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THE BERLIN-BAGDAD RAILWAY
AND
GERMAN PENETRATION IN THE NEAR EAST

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PREFACE

Most books written on the Berlin-Bagdad Railway were products of the period immediately following the First World War and were therefore influenced by the emotions of the times, which tended to lay the blame for the whole disaster at Germany's door. This bitterness ran through most of the French versions. Nevertheless, once the flowery terms of diplomatic **h**arlanche were pierced, the material revealed in these books and in documents relating to the period preceding the World War proved most valuable.

The present thesis represents a digest of facts gleaned from the aforementioned books and documents, preceded by a brief survey (in Chapter I) of the progress of railroading in general, in the Ottoman Empire, so as to give the reader a better understanding of the Berlin-Bagdad Railway itself.

In writing this thesis much help was given by my advisor, Professor Carl Anthon. I am also indebted to the following people, whose interest in the subject was most encouraging: Mr. Omar Nami Bey, for translations of material from Turkish sources; Mme. Blanche Loretan, for translating some of the German documents; Mr. Alfred Kettaneh, for contributing information regarding the railway after the War; and lastly my family, for its encouragement, sympathy, and help.

ABSTRACT

German interests in the Ottoman Empire before 1870 had been confined to missionary activities and to a small amount of trade. Once political unity had been achieved, Germany was able to expand economically and to take an interest in world affairs. Her aim to establish a unified system of railways was due to the pressure of growing economic interests.

The nineteenth century was one of railway construction everywhere, and rivalry among the European powers was best illustrated in the competition to obtain concessions in the Ottoman Empire. Railway lines were laid in the Balkans by the international group of Baron Hirsch, and Sultan Abdul Hamid contemplated with satisfaction their extension into his Asiatic provinces in order to provide better military transportation and to revive economic development.

Until the 1880s Britain had been the privileged economic power in the Ottoman Empire. But once the Suez Canal was built by de Lesseps and Egypt occupied and administered by Britain, feeling that the Canal was a better financial risk British businessmen lost interest in Turkish railways. Therefore when British financiers were invited to build a railway in the Ottoman Empire to link its provinces together, they declined. In 1888 a German Syndicate, the Anatolian Railway Company, accepted the offer and contracted

to build a railway from Ismidt to Konia. This was to be the first stage of the Bagdad Railway.

German trade in the Near East increased. Germany was regarded with favour by the Turks, for she was the only European power which was not interested in stripping the Ottoman Empire of its possessions. Germany's interest lay, on the contrary, in strengthening the Ottoman Empire, which could provide markets for her increasing foreign trade. Britain's occupation of Cyprus and Egypt and her growing interest in the Persian Gulf and Mesopotamia did not endear her to the Turks; France's influence at Constantinople after 1870 had steadily declined, and Russia was regarded with mistrust. The rise of German prestige at Constantinople was a natural consequence.

The Anatolian Railway Company's endeavours to obtain a concession for the building of a railway were favoured by Britain which delighted in the prospect of having German interests counteract Russia's in the Persian Gulf. When the company obtained a preliminary concession to extend the railway to Bagdad and to the Persian Gulf, it received Britain's blessing. It was not until the concession of 1903 was granted to the Bagdad Railway Company that the British press violently attacked the scheme on the assumption that it would endanger the monopoly enjoyed by British trade in Mesopotamia. The British Government was thus forced to decline the Germans' offer of international participation in the enterprise.

During the next decade international relations deteriorated. The powers were ranged into two camps, the Triple

Entente and Triple Alliance. Britain regarded the naval and commercial rivalry of Germany with apprehension. This rivalry came to be concentrated more and more on the Bagdad Railway, which was taken out of the economic sphere and placed in the political. Negotiations were carried on, however, from 1911 to 1914 until agreements were reached between the Bagdad Railway Company and Russia, France, and Britain. These agreements actually divided the Ottoman Empire into spheres of influence; the World War interfered before they could be put into effect.

The defeat of Germany removed her from the Near Eastern scene, and the national entities which emerged became British and French mandates. French interests continued to build the railway in Syria. Whereas Britain, and later on the Iraq Government, took over the sections of the railway which were within their territorial jurisdiction. The railway was finally completed in 1940.

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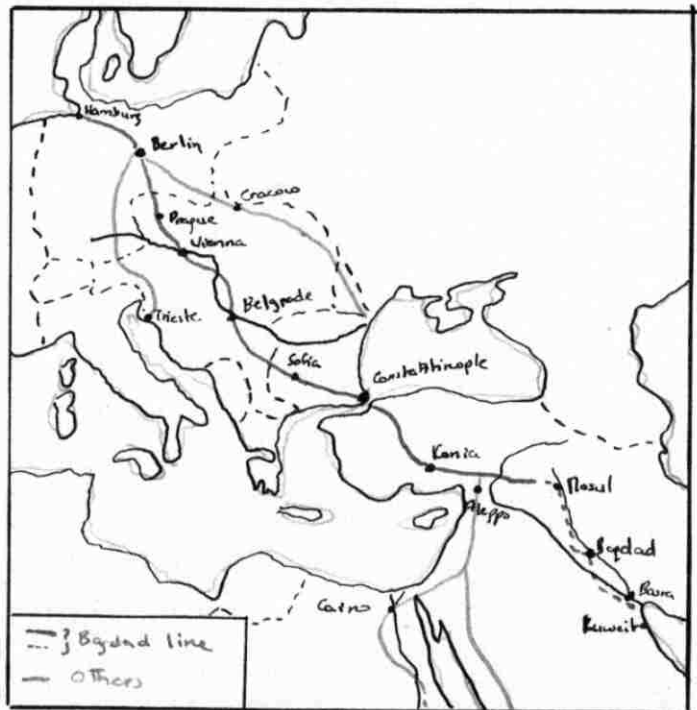
The Bagdad Railway, 1907

N O T E

BD stands for G.P. Gooch and Harold Temperley,
British Documents on the Origins of the War, 1898-1914.

GP stands for Die Grosse Politik der Europaischen Kabinette, 1871-1914.

DDF stands for Documents Diplomatiques Francais, 1871-1914.



Berlin - Bagdad Railway

INTRODUCTION

I. THE INFILTRATION OF GERMAN POLITICAL INFLUENCE INTO THE OTTOMAN EMPIRE

The history of the celebrated enterprise known as the Berlin-Bagdad Railway is the history of nineteenth and early twentieth century European power politics applied to the once prestigious Ottoman Empire and its vast holdings in the Near and Middle East. It follows the classic pattern of commercial-followed-by-colonial infiltration laid down by powerful nations stretching out their acquisitive arms to bring the weaker ones within their "protective" orbit.

Looking back from the vantage point and perspective afforded by our own day we see the apparently meaningless and isolated events of the past hundred odd years merging into a seemingly planned design of trade and conquest.

From the beginning of the nineteenth century until the unification of the German Empire German trade in the East was mainly Austrian. There had taken place, however, certain tentatives in the directives of Prusso-Ottoman relations, such as:

- a) The Prussian envoy Baron von Muffling exerted his influence on behalf of Russia, and with the British ambassador at Constantinople urged Sultan Mahmoud II to sign the Treaty of Adrianople of 1829, which ended the Russo-Turkish War.

- b) Towards the end of 1835 Captain von Moltke was sent on a military mission to Constantinople at the request of the Sultan, whose prior appeal to Britain and France had been refused. Considering that this first Prussian mission was a success, another military mission was sent by Frederick William IV in January 1836. This mission remained in the Ottoman Empire until 1840 and cordial relations were established between the two countries.
- c) In 1853 Prussia offered to mediate with Britain and France between the Sublime Porte and Russia, which mediation resulted in the Vienna Note reaffirming the adherence of the Porte to the Treaties of Kutchuk Kainardji (1774) and Adrianople dealing with the protection of the Christians in the Ottoman Empire. But on the outbreak of the Crimean War Prussia remained neutral, as Frederick William IV did not want to endanger his friendship with Russia.
- d) In 1869 Crown Prince Frederick, representing the King, received from Sultan Abdul Aziz the Hospital of Saint John in Jerusalem. At the same time German cultural groups were being established in the Ottoman Empire, and schools, missions and hospitals sprang up.

During the Russo-Turkish War of 1877-1878 Bismarck, who had by then achieved the unification of Germany, accepted

the presidency of the Congress of Berlin for Germany only after Russia had come to an agreement with England. The Congress of Berlin (June 13 - July 13, 1878) brought no gains¹ to Germany, which kept strictly to the role of mediator. (However, Bismarck did manage to embroil France with Russia, and to foment existing colonial rivalry between Britain and France in Egypt and Morocco, and left Russia exercised by Germany's refusal to favour her (Russia's) Near Eastern policy).

