zone of the Baghdad Railway. Such 'feeders' I think are feasible only on the lower Tigris, and the small market... is for the Baghdad Railway." 245 Since the lower Tigris led to Basra, the British would have to extend the Railway towards their major port if they wanted to use the line as a "feeder."

242 German Diplomatic Documents, XXXVII. 343.
243 Die Große Politik, Nr. 14812.
244 Ibid., Nr. 14846.
245 Ibid.
In the meantime, the Ottomans tried to distance themselves from Britain's oversight of their financial policies. On 22 April 1914, Lichnowsky got word that Constantinople issued an alternative to Britain's refusal of granting the four percent increase in Turkish customs duties. If London would not permit the raise, then the British post office in the empire would be abolished and British merchants would be subject to the Temettu tax, which was a tax on profits made by merchants, businessmen, and artisans.246

Matters in the Ottoman Empire escalated again soon afterwards. In May 1914, the German General Staff sent an officer, known only as Major Kübel, to join Liman's military mission to adapt the empire's railway for times of war within six months. The first problem with Kübel's dispatch was that the Chancellor, the Auswärtiges Amt, and Wangenheim were not told of this.247 Because Kübel was charged with the railways, he had direct access to the Ottoman War Ministry. He tried to supervise the empire's military leaders, his superiors, in preparing the rail networks and even asked for 100 million marks for the project. Kübel could ask for all this because he was supported by Liman. As long as Kübel held his post, he directed the War Ministry against the interests of the BRC. In other words, he wanted the Railway to be used as a military asset first and a business venture second. Wangenheim, who recognized the BRC's purpose in Germany's Near East policy and who despised Liman, likewise hated Kübel for being so headstrong. The ambassador requested the Auswärtiges Amt to relieve Kübel, and although Jagow agreed the major was a liability, Kübel remained because his superior and supporter Liman was favored by the Kaiser. Ultimately, on 13 June 1914, the Deutsche Bank convinced Wilhelm that Kübel's activities were threatening the Baghdad Railway, and the major was finally

246 Ibid., 14876.
247 Fischer, Germany's Aims in the First World War, 46.
Kübel threatened the Railway because he believed the military mission was the ultimate goal of Germany's policy in Turkey and tried to use the Railway to make it more influential. He ignored the fact that it was the Railway that needed assistance from the mission.

The Baghdad Railway was progressing well enough that Kübel's presence proved entirely unnecessary. By June 1914, of the approximately 750 kilometers that lie between Tel Helif and Baghdad, 75 were either open to be used for the Railway or under construction. However, most of the Railway was only currently operating from Turkey to northern Syria. Miraculously, on 15 June, an agreement was finally reached between Grey and Lichnowsky that had a chance of settling the matter of the Baghdad Railway once and for all. The British "made preparations for the contingency of German aggression," but as far as Grey was concerned the British "had shown our readiness to meet [Germany] over the Bagdad Railway." Lichnowsky summarized the terms of the agreement in his post-war pamphlet:

In consultation with a Turkish representative, Hakki Pasha, all economic questions concerning German undertakings were settled in the main according to the wishes of the Deutsche Bank. The most important concession Sir E. Grey made to me personally was the continuation of the railway as far as Basra... An international commission was to regulate navigation on the Shatt-el-Arab. We were also to have a share in the harbour works at Basra, and received rights for the navigation of the Tigris... By this treaty the whole of Mesopotamia as far as Basra was included in our sphere of influence (without prejudice to already existing British navigation rights on the Tigris and the rights of the Wilcox irrigation works), as well as the whole district of the Bagdad and

---

248 Fischer, *War of Illusions*, 337.
249 McMurray, 102.
250 Viscount Grey of Fallodon, 292-293.
Anatolian railway. The coast of the Persian Gulf... [was] recognized as the
British economic sphere, Syria as the French, and Armenia as the Russian.\textsuperscript{251}