By 1883 the influence of Berlin at Constantinople was in the ascendent. Colmar von der Goltz was sent to train the Turkish army, and in his footsteps came officers, propagandists, traders and bankers. Nevertheless, in attempting to make Germany powerful Bismarck was paving the way for a colonial policy in which he himself hesitated to tread.

With William II colonialism assumed a more powerful impetus, and a sharp break with Bismarckian policy occurred. The turning point was the desire to become a world power; colonialism and navalism came to the fore. German activity in the Near East increased; unlike Bismarck, the Kaiser considered the Ottoman Empire important.

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1. Hermann Oncken, "The German Empire", Cambridge Modern History, (Cambridge, 1920), Vol. XII, p. 142. According to the Edinburgh Review of July 1910, p. 115, Germany and Austria were opposed to the spread of Russian influence in the Aegean, and almost vetoed the San Stefano Treaty which threatened the demolition of Turkey. Thanks to the "Honest Broker" the conservative powers won the day. The tsar was so annoyed that he almost annulled the Dreikaiserbund.

German influence in Constantinople grew slowly at first, then more rapidly, and began to undermine and even to replace that of Britain and France. The Kaiser's first visit to Constantinople in 1889 foreshadowed his second to the Empire in 1898, which came at a time when Europe condemned the Armenian massacres, and the Sultan was in need of friends. This second visit gave the Kaiser an opportunity to demonstrate his friendship and support of Abdul Hamid II and to declare himself as the defender of the 300 million Moslems who regarded the Sultan as their Caliph. The trip carried German influence to its height, but did not result, as has been supposed, in the concession for the later famous Bagdad² Railway.

German policy became increasingly aggressive, and came to be essentially one of power politics (*Machtpolitik*). When Germany chose alliance with Austria rather than Russia, her attitude towards the Eastern Question changed and Constantinople became the center of interest. Bismarck shrank from such grandiose plans and regarded Balkan politics as being outside Germany's sphere. William II went full steam ahead.

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2. J. Ellis Barker, "The Triple Entente and Triple Alliance", The Nineteenth Century, (July 1908), Vol. LXIV, p. 14. The author seemed to believe that the Kaiser's trip resulted in the concession to build the Bagdad Railway. This was not so, as an Imperial Irade of February 8, 1893, foresaw the prolongation of the railway to Bagdad by a German group.

The idea of German eastward expansion was not new, for in the 1830s von Moltke's mission to Asia Minor led him to realize the importance of Turkey. He believed that Germany naturally gravitated to the East and that she should try to bring both Austria and the Ottoman Empire within her orbit. Commercial and cultural infiltration were to precede political penetration. The German interest in the Ottoman Empire was threefold: political, economic, and strategic. Germany wished to have the dominating influence in Turkey, Austria, and the Balkans (but then which power did not?) and brought to the furtherance of her ambitions the youthful vigour characteristic of all her undertakings. Her desire for "a place in the sun" was not a long range plan but rather a series of actions.

Thus it is noted that political articles and other such literature which discussed the pre-war relations of Germany with Austria-Hungary, the Ottoman Empire, and the Balkans were concerned with economic matters. J. Bakeless said that German economic policy was parallel to that of Austria's in the Balkans. Enthusiasm for trips to the Near East grew, and books and pamphlets appeared and were widely read. Paul Rohrbach's book of 1902, Die Bagdadbahn, brought him national recognition. His thesis was that the Near East was of immediate economic value. Ernst Jackh was the most insistent advocate for a Turkish orientation, especially

after 1908.³

II. GERMANY'S ECONOMIC DRIVE

During the first half of the nineteenth century German industry was^a negligible quantity in the economic life of Europe. The Zollverein dated back to 1834, but this could by no means be called of great import, until political union could be accomplished and could direct it. This impetus appeared when the North German Confederation was established in 1867.

After 1850 the use of machinery became accelerated, and the natural resources of coal and iron exploited. With political union communications improved by land and sea. Trade and expansion naturally followed.

During the last half of the nineteenth century economic development grew by leaps and bounds. By 1913 Germany had become a serious competitor to Britain in world trade, banking, insurance, and shipping. The mark rivalled the pound.

At this time Germany changed from a predominantly agricultural nation to a predominantly industrial one. Bismarck's protectionist policy gave way to a freer system and to Caprivi's commercial treaties of 1891. There were a few setbacks, of course: depressions appeared but were followed by a rising curve until the War.

The rise of coal and iron produced the most powerful

3. Henry Cord Meyer, Mitteleuropa in German Thought and Action (The Hague: Martinus Nijhoff, 1955), pp. 95-99.

iron and steel industry in Europe, and this was reflected by the growth of industry in general. Germany's merchant marine grew; the Hamburg-America Line and the North German Lloyd were among the world's foremost shipping companies; Alfred Krupp's armaments works were among the pillars of German prosperity. With the growth of industry came foreign trade, and capital was invested in the Americas, the Near East, and the Far East.

The following tables show the amount of German foreign trade for certain years:

World trade in marks

<u>Year</u>	<u>Exports</u>	<u>Imports</u>
1880	4,431,600,000	4,425,700,000
1890	3,758,700,000	4,628,900,000
1900	5,101,400,000	6,406,100,000
1910	8,079,700,000	9,535,100,000 ⁴

German imports and exports with Turkey,
in francs.

<u>Year</u>	<u>Exports</u>	<u>Imports</u>
1880	2,420,000	8,029,000
1890	11,508,000	42,599,000
1895	27,555,000	48,785,000
1897	32,339,000	32,000,000 ⁵

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4. Information through the kindness of Mr. Kurt Laqueur of the German Legation.
 5. Noël Verney et George Dambmann, Les Puissances Etrangères dans le Levant, en Syrie et en Palestine, (Paris, 1900), p. 491.

One of the factors that helped this growth was the development of German banks, which were a combination of commercial banks and investment trusts backed by a central bank. German banks financed exports and industry abroad, such as telegraphs, mining, and railways. The same is true today.

Economic penetration into the Ottoman Empire was manifested in public works, such as roads, ports, water and electricity, and railways. The nineteenth century was one of railroad construction everywhere; it is therefore not surprising that rivalry among the European powers manifested itself and was magnified through competition to obtain concessions to build railroads.

III. EUROPEAN MANOEUVRING FOR SPHERES OF INFLUENCE

Although most of the European powers professed the desire to preserve the integrity of the Ottoman Empire, they were not above securing advantages for themselves. Britain occupied Cyprus in 1878, and Egypt in 1882; France was interested in North Africa; Austria-Hungary annexed Bosnia-Herzegovina in 1908, and Italy turned her eye to Tripolitania. Russia's interest was the freedom of the Straits to give her an access to the Mediterranean and ice-free ports, and protection of the Armenians as a pretext for interference in the internal affairs of the Empire.

France's interest in and acquisition of Algeria (1830), Tunisia (1881), and Morocco (1906-1912), were rather indirect, as these countries had been only under nominal Ottoman sovereignty. Her interest in Syria, however, was another matter.

France considered this part of the Ottoman Empire as being within her sphere of influence; but her defeat in the Franco-Prussian War left her weak, and from that time on her influence waned until after the First World War.

Italy interested herself in North Africa, and in 1911 declared war on Turkey for the purpose of acquiring Tripolitania. The Treaty of Lausanne signed at Ouchy in 1912 ended the war, with Italy solidly occupying Tripolitania.

Britain's policy of the doctrine of the integrity of the Ottoman Empire originated with her desire to safeguard India. This became the keynote to British policy in the Near East. The Crimean War was fought to protect India; the Suez Canal shares were bought and Egypt occupied, for India. The Entente Cordiale of 1904 between Britain and France was nothing more than a confirmation of these facts: Britain recognized French interests in Morocco, while France recognized the British occupation of Egypt.

While Britain and France were busy helping themselves to parts of the Ottoman Empire, Germany had risen to become a world power, rivalling Britain economically and challenging British sea supremacy, all of which Britain regarded with alarm.

Germany's growing interest in the Ottoman Empire manifested itself after 1890 and became a major factor in her economic policy. Investments overseas were in the hands of private companies and not in government loans. Her world trade was aided by an efficient export industry, a highly

centralised banking system, and a great network of communications. This must be taken into account as there was a marked tendency before and after the World War on the part of most people to inflate German financial interests in Turkish railways into a Bagdadbahn system, to the neglect of other policies.

Thus the keynote to British policy in the Near East was India; France helped herself to certain unguarded parts of the globe; Russia's aim was to acquire the Dardanelles to provide herself with an outlet to an ice-free port; German imperialism, begun in the economic sphere, was goaded by the repression of the other European powers and the ambitions of William II into taking the form of an aggressive political contest. Outside of certain cultural and social advantages the political European diplomacy in the Near East between 1815-1919 had few redeeming features -- heartlessness and selfishness were its characteristics. Each power feared the extension of the influence of a rival over the desired territories. Each power hoped through concessions and loans to extend its influence in the Ottoman Empire to the exclusion of other powers. Such was the spirit of nineteenth century imperialism.

Imperialistic desires were aided by the series of alliances which were contracted by the powers, mainly the Triple Alliance and the Triple Entente. These alignments did not help in the preservation of peace, even though their

supposed objective was to create a balance of power which would discourage the outbreak of hostilities. The years before the First World War were characterized by recurring international crises accompanied by increasing tension.

The first Moroccan crisis, 1905, occurred when William II stopped at Tangier and proclaimed the open door policy there to the embarrassment of the other powers. The result was the Algeciras Conference where the disagreement was settled, but where Germany's fumbling diplomacy earned the disapproval of the powers. The next event was the Bosnian crisis of 1908, when Austria annexed Bosnia-Herzegovina. The second Moroccan crisis and the Balkan wars further brought dissension among the powers.

All the powers were aiming at improving their position at Constantinople. The Turkish Government was trying to reorganize its military and financial departments. An Englishman was asked to reorganize Ottoman finances, another to train the navy, a Frenchman the gendarmerie, and a German, Liman von Sanders, the army.

European international rivalry became centered more and more in the Near East and the Balkans. Perhaps the most illustrative example of this was the diplomatic rivalry which became concentrated in the Bagdad Railway.

The insurrections of the early nineteenth century showed the Ottoman Government that its political and military weaknesses came mainly from the need for better communications. In building railways it hoped to remedy this, to revive

agriculture and industry, and to encourage the flow of European trade and capital.

The history of railways in the Ottoman Empire may be divided into four periods: (1) 1860-1870 saw the birth of railways, with concessions going to Britain and the international group of Hirsch; (2) 1870-1880 was a quiescent period; (3) 1880-1890 found Britain still in the ascendent;⁶ (4) 1890 onward was a period of German activity.

Thus, Turkey-in-Europe's railroads were Austrian, Asia Minor's were mixed but with German preponderance, and Syria's French.

Russia's predominant interest was in the trade of the Straits and the Black Sea. France controlled economic rights in Syria. Once the Suez Canal was built Britain lost interest in Ottoman railways, as the occupation of Egypt persuaded British businessmen that the Canal was a better financial risk. Germany stepped in and threatened Britain's place in Turkey.

6. George Young, Corps de Droit Ottoman (Oxford, 1906), Vol. IV, p. 63.

CHAPTER I

I. THE OTTOMAN PUBLIC DEBT AND TURKISH FINANCES

The history of Ottoman Railways was closely connected with the Ottoman Empire's diplomatic and financial relations with foreign powers for it had neither the cash nor the technical knowledge to build railways.

Commerce and agriculture in the Ottoman Empire of the nineteenth century were in their infancy, and communications were primitive. The fiscal system was archaic. There was no budget, and great confusion existed between the private finances of the Sultan and those of the state. Politically, peace was continuously menaced, both internally and from outside. It was under these circumstances that the Ottoman Empire first began to borrow.

The earliest loans were contracted with Britain and France to meet the war payments of 1854. A year later the interest on another loan was guaranteed by the two powers.⁷ This marked the beginning of foreign financial control. Between 1854 - 1880 Turkish borrowing went on at a rapid pace. In 1870 Baron Hirsch sold lottery tickets to finance the construction of a railway. Western banks urged the Imperial

7. Donald C. Blaisdell, European Financial Control in the Ottoman Empire, (New York, 1929), p. 28.

Government to borrow; and the more it borrowed, the more it needed. There were not only loans in the form of Government bonds, but unpaid accounts with railway companies which had constructed lines for the Ottoman Government. Turkish credit depreciated. The disordered economic life and the foreign debt coincided with an increased uneasiness in Europe concerning Turkey's ability to pay its debts. In a Decree of October 6, 1875 -- supplemented by two notes of October 7 and 10 -- the Ottoman Government announced a budget deficiency and its inability to pay its creditors; in other words, it declared itself bankrupt. This decree suspended payments on loans contracted. The Government had defaulted on a debt of 200 million pounds sterling.⁸

It was at the Congress of Berlin that the creditors of the Ottoman Empire first received official notice, after a joint Anglo-French Committee had persuaded the Italian delegate, Count Corti, to raise the issue.⁹

The first step towards the solution of the financial problem was the project of November 1879, which was presented by local creditors and the Ottoman Bank, whereby the Government leased to the bankers, at an annual rent equal to the net revenue from March 1, 1879, to March 1, 1880, plus 10%, the following taxes: the stamp tax, spirits tax, fishing tax of

8. Blaisdell, op.cit., p. 1.

9. Ibid., p. 85.

certain areas, the silk tithe, and the salt and tobacco monopolies. The administration of the foregoing was put into the hands of a financial group in whose interest the contract had been drawn. This scheme was successful, and prompted the notes of October 3 and 23, 1880.¹⁰

The note of October 3 was submitted by the Porte to the powers in order to settle the following questions: a definite solution of the financial claims against the Porte, including the Russian war indemnity; the settlement of difficulties in Montenegro and Greece; and the question of reforms in the Armenian regions of the Empire.

The note of October 23 elaborated on the financial section of the above, whereby the Ottoman Government asked the bondholders to choose representatives among themselves to discuss the resumption of the foreign debt with the Imperial Government.¹¹ These notes eventually resulted in the Decree of Mouharrem of December 20, 1881.

The Decree of Mouharrem, named for the month in which it appeared, encompassed three general ideas: (1) the reduction, conversion, and consolidation of the internal and external debt, excluding the Russian war indemnity. (2) The obtaining of the service of the consolidated debt and revenues by an administrative body. (3) The creation of an executive body, "The Council of Administration of the Ottoman Public

10. Ibid., pp. 88-90

11. Ibid.,

Debt", its organization, and relations with the Porte.¹²

The Council, or the Public Debt, as it came to be known, was a private organization which controlled Ottoman financial policy, and exercised this control in the interest of European bankers and investors. Its main purpose was to control the revenues ceded to foreign bondholders. The Council was made up of seven members (British, French, Dutch, German, Italian, Austro-Hungarian, and Ottoman) representing the bondholders. It began its functions on January 1, 1882, and from then until 1903 the Decree of Mouharrem remained the fundamental law of the organization. At the beginning of the twentieth century it was modified by a Decret-Annexe (September 14, 1903), which unified unredeemed bonds and replaced them with a new issue; it also abolished the articles allowing the Ottoman Government a share in the profits.

The Council was energetic and conscientious in the administration of the taxes which came under its jurisdiction. The redemption of the bonds by the sinking and reserve funds went according to schedule, so that by 1903 22% of the¹³ outstanding bonds had been redeemed.

From the beginning the Council was interested in the economic development of the Ottoman Empire. It encouraged industry, and with its help railway construction received its

12. Ibid., p. 91.

13. Ibid., p. 119.

greatest impetus.

The establishment of the Public Debt renewed earlier economic enthusiasm. With better communications income would increase. Sir Vincent Caillard, the alternate president of the Council, said that "the Council suggested it supervise the collection and administration of the tithes of the districts to be traversed by a proposed railway."¹⁴ The Convention of September 27, 1888, signed between the Porte and Alfred Kaula of the Württembergische Vereinsbank of Stuttgart, and representing the Deutsche Bank, for the construction of a railway, included the Debt as collector of taxes for the railway guarantees. According to Article XXIX "the Imperial Government guarantees to the concessionaires an annual gross revenue of 15,000 francs per kilometer constructed and in operation; in the case of the operating receipts being less than this amount, the following procedure will be followed to make up the figures of 15,000 francs annual gross revenue per kilometer of railroad constructed and in operation:

"During the adjudication of the tithes of the Sandjaks of Ismidt, Erthogroul, Kutahia, and Angora, through which the line runs, an agent of the Public Debt Administration must be present, and the promissary notes which the successful bidders are bound to furnish shall be made payable to the order of the Public Debt Administration's agencies in the above-mentioned sandjaks, and shall be paid exclusively to them. The amounts

14. Ibid., p. 126, as quoted from Caillard, p. 437.

which the Imperial Government agrees to pay annually to the concessionaires to complete the kilometric guarantee mentioned above will be taken out of this sum, and will be paid by the Public Debt Administration, and the balance will be forwarded by it to the Imperial Treasury."¹⁵

For the next twenty years the Debt assumed this function with concessionaires. By 1907 it had aided the following railways: Salonica-Constantinople, Salonica-Monastir, Smyrna-Cassaba and extensions, Haidar Pasha-Angora and Eskishehr-Konia, Bagdad, Damascus-Hama and extensions.