On 19 June 1914, Germany's Under Secretary of State for Foreign Affairs, Arthur Zimmermann,
told the minister of the German imperial household, Wilhelm von Wedell-Piesdorf, of Britain's
specific terms in the agreement:

\begin{quote}
England forewent every opposition against the financing for the future
to the construction and business of the Baghdad Railway as well as on the
production of concurrent railways... When representatives of an English
capitalist group are in the supervisory board of the Baghdad Railway, of which
there are 27 members, two Englishmen should be admitted... The shipping
traffic on the Euphrates and Tigris will be pressed by a Turkish company, in
which England should have 50, Turkey 30, and Germany 20 percent of shares.\textsuperscript{252}
\end{quote}

The agreement appeased both parties, but Germany got the better deal. Berlin had spent
20 years forming relations with Constantinople, and during that time the Ottoman Empire
continued to weaken politically and economically. Sudden changes of governments, poor
administration, and loss of territory gave the Great Powers reason to believe the empire would
soon cease to exist. German imperialists tried hard to keep the empire together through the BRC,
but they only wanted to sustain the empire for their own interests. The Deutsche Bank, the BRC,
and Liman von Sanders meant to deter the other Great Powers from hoping for a Turkish
partition.

Unfortunately, the agreement reached between Britain and Germany in the Near East was
not reflected in Europe. When Archduke Franz Ferdinand was assassinated on 28 June 1914,

\textsuperscript{251} Lichnowsky, 20.
\textsuperscript{252} Die Große Politik, Nr. 14902.
Germany's opportunists, specifically the Kaiser, pushed the bounds of peace by trying to resolve the assassination by supporting Austria-Hungary in reprisals against Serbia. Germany, Russia, and Britain were all settled on the Baghdad Railway, but they would never come to an agreement regarding the Balkans, which were prioritized over the peace of the Railway. When World War I broke out on 1 August and when the Ottomans joined Germany and Austria-Hungary on 11 November, the hopes of peaceful business generated by the Baghdad Railway were destroyed. However, concluding negotiations for the Railway were critical.

By 1914, Germany's diplomats were indeed treated very cordially at Constantinople, but the Ottoman Empire still held to its traditional foreign policy of keeping a balance among the Great Powers rather than privileging one over the others.²⁵³ This was proven by the CUP's efforts to take control of the Railway's terminus for itself. Also, while Lichnowsky was favored by Grey, there would never be another time when he would get terms as good as the ones in the agreement because the Auswärtiges Amt did not like how he was more in league with Grey than with German foreign policy. The Auswärtiges Amt did not always inform him of diplomatic developments:

The German Foreign Office... devised vexatious instructions to render my office more difficult. I was left in complete ignorance of the most important matters, and was restricted to the communication of dull and unimportant reports. Secret agents’ reports, on matters about which I could not learn without espionage and the necessary funds, were never available to me.²⁵⁴

Britain did not maintain the status quo as it wanted, but it did maintain its old position in the Middle East. It succeeded in keeping the Germans from expanding politically in the Ottoman

²⁵³ Trumpener, Germany and the Ottoman Empire, 13.
²⁵⁴ Lichnowsky, 30.
Empire and left the Baghdad Railway to function as the economic asset the Deutsche Bank wanted it to be. Partitioning the Ottoman Empire would not have been in Britain's interest because the Russians would have exploited the power vacuum and instability to threaten Britain's position in the Middle East as well as India. As long as Britain could enlist Germany into cooperative colonial adventures like the Berlin-Baghdad Railway, the Russians would be neutralized, for how could the Russians take on Britain and Germany together? The Anglo-German cooperation in the Ottoman Empire was a win-win for everyone, except perhaps for the Russians.

The Baghdad Railway proved to be a channel that united German and British interests, not divide them. As much as Germany wanted to claim the Ottoman territories as its own sphere of influence, it could not exclude the influence of the other Great Powers. If the German statesmen persisted in keeping total or majority control of the Baghdad Railway by excluding the British, French, and Russians, then they would have isolated themselves further diplomatically because Germany's insistence on majority ownership was another factor in a long list of grievances the Entente had Germany's pursuit of Weltpolitik. It was proven that whenever the Kaiser wanted to stake a claim in a territory that was previously influenced by the Western Powers or Russia, such as Morocco, the result was often a strengthened Entente and the exposed weakness of Germany's own alliance with Austria-Hungary and Italy. In other words, Germany's constant attempts for colonies or economic influence abroad often revealed Germany's need for foreign support because it had arrived too late in the race for overseas empires.