The following table shows the Debt's yearly guaranteed aid for railway construction:

<u>Year</u>		<u>Guarantees</u>
1889-1890	ET	57,406.06
1890-1891		122,701.31
1891-1892		522,901.60
1892-1893		433,942.94
1893-1894		497,718.49
1894-1895		587,110.52
1895-1896		662,589.62
1896-1897		852,698.30
1897-1898		1,195,736.26
1898-1899		894,023.48
1899-1900		1,402,473.84

15. Ibid., p. 128, as quoted from Procès-Verbaux, (October 22, 1888.)

1900-1901	1,528,010.19
1901-1902	1,443,374.56
1902-1903	1,309,016.56
1903-1904	<u>1,301,548.99</u>
Total ET	12,811,252.72 ¹⁶ =====

Many of the representatives on the Council were also on the Board of Directors of the Anatolian and Bagdad Railway Companies. A short time after the Anatolian Railway Company was organized in 1888, the British delegate to the Council, Sir Vincent Caillard, was elected to the Board of Directors, where he remained until 1897 when he resigned both posts. Major Sir Edward Fitz Gerald Law succeeded him. The German delegate in 1888 was A. Goescher, who resigned a year later and was replaced by Herman Gerlich. In 1899 Dr. Rudolf Lindau became a director, and was later replaced by Dr. Karl Testa, at whose death in 1911 Charles Bunz came in.

When Law resigned in 1900, Sir Henry Babington-Smith came on the Council, but not on the Board of Directors, of the Railway Company. Alternate president of the Debt, Léon Berger, was made director in 1901, and was succeeded by de la Boulinière at his death eight years later.

The representatives of the Debt in the Bagdad Railway Company were Testa, Berger, Hamdy Bey, Count d'Arnoux,

16. Young, op.cit., p. 64.

and his successor Léon Pissard.¹⁷

Thus the position of the Council was that of a third party to railway contracts. The close relationship between railroad construction and government finance which characterized German railways in the Ottoman Empire was due almost completely to the Debt. Under the Concession of 1903, it had accepted to collect the tithes for the Bagdad Railway Company, as 11,000 francs of the 15,500 francs per kilometeric guarantee took the form of an annuity to be capitalized as a 4% state¹⁸ loan.

Thus the Porte made a contract with the representatives of its foreign and domestic creditors to solve its financial problems, which resulted in the Administration of the Ottoman Public Debt. Ottoman finances came under the control of the Debt, which was mainly composed of foreign bondholders and responsible only to them. Financial policy came to be the servant of European bankers and investors; customs duties could be increased only with the consent of the powers. The Debt became a partner of European capitalist enterprise in the Ottoman Empire.

II. THE FIRST RAILWAYS TO 1903

Due to the political role played by Britain and France

17. Blaisdell, op.cit., pp. 133-134.

18. Ibid., p. 147.

in the Ottoman Empire during the first half of the nineteenth century, it was only natural that they should be the ones to undertake the building of public works.

Around 1830 Sir Francis Chesney had been sent out by the British Government to explore the Bagdad region for navigation of the Euphrates River. One of this party, Captain Lynch, opened up a steamship line in the next decade.¹⁹ Chesney favoured the idea of building a railway from the Mediterranean to the Persian Gulf. In 1851 he and Sir William Andrew, chairman of the Sindh Railway, tried to form a company to join Suedieh to Kuwait, but this failed. Chesney continued his work, however, and in 1857 obtained an Imperial Firman for the concession of a railway from Suedieh to Basra. A Euphrates Valley Railway Company was formed, and the British ambassador at Constantinople, Lord Stratford,²⁰ helped it secure a 6% guarantee from the Ottoman Government. An active campaign was carried on in England, but the plan fell through as Lord Palmerston would not consent to a guarantee by the British Government which was regarded as indispensable.

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19. It was through the Lynch brothers that much trouble was made later on for the Bagdad Railway, as they were afraid of losing their monopoly on traffic in Mesopotamia.
 20. Lord Stratford de Redcliffe (Sir Stratford Canning) was appointed British ambassador to the Porte in 1825 and remained in this post for more than 25 years. He was an influential figure at Constantinople.

A British company obtained the concession to build the Smyrna-Aidin track in 1850, which was followed by that of the Smyrna-Cassaba line, with a guarantee of £T 92,400 or 2,328,480 francs payable in 99 years and guaranteed by the taxes of the Sandjak of Aidin.²¹

During the 1860s various railway lines were begun in the Ottoman Empire. On April 17, 1869, Baron Maurice de Hirsch, a Brussels banker, signed a contract with the Porte for the construction and exploitation of 2000 kilometers of rails, and another contract with the Société de Chemins de Fer du Sud de l'Autriche, whose Council of Administration was presided over at the time by Alphonse de Rothschild.

The lines to be constructed by Hirsch and the railway company mentioned above were the following: (1) A principal railway from Constantinople to the Austrian frontier and (2) four branch lines, from Adrianople to the Archipelago, Philippopoli to Bourgas and the Black Sea, Pristina-Salonica, and Nish to the Serbian frontier. All these were to be interlinked.

Construction of the Balkan parts of what later became the Bagdad Railway began in 1870 under the technical direction

21. Verney et Dambmann, op.cit., p. 209. Young (pp. 190-191) says that this line was transferred to Nagelmackers of Wagons-Lits in 1893, which in turn transferred it to the Société Ottomane de Chemins de Fer Smyrne-Cassaba, approved by the Ottoman Government on July 26, 1894. Work was finished in December 1897.

of Wilhelm von Pressel,²² and in accordance with the financial agreements made with Hirsch. By 1877 the latter had withdrawn, leaving three unconnected lines. Their completion was continued by the various Balkan Governments concerned, with the aid of loans from Austria, France, and Germany. The lines extended from the Hungarian border to Constantinople, and were controlled by these Governments, with the exception of the three lines built by Hirsch in European Turkey, which were later bought by the Deutsche Bank.²³

British and French companies together constructed the railroad from Mersina to Adana. The Ottoman Government built, through a French Company, the Haidar Pasha-Ismidt line under the direction of von Pressel (1871-1873), and exploited this line for seven years. In March 1880 it sold the line to a British firm represented by MM. Seefelder, Alt, Hanson, and Zafiropoulo, on condition that it could repurchase it any time. The Ottoman Government and the company negotiated to extend the line to Aleppo and eventually to Bagdad, with rights of exploitation of forests and mines within one kilometer on both sides of the railway. Negotiations came to a

22. Wilhelm von Pressel was a German engineer who became the technical advisor to the Sultan for the development of Turkish Railways (1872). His dream was that of a railway stretching from Austria-Hungary to the Persian Gulf; this eventually became the Bagdadbahn enterprise. He died in 1902.

23. See below.

standstill, however, and the Government repurchased the track.

Britain, in the meantime, continued to work on various projects. Lovett Cameron, the "de Lesseps of railways of the Euphrates"²⁴ reported on a projected route via Tripoli, Homs, Nisibin, Mosul, Bagdad, and Bouchir; in December 1882 Sir Edward Cazalet and Sir Thomas Selby Tancred obtained such a concession for 99 years. But the British occupation of Egypt persuaded British businessmen that the Suez Canal was a better financial risk, and the scheme was dropped. Germany entered at this point.

In 1872 Sultan Abdul Aziz had asked von Pressel to draw up blue-prints for a trunk line from Constantinople to Bagdad, with branch lines.²⁵ The idea of a railroad from the Syrian coast onwards was discouraged by von Pressel, who had carefully surveyed the land in 1872-1874. He finally recommended a network of rails (about 6000 kilometers), the main line running from Haidar Pasha to Angora, Diarbek^é, Mosul, Bagdad, and Basra, with branch lines to such places as Eskishehr and Konia. The northern route through Anatolia would tap richer provinces, whereas the Syrian route was barren. This report became the guide for the Turkish Government. The Haidar Pasha-Ismidt section was constructed and exploited by a British Company, who refused to extend the line to Bagdad for financial reasons. Two years later a

24. Eleuthère Elefthériades, Les Chemins de Fer en Syrie et au Liban, (Beyrouth, 1944), p.209.

25. James E. Gillespie, Europe in Perspective, (New York, 1941), p. 468. According to Young, p. 118, an Imperial Hatt of August 1875 announced that the Sultan planned to build a railway from Constantinople to Bagdad.

concession for the extension of this line was awarded to Georg von Siemens of the Deutsche Bank.²⁶ To assure connections with European railways the Deutsche Bank bought the Hirsch lines and others in European Turkey. To dissociate themselves from any political entanglements, the Deutsche Bank and the Wienerbanksverein together formed the Bank für Orientalische Eisenbahnen in Zürich, with a capital of 50 million francs.²⁷ In 1913 the Deutsche Bank sold out to its Austrian partner, and thus Franco-British monopoly in the Ottoman Empire was broken.

German finance may be said to have made its first appearance in the Ottoman Empire on October 3, 1888, when Alfred Kaulla, director of the Württembergische Vereinsbank in Stuttgart, and Georg von Siemens, director of the Deutsche Bank, contracted the "Fisheries" loan, securing the fisheries revenues to be collected by the Public Debt.²⁸

Two Imperial Irades of September 27 and October 4, 1888, awarded a group of financiers, headed by Kaulla (who had interested von Siemens in the project), the concession

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26. Georg von Siemens, director of the Deutsche Bank, 1889 founded the Anatolian Railway Company. He died in 1901.
 27. Young, op.cit., p. 75.
 28. Enclosure No. 1 in Document No. F.O. 371/153, Memorandum by Mr. Block respecting Franco-German Economic Penetration, Therapia, July 3, 1906, BD V, p. 118.

to buy the line of Haidar Pasha-Ismidt, and to continue it to Angora, against payment of 6 million francs. The concession was for a period of 99 years, and the construction and exploitation of the Ismidt-Angora line (486 km) was given a guarantee of 15,000 francs. As soon as this sum was reached for three consecutive years the line was to be prolonged to Sivas. The Ottoman Government had the right to purchase the line after thirty years.²⁹

The Anatolian Railway Company was founded in 1889 by Dr. von Siemens for the purpose of constructing and exploiting the Ismidt-Angora line; it had a capital of 45 million francs divided into 90,000 shares of 500 francs each, and negotiable at the Berlin and Constantinople stock exchanges.³⁰ Construction rights were awarded to a company from Frankfurt. Angora was reached in 1892; this was the beginning of the Bagdadbahn.

The Anatolian Railway Company was not exclusively German; at least a quarter of its first loan was subscribed to in Britain, and the chairman of the Public Debt, Sir Vincent Caillard, was on its Board of Directors. The first Anatolian loan of 80 million francs was floated on the European

29. Young, op.cit., p. 118.

30. Louis Ragey, La Question du Chemin de Fer de Bagdad, 1893-1914, Paris, p. 14. The Anatolian Railway Company was for the line from Haidar Pasha to Konia, while the Bagdad Railway Company was responsible for the Konia-Basra section.

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market.

An Imperial Firman of October 1890 gave the Anatolian Railway Company the concession of the line Salonica-Monastir (219 km) for 99 years, with a kilometric guarantee of 14,500 francs. Work on this line was finished in 1894.³²

Meanwhile, other companies were at work. R. Baudouy, representing a French company, obtained the concession of the Salonica-Constantinople Junction Railway in 1892. A year later Nagelmackers of Wagons-Lits took over the Cassaba-Alashehr line which had been in the hands of a British company. In 1893 a French group working the Beirut-Damascus Railway was allowed to construct the branch line from Rayak to Biredjik, with the eventuality of reaching the Euphrates River.

An Imperial Irade of February 8, 1893, gave Kaulla the right to exploit the Angora-Caesarea (384 km) track and the Eskishehr-Konia line (445 km). The former project was abandoned for the latter, which was given a kilometric guarantee of 13,727 francs,³³ and opened to traffic in 1896. This was to be extended to Bagdad as soon as it showed enough profits to dispense with a government guarantee.

The Anatolian Railway Company had competitors for the Bagdad section of the railway. Berger, French attaché at Constantinople, formed a company as soon as he found out that the Sultan was interested in a railway to Bagdad; but the project

31. Edward Mead Earle, Turkey, The Great Powers, and the Bagdad Railway, (London, 1923), p. 42.

32. Young, op.cit., p. 113.

33. Ibid., p. 119. Ragey says the sum was 13,892 francs.

was dropped, as it was regarded as a swindle. Staniforth, on behalf of a British syndicate, A. Tonietti for Italian and British capital, the French engineer Cottard, and the Russian Wladimir Kapnist were all unsuccessful rivals. Kaulla was well received by the Sultan, and eventually obtained the Act of the Anatolian Railway Company which foreshadowed the firman of 1893 allowing the company the right to study the road to Bagdad. For the next four or five years little interest was shown by the European powers in Turkish railways. The existing lines were not paying well and money in Europe was tight. Von Siemens' attitude was one of wait and see. He was only goaded into action by rival interests.

1899 was an eventful year for the railway. In January Kurt Zander, the general manager of the Anatolian Railway Company, obtained an Imperial Irade for the company to construct a port at Haidar Pasha. Russia objected to this. The discussions at the time showed that Russia felt that the investment of foreign capital in the Ottoman Empire would strengthen it, while Russia wanted a weak Turkey. In April agreements were reached among the German and French groups regarding the railway. The French were to abandon their own scheme of a railway to Bagdad for a 40% interest in the German line. In May an understanding was reached between the Anatolian Railway Company and the British-owned Smyrna-Cassaba line, for financial and administrative cooperation: there would be a representative of each on the board of directors of the other.

On December 23, 1899, the Anatolian Railway Company, financially supported by the Deutsche Bank, received a preliminary concession to construct a railway from Konia to Bagdad and Basra. This provisional convention was later confirmed by firman. The Bagdad project as such was thus launched.

German initiative so far had not particularly alarmed the powers. During this period both France and Britain were mainly interested in their own spheres of influence. Russia of course objected as she felt that Germany would eventually challenge her interest in Persia. Britain was pleased at the thought that the Ottoman Empire would be strengthened at the expense of Russia. At the time Britain felt that the threat to her position in the Middle East came from France and Russia; in 1892 the British ambassador in Berlin had actually urged the Germans to develop a commercial interest in the Persian Gulf to counteract Russia there. Lord Salisbury was reported to have said in 1898 "We welcome these concessions, for in this way Germany comes into line with our interests in the Persian Gulf."³⁴ British newspapers, the Times and the Morning Post in particular, preferred German initiative over any other.³⁵ It was only after German success had been established that the powers began to object. Thus at the beginning of the twentieth century the situation changed; Germany became a world power and challenged Britain's

34. George E. Kirk, A Short History of the Middle East, (London; Methuen & Co. Ltd., 1952), p. 92.

35. Ibid.

"rule of the waves". The other powers, i.e. Russia and France, simply followed England's lead, especially after the Triple Entente was formed.

This preliminary railway concession of 1899 was to prove the turning point in the history of Ottoman Railways. From that time on the history of the railway took on a political rather than an economic aspect. It was to become the international bone of contention, one where German and British diplomacy were to have many an interesting fight in notes verbales and memorandums.

This same year of 1899 saw the signing of a secret treaty between Britain and Sheikh Mubarak of Kuwait, nominally under Ottoman sovereignty. The treaty stated that the Sheikh was not to receive any foreign representatives and should not lease or surrender any parts of his territory without Britain's consent; in return, Britain would "protect" him, and paid him the sum of 15,000 rupees (1000 gold sovereigns).³⁶ In effect, this meant the establishment of a British protectorate over Kuwait and the control of its foreign affairs.

At the beginning of this century, a German railway commission arrived at Basra in order to select a site for the terminus of the railway. It had conducted its preliminary diplomatic negotiations with the Ottoman Government and not

36. Yusuf Hikmet Bayur, Türk İnkilabi Tarihi, (Istanbul, 1940), Vol. I, p. 133, translated through the kindness of Mr. Omar Nami Bey.

with Sheikh Mubarak who was, after all, supposedly under Ottoman sovereignty. Within the territory of Kuwait, however, the commission treated with the Sheikh, and offered to buy around three or four miles of land along the western end of Kathama Bay, either by direct purchase or by annual payments, and a further amount to protect this territory. The Sheikh spoke with them, but refused to commit himself. The British attitude was that this territory, in view of its status as a British protectorate, would form a good naval station and must be retained.³⁷

Meanwhile, von Siemens had proceeded to London to arrange for the participation of British capital in the railway. After the firm of Barings and Gibb had declined the offer, Sir Ernst Cassel's Trustee Executive Corporation accepted a 20% share in the undertaking.³⁸

Russia objected, although unofficially. A Russian newspaper, the Novoié Vrémia, published a series of articles on the Bagdad Railway; it became quite violent in its attacks and regarded German activity in the Ottoman Empire as being opposed to Russian interests in Asia Minor.³⁹

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37. Letter from John Denison to M. J. Meade, Political resident in the Persian Gulf, January 15, 1900. Microfilm from the Public Records Office, London, prepared for the Kuwait Department of Education. A copy is found in the AUB Library.
 38. Letter No. 19, Enclosure of the Note of the Director of the Deutsche Bank Dr. Georg von Siemens, January 4, 1901, GP 17, p. 393.
 39. Letter D. No. 13 from Mr. Delcassé, Minister of Foreign Affairs, to the Marquis de Montebello, French ambassador at St. Petersburg, Paris, February 5, 1901, DDF 2eme Serie, Tome I, p. 83.