Germany's intransigence abroad drew the ire of its neighbors in Europe, and the event of a continental war, as some thought would be the case after the Morocco Crises, would have ruined its last chances to obtain its place in the sun. Although the Railway alone was not enough
to push the Great Powers over the edge in the drive for economic empire, it was capable of
beginning an alleviation of the diplomatic tensions in the European capitals. Similar to Central
Asia and Africa, the Railway lied in the vicinities of European spheres of influence, where
territorial boundaries often decided who held what. However, the Railway was more of a matter
of profiting without the establishment of imperial structures such as language institutions,
military barracks, and colonial offices. The Railway's route was agreed by all the Powers
concerned to run from the Straits of Bosporus to the Persian Gulf, yet Britain's immediate
influence did not go beyond southern Mesopotamia, Germany's political authority remained at
Constantinople, and Russia had no immediate colonial influence in the Middle East save for
Persia. Yet, all three managed to agree on this matter of business without resorting to colonial or
military expeditions as was the case in Africa, India, and East Asia.

The fact that the BRC was consistently short on capital proves German economic
expansion would never amount to imperialism in the sense of British or French imperialism.
Ironically, in Germany's drive to contest Britain's territorial gains it needed Britain's help just to
maintain a presence in the Ottoman Empire. The agreement of 1914 gave Germany its outlet
from Europe, away from constructing a high seas fleet and contesting Britain's Royal Navy. Grey
knew that war would not only have destroyed Germany's chances of becoming economically
viable outside Europe but also cripple Britain's global trade. Bethmann Hollweg, despite
following his predecessor's desire in keeping the Baghdad Railway under German control,
likewise knew the risks involved if confrontations over the Railway got out of control. The
situation with the raises in customs duties, Bülow's and Bethmann Hollweg's insistence on
keeping German control of the Baghdad Railway, Curzon's fear of leaving India at the mercy of
a Turco-German railway, Kaiser Wilhelm's friendship with the Sultan, and Grey's hopes of
keeping his friendship with the French all involved British and German imperial policies and indeed generated distrust between the two countries. However, all those matters were resolved through Britain’s and Germany’s desire to prosper materially and through shared risks to their domains in the Near East, not from each other, but from Russia. If the Ottoman state collapsed while the German and British syndicates were still in the Near East, nothing would stop the Russians from coming into the territories that were once governed from Constantinople, and since Russia was not so inclined to Germany. This meant that the German syndicate would have been at risk of surrendering more of its shares of the Baghdad Railway to appease the Russians, and with the Russians gaining a stronger economic foothold in the region, the British would have been in a much weaker position to keep their own hold in the Middle East.

Both Powers agreed that the mutually beneficial Railway was not worth spilling blood or poisoning relations. Ultimately, the desires of the Great Powers' statesmen in matters took precedence over the financial plans made by business circles in the Near East. The July Crisis of 1914 that followed the assassination of the Austrian archduke Franz Ferdinand brought all attention back into Europe, and the tension that often characterized the diplomacy among the Great Powers. Business matters meant very little to the diplomats and politicians during the Crisis, and the settlement of Baghdad Railway was virtually ignored. It did not occur to the statesmen of Europe that Austrian reprisals, urged by Germany, against Serbia, which was backed of Russia would have resulted in nullifying the financial benefits of the Railway. The settlement for the Railway proved that tensions between Great Powers could be alleviated without resorting to military conflict, and in fact helped Germany and Russia come to terms in that matter. If the lessons of the Railway were employed during the July Crisis, then the Great
Powers would have recognized that cooperative business was healthier than war for imperial hegemony, which would have helped avert World War I.
REFERENCES

Primary Sources


*The Commercial & Financial Chronicle*

*The Times* of London.


Secondary Literature