The French financial groups, perhaps against their government's wishes, were in agreement with the German group. On May 13, 1901, in Paris, and on May 21, of the same year at Berlin, representatives of the French group in the Ottoman Bank and of the French-owned Damascus-Hama Railway Company gave to the Deutsche Bank and its group the right to build side lines from the Bagdad Railway to the Syrian littoral.⁴⁰

On the 16 of January, 1902 (Şewal 1319) an irade was issued, confirming the preliminary concession of 1899, and giving the Anatolian Railway Company for a period of 99 years the concession to build a railway to Basra. Branch lines were to connect it with Alexandretta, Tel Habesh, Aleppo,⁴¹ and Khanikin. From Basra a Sidetrack was to reach the Persian Gulf with rights to build a harbour there. The Porte⁴² guaranteed an annuity of 16,500 francs per kilometer. This irade thus announced the concession, determined the position of the line, the kilometric guarantee, time of construction, right to build branch lines, and gave permission to navigate the Tigris and Euphrates Rivers.

Russia, as usual, objected to anything in which she had no share; she was afraid of commercial competition and of the regeneration of the Ottoman Empire, although she

40. Ragey, op.cit., p. 98.

41. Aleppo was supposed to be a branch line to Tel Habesh. In 1910 the route was changed on the petition of the inhabitants, to be on the main line.

42. Ragey, op.cit., p. 51.

eventually became resigned to the railway. The British Government at this point felt that British capital could participate in the railway. So far, the three powers had come to no agreement among themselves, but considered themselves rivals; therefore the gains Germany made were regarded with favour by the others. It was only after the Triple Entente was formed that they acted, on the whole, together. The Deutsche Bank meanwhile marked time until the following year to obtain an irrevocable convention.

CHAPTER II

THE CONVENTION OF 1903 AND THE ATTITUDE OF THE POWERS UNTIL 1908

The Convention of 1903⁴³ which marked the official beginning of the Bagdad Railway was to occupy foreign charters for the next decade, and was only settled on the eve of the First World War. It definitely confirmed the Imperial Trade of 1902 granted to the Anatolian Railway Company. The concessionaires were to form an Ottoman joint-stock company, called the Imperial Ottoman Bagdad Railway Company, which would take the place of the Anatolian Railway Company in the building of the new line from Konia to the Persian Gulf. Investors in the Bagdad Railway Company were its progenitor, the Anatolian Railway Company, the Deutsche Bank, and French capitalists.

The convention was signed by Zihni Pasha, Minister of Commerce and Public Works for the Ottoman Government; Arthur Gwinner, president of the board of directors, Kurt Zander, director-general, and Edouard Huguenin, assistant director-general, for the Anatolian Railway Company. The duration of the concession was for 99 years, and provided for the extension of the railway from Konia to Bagdad and Basra,

43. For the full text of the Convention of 1903, see Annex I.

passing through, or as near as possible to, Karaman, Eregli, Adana, Hamidieh, Osmanieh, Tel-Habesh, Nisibin, Mosul, Tekrit, Bagdad, Zobeir, and Basra; branch lines were also to be built, from Tel-Habesh to Aleppo, another to Urfa, from Sadidjeh to Khanikin, and from Zobeir to a point on the Persian Gulf.

Since the enterprise was to be one of public utility, when it was not possible to come to an agreement with the owners of the land, the property through which the railway was to run could be acquired by the law of expropriation;⁴⁴ the company had the right to work gravel pits, quarries, and forests. Government-owned lands, called Arazii-Emirei-Halie, were to be handed over free of charge to the concessionaires.

The concessionary company also had the right to exploit any mines, quarries and such, within 20 kilometers on each side of the track and was allowed to establish tile and brick works, hydro-electric plants, warehouses and depots which were necessary for the railway. One track was to be built until the gross kilometeric receipts had reached the sum of 30,000 francs, at which time the Government had the right to demand

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44. The law of expropriation is the following: failing an amicable agreement between the land-owner and the party seeking to take the property, the government, by its right of eminent domain, will expropriate and hand over to the party undertaking the construction of the public utility the necessary land and materials.

If the use of the land is of permanent duration, the decree specifies the price; and if of temporary use and occupation, it will specify the rental value of such property.

A decree declaring such property as a public utility was specified in Article 6.

the construction of a second line. The company was exempt from paying customs duties on any materials necessary for the construction of the railway. There were also harbour rights, whereby the concessionaires undertook to build three harbours at Bagdad, Basra, and the terminus of the branch line from Zobeir, which ports were to form an integral part of the railway.

The Bagdad Railway Company could not cede the concession to anyone else. If the concession were to be withdrawn and if it were not to be worked by the Ottoman Government itself, it could not be granted to another company but would be worked on lease by the concessionaires.

As regards the kilometric guarantee, the Ottoman Government, the Deutsche Bank, and the company found an ingenious solution: the creation by the Government of a loan, the 4% Imperial loan of the Bagdad Railway, first series, the annuity of which would be equivalent to the kilometric guarantee.

For the nominal amount of 54 million francs, this loan was divided into 108,000 obligations of 500 francs each, or E 20, ET 22, 408 marks, 280 Dutch florins. These had a 4% yearly interest payable bi-annually on March 1st and September 1st. They were reimbursable on par for 98 years, through an amortization fund of 0.087.538% on the nominal capital.

45. Adib Roumani, Essai Historique et Technique sur la Dette Publique Ottomane, (Paris, 1927), pp. 241-242.

For each kilometer built the Imperial Government agreed to issue to the concessionaires 275,000 francs nominal value, in Imperial Ottoman bonds, to be secured as a first mortgage. The payment of interest and sinking fund of these bonds was to be guaranteed by the assignment of the revenues of some of the districts to be traversed by the railway, to the Public Debt Administration. To secure the loan for the construction of the railway, the Imperial Government gave one tenth of the taxes of the Vilayet of Konia (ET 36,000) and of the Sandjak of Aleppo (ET 70,000). But since Russia objected, the Konia taxes were replaced by the following:

Bagdad	ET 12,000
Aidin	ET 12,000
Diarbekr	ET 5,000
Mosul	ET 6,000 ⁴⁶

The company also gave these bonds a second guarantee, which was expressly stated in Article X of the loan contract:

"La Société Imperiale Ottomane du Chemin de fer de Bagdad, de son côté, affecte au present emprunt, la section 200 km. partant de Konia, du chemin de fer Konia-Bagdad-Golfe Persique, ainsi que le materiel roulant y appartenant. Elle affecte, en outre, sa part dans les recettes de ce chemin de fer, après paiements des frais d'exploitation."⁴⁷

46. Note from the Undersecretary of State in the Foreign Office, von Muhlberg, Berlin, March 14, 1904, GP 17, pp. 460-61.

47. Roumani, op.cit. p. 245.

The Government also guaranteed an annuity of 11,000 francs per kilometer constructed and in operation, and a contract sum of 4,500 francs per annum for working expenses per kilometer. If the gross kilometric receipts were more than 4,500 francs but less than 10,000 francs, the sum over and above 4,500 francs belonged to the Ottoman Government. If the receipts were more than 10,000 francs, the portion up to this sum would be divided as stated above, 60% of the surplus above 10,000 francs went to the Government and 40% to the company. But if the receipts did not reach the sum of 4,500 francs, the Imperial Government would reimburse the company for the deficiency.

In order to be better able to finance the railway, the Ottoman Government asked the powers (Britain, France, and Russia) if it could raise the customs duties from 8% to 11%; this was agreed to by the powers in 1906.

The concessionaires were to improve on the lines from Haidar Pasha to Konia, but the expenditures were not to exceed the sum of 8,000,000 francs. In return, the Ottoman Government assigned the company an annuity of 350,000 francs for thirty years, and another annuity for the same sum for the establishment of express trains.

The Convention of 1903 brought European rivalries to a head, and made the powers concentrate on the railway more than an economic concession would warrant. Now that the concession was an accomplished fact it would have been better for the powers to allow their nationals to participate, thus

more or less internationalizing the railway. It is interesting to note that it was Britain's objections that really mattered to Germany, for France was willing to participate and Russia was in no condition to do much about it.

Gwinner invited British capital to participate on equal terms with existing German and French interests. Capital was to be divided in the following manner:

Anatolian Railway Co.	10%
Germany	25%
Britain	25%
France	25%
Others	15%

Sir Nicolas O'Connor, British ambassador to the Porte, and the Marquess of Lansdowne, among other Englishmen, felt that England ought to participate in such a scheme, as the railway would open up new regions for commerce and exploitation and would shorten the important route to India. The British Government was also favourable to the offer but the Cabinet was not unanimous; the offer was declined.

A proposed tirpartite agreement came to nothing due

48. Enclosure No. 1 in Letter No. 212 from Messrs. Baring Bros. and Co. to the Marquess of Lansdowne, London, March 20, 1903, BD II, p. 184.

49. Memorandum No. F.O. Turkey 5322 on the Bagdad Railway by the Marquess of Lansdowne, April 14, 1903, BD II, p. 187.

50. Kirk, op.cit., p. 93.

to the above and to the British press, mainly through the National Review and the Spectator. Maritime companies objected on the grounds that they would lose money (and their monopoly on trade) if the railway were built. Public opinion was thus influenced against the railway, and Germany was upset. According to the French ambassador at Berlin, it was a certain Russia correspondent in London, Wesselitzki by name, who instigated the press attacks against the railway.⁵¹ Negotiations were cut short by Britain in 1903.

By October 1903 the French Council of Ministers refused to allow French capital to participate; both France and Britain were influenced by Russia, who now had a railway scheme of her own, going from Wan to Mosul and Bagdad. This scheme was refused by the Porte, as it did not want Russia to get a foothold in the Empire.

Meanwhile, on April 13, 1903, the Bagdad Railway Company was formed at Constantinople, with a capital of 3 million marks. The board of directors was made up of 27 members, among them eight Germans, eight French, four Ottomans, two Swiss, one Austrian, and one Italian. Some of the members were the following: Gwinner, Kaulla, Karl Schrader, Count d'Arnoux, Deffes, Auboyneau, Chenut (Régie Générale de Chemins de Fer),

51. Letter No. 137 from the French ambassador at Berlin Bihourd to Delcassé, Minister of Foreign Affairs, Berlin, May 23, 1903, DDF 2eme Serie, Tome III, p. 354.

Turrettini (l'Union Financière de Genève), Bauer (Wiener-banksverein), and Carlo Esterle; representing the Public Debt were Karl Testa, Léon Berger, and Hamdy Bey; and Vernes of the Ottoman Bank. Karl Helfferich was elected member in 1906.⁵²

The six years after the signing of the Convention of 1903 were relatively unimportant in the history of the railway. They were characterized by half-hearted negotiations on the part of the Entente powers who tried to prevent the building of the railway at every turn. Russia was occupied in the Far East and her defeat by Japan in 1905 made her seem, at least for a while, a less forbidding contestant on the Near Eastern scene. France drifted along with the tide; French businessmen invested in the enterprise, while their government tried to prevent them. Germany's main problem was Britain who had roused herself to fight the railway in any way she could: since she couldn't have it no one else should get it.

On October 25, 1904, the Konia-Eregli line was inaugurated and opened to traffic. Out of 54,000,000 francs allotted for its construction, there was a savings of 3,697,000 francs, which the concessionary company put aside for a reserve fund of 4 million francs.⁵³

52. Earle, op.cit., p. 115, as quoted from Reports on the Bagdad Railway Company, 1903.

53. Ragey, op.cit., p. 57.

The German group was still trying to interest Britain and to get her cooperation; Gwinner was willing to assign the southern section, i.e. the Bagdad-Persian Gulf line, to a British syndicate. By 1905 the Germans were afraid that they would not have enough capital to continue their work without the aid of the London and Paris stock exchanges. England, on the other hand, feared that Germany could and would finance the railway on her own. The feeling was that Britain must interfere at this point, while the company needed help for the Taurus crossing, the most difficult part of the enterprise. It was this consideration that made her reopen the negotiations which she had broken off in 1903.

The year before, the British General Staff had come to the conclusion that a German-controlled railway would imperil the political, commercial and military interests of England in the Ottoman Empire. On the 12th of April 1905 the Imperial Defense Committee decided that England must control or at least have a large share in the southern section of the project. On July 31st this same committee enumerated what it thought were Britain's interests: a) The control and administration of Syrian railways were to be under France. b) The building, administration, and control of the Bagdad-Persian Gulf section by England. c) The internationalization of the Konia-Bagdad line, in which the powers were to have equal rights. ⁵⁴ This, in effect, was really the partitioning

54. Bayur, op.cit., pp. 182-183.

of the Ottoman Empire into spheres of influence, prior to its eventual dismemberment. It was also a policy which contradicted the one held by England in the late 1890s.

On October 3, 1905, Gwinner proposed the following:

1) to reach an agreement with England whereby the Porte would issue new rights to the British Izmir-Aidin railway and the Konia-Eskishehr line; 2) to negotiate for the association of the British line with the Anatolian Railway Company in a way acceptable to Britain; 3) to reach an agreement regarding the Bagdad-Persian Gulf section, which Gwinner proposed should be under British control.

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Considering that this was a German concession, and an economic one at that, the German proposals were more than fair. Britain's fear of a German-influenced Persian Gulf were groundless since she was offered control of the line. German trade did not get a strangle-hold in the Ottoman Empire as many would like to believe. English commerce kept first place; it was Italian commerce which increased quite rapidly, showing the quickening political interest of Italy in the Near East.

In 1906 the German group was still endeavouring to induce Britain to come to an understanding over the railway. In April, the director of the Anatolian and Bagdad Railway Companies, Kurt Zander, told the British ambassador at Constantinople that he expected Britain to participate in the

undertaking. Foreign Minister Lord Grey was unenthusiastic. France was willing to contribute, but preferred an international railway with equal participation by all.

That same year Turkey's demand for an increase in customs duties from 8% to 11% was finally accepted. The Deutsche Bank acquired a controlling share in the Anglo-French Mersina-Tartous-Adana Company, in order to facilitate the carrying of materials for the building of the railway through the Taurus mountains and Cilicia. An agreement was reached with the Smyrna-Cassaba Railway Company for the establishment of connections with Smyrna, thus linking the railway to the Mediterranean.

In 1907 the Hamburg-America Line established an office in Basra, and began a steamship service on the Tigris River, dealing a blow to British monopoly in that region and bringing loud complaints from the Lynch brothers. Britain and Russia divided Persia into spheres of influence, the latter becoming more amenable and feeling that she ought to come to an agreement with Germany. The German position was strengthened and the two ironed out their difficulties in 1910 in the Potsdam Agreement.

Meanwhile, England maintained the same attitude regarding the Bagdad Railway: she wanted it to be internationalized, with the Gulf section completely under control. Sir Edward Grey felt that it was of great political significance; not only would it run from Europe to the Persian Gulf but it would

open up the possibility of Turkish military movements. Sultan Abdul Hamid II's main consideration in granting the concession in 1903 was a military one: the railway could transport troops all over the Empire faster than anything else. The German Company was a commercial venture which had undertaken to build a railway in which no one was particularly interested at the beginning. What the owners did after that concerned no one but themselves.

But England's fear was always India. On the 4th of July, 1907, she sent a note to Russia and France, whereby she stated that if the railway were to be completed it would not only shorten the route to India, but would threaten Iraq which had been economically important to her for more than a century. Britain refused to accept any discussions for internationalization as long as the kilometric guarantee remained the same as that of 1903. She also insisted that the building of harbours should be left to British companies. The Sultan and Russia refused to accept this.

In the first months of 1908 negotiations were carried on between Britain and Russia concerning railways in Persia. Germany proposed to Russia that the latter link Iran with the Bagdad Railway through Khanikin.

Britain now suggested negotiations "à quatre" for anything concerning the railway, but Germany naturally refused since she would have been out-voted by the three powers (Britain, France, and Russia). She would accept to carry on talks "à deux", separately with each one of them. These were to

56. J.C. Hurewita, Diplomacy in the Near and Middle East, (Princeton: D. Van Nostrand Company, Inc., 1956), Vol. I, p. 267.

culminate in later years in various agreements.

The Young Turks overthrew Abdul Hamid's autocratic regime and attempted to replace it by a constitutional and liberal government. For a time it seemed as though the Bagdad Railway were to proceed no further, for the Young Turks tended to lean more towards Britain and France, as they connected Germany with the old regime. But England expected too much of them and their attitude changed so that by 1909 Germany regained her position in the Ottoman Empire.

Meanwhile, Boulgourlou at the foot of the Taurus mountains was reached and made accessible to traffic. An Imperial Irade was issued to extend the railway to El Helif. To finance the continuation of the railway, the Ottoman Government, in conformity with the Convention of 1903, had issued the 4% loan of the Bagdad Railway, first series. A contract concluded on June 2, 1908, between the Imperial Government, the Deutsche Bank, and the concessionaires provided for a second loan.

The second series was for a nominal capital of **ET** 4,752,000 divided into 216,000 obligations with a face value of **ET** 22, or 500 francs each. The third series was divided into 238,000 shares; both totalled the sum of **ET** 5,236,000.

The obligations of this second series paid an interest of 4% per annum, payable bi-annually on January 2 and July 1st of each year. They were reimbursable at face value for 97½ years, from the date on which the first coupon fell due; this was by means of an amortization fund of 0.087.538% per year,

reckoned on the nominal capital of each series. This amortization fund was decided in such a manner as to make the annuity for the interest equivalent to the sum required for the kilometric guarantee. The final amortization for the loan coincided with the end of the concession for the Bagdad Railway.

The Government assigned the following revenues to guarantee the interest and the amortization for the second series: 1) ET 420,000 levied annually on the excess of the net receipts of the Ottoman Debt coming to the Government, according to Article 7 of the Decret-Annexe, deducted from the proceeds of the customs surtax of 5%. 2) The share of the Imperial Government in the mean gross receipts of the Boulgourlou-El Helif section and the branch line from Tel Habesh to Aleppo.⁵⁷

In order that the second assignment would be effectual and not diverted elsewhere, it was agreed that when the share of the Government in the receipts was established the concessionaires would pay it to the Public Debt; the latter would in turn remit to the Ottoman Government all surplus over and above the sum required for the service of the loan. Any other guarantee added to the second and third series was acceptable. By November 1914, the capital remaining in circulation amounted

57. Roumani, op.cit., pp. 258-259.

to: a) second series ET 4,718,120; b) third series ET
58
5,221,700.

The Ottoman Government now asked for the increase of customs duties from 11% to 15%. Germany agreed to this on condition that contracts with German companies be respected, and that the other powers would agree to the increase. Britain agreed on condition that 1) customs sheds and other buildings would be built to facilitate transactions; 2) the English market would be admitted for larger Turkish loans; 3) the results of the increase would not be used for contracts drawn up under the old regime, i.e. the Bagdad Railway.⁵⁹

What started out as an ordinary business venture now definitely passed to the political realm.

58. Ibid., pp. 260-261

59. Letter No. 338 from the ambassador in Constantinople Freiherr von Marschall to the Foreign Office, Therapia, October 4, 1909, GP 27 (II), p. 574.

CHAPTER III

1908 - 1914

With the Young Turk Revolution Germany lost the prestige she had enjoyed in the Ottoman Empire, for she was associated in the minds of the revolutionaries with the old regime. Many of the Young Turks had been educated in Britain and France and turned to these two countries for support. A nationalist reaction set in, however, of which the Armenian massacres of 1909 were a feature. The British and French press denounced these atrocities, but the German press was quiet. When the Turks applied for a loan from Britain and France they were refused. They turned to Germany, and the Deutsche Bank advanced the loan they asked for. Germany began to regain her position in the Ottoman Empire.

Unfortunately the purchase of the loan was not enough to solve the financial difficulties, so on May 27, 1909, the Young Turks asked for an increase of 4% (from 11% to 15%) in the customs duties. Germany agreed to this increase provided her already existing contracts were kept up, and if the other powers agreed. France accepted on condition Britain obtained satisfaction in the southern end of the Bagdad Railway and if 1) French railways in Syria were connected with the Bagdad Railway, 2) branch lines which had been given by French companies to Germans were returned to them, 3) she obtained the

concession for the construction of a Bagdad-Homs-Mediterranean Railway.

On the 18th of August the British ambassador at Constantinople was instructed to ask the Turkish Government for the concession of the Bagdad-Persian Gulf section of the line, with no financial guarantee. If Britain did not obtain this concession, she threatened to build a new railway from the Persian Gulf to Bagdad and along the Tigris Valley which could be prolonged to the Mediterranean in case of necessity. In other words, the consent for the 4% increase in customs duties depended on whether Britain would obtain the southern portion of the line. According to the German ambassador at Constantinople, Baron von Marschall, the grand vizier Hakki Pasha did not want to grant Britain any concessions due to political reasons,⁶⁰ i.e. her interest in Mesopotamia. Britain did not want the increase to be used for the kilometric guarantee of the railway.

A second Turkish note concerning the 4% increase was presented to the British Government in September. Lord Grey felt that this customs increase would constitute a burden for British commerce; the railway would increase trade in Mesopotamia which would provide too much competition for British commerce. The customs increase would be accepted by Britain for the kilometric guarantee if she could have a controlling share in the southern part of the railway, which was her main concern.

60. Letter No. 576 from Baron von Marschall to the German Foreign Office, October 25, 1909, Dugdale III, p. 367.

These negotiations were carried on between governments and businessmen, each group acting separately.

Having received no financial cooperation from either British or French interests, the Deutsche Bank formed a company in Glaris, Switzerland, in December 1909. This company was composed of the following: the Deutsche Bank, Ottoman Bank, Wienerbanksverein, Schweizerische Kreditanstalt, and the Banque de Paris et des Pays-Bas. Thus French capital participated rather indirectly. The company accepted the first loans on the second and third series of the 4% Bagdad bonds, amounting to 220 million francs.⁶¹

By this time the railway had been completed up to Boulgourlou at the foot of the Taurus and was in operation.

The shipping on the Tigris and Euphrates Rivers now took on a more serious aspect. Until this time commerce on the two rivers had been a virtual British monopoly. Britain, in trying to establish a protectorate over Mesopotamia, wanted to fuse the Turkish Hamidié Company with that of the Lynch Brothers to control both rivers. Britain's claims to the rights of navigation on these rivers was based on the following: (1) trade with Arabia since the seventeenth century; (2) the assistance she gave the Ottoman Government in putting down internal and external disorders; (3) trade between Basra and Bagdad, as recognized by the Pasha of Bagdad in 1823; (4) the

61. Note from the Embassy Councillor in the Foreign Office Zimmermann and Freiherrn von Griesinger, Berlin, July 17, 1909, GP 27 (II), p. 570.

agreement of 1846 between ambassador Canning and the Porte whereby British navigation in Mesopotamia was formally recognized.⁶²

Meanwhile the Gwinner-Cassel negotiations were being carried on in the hope that an agreement could be reached between Germany and England concerning the railway, and that the question would be settled once and for all. Gwinner was ready to welcome British participation in the Persian Gulf portion on the basis of British control if the Turks agreed on such. He suggested the formation of a separate company for the Gulf line, either Ottoman or British, with a nominal capital of £300,000. A construction company would be formed in Switzerland or elsewhere on the same lines as the Bagdad Railway Company. The shares in the line would be the following:

Britain	50%	
Bagdad Railway Company	30%	
Anatolian Railway Company	10%	
Ottoman Government	10%	63

The increase in the budget resulting from the 4% customs increase would be used for the kilometric guarantee of El Helif-Persian Gulf. But the British financier Sir Ernst Cassel felt that there was a possibility that England could

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62. Enclosure in letter No. F.O. 9432/4930/13/44 from Sir L. Mallet to Hakki Pasha, Foreign Office, February 26, 1913, BD X(II), pp. 90-91.
63. Enclosure in letter No. F.O. 46237/2074/09/44, Memorandum of conversations between Mr. Arthur von Gwinner and Sir Ernst Cassel, December 15, 1909, BD VI, p. 410.

acquire more than 50%. Had these negotiations succeeded, the 4% customs increase might have been advanced by four or five years. Unfortunately they failed.

Winston Churchill, then President of the British Board of Trade, arrived at Constantinople to discuss the railway and to try and reach an understanding with Germany. England, according to him, had special interests in Mesopotamia and would therefore claim special rights from Bagdad on.

Gwinner, basing his opinion on conversations held in 1908 with Sir Ernst Cassel and Major Sir Edward Fitz Gerald Law, said that Britain wanted a geographic distribution of spheres of influence in the Ottoman Empire. This fact was later born out by the German ambassador in London, Prince Lichnowsky:

"At the same time I was negotiating in London, with the able support of Herr von Kuhlmann, about the so-called Bagdad Treaty. The real object to this was to divide Asia Minor into spheres of influence, although this term was anxiously avoided in view of the rights of the Sultan. Sir E. Grey also repeatedly stated that there were in existence no agreements with France and Russia about the partition of Asia Minor."⁶⁴

A memorandum of an interview between the German Chancellor Bethmann-Hollweg and the British ambassador in Berlin

64. Eliot Grinnell Mears, Modern Turkey, (New York, 1924), p. 369.

Sir E. Goschen pointed out that England wanted to control the Persian Gulf section of the railway against an increase in the customs duties. The privilege of building the southern portion was important, and would be left under British control only if an agreement were reached between the two countries. Sir Edward Grey felt that 1) Britain could not come to any agreement with Germany before consulting the Entente powers; 2) no agreement could possibly be reached before a settlement of the naval rivalry between Britain and Germany was effected, as Britain did not want to see Germany at the commercial door of Mesopotamia.

On the 3rd of May 1910 all these views were discussed by the British ambassador at Constantinople and the Minister of Foreign Affairs Rifaat Pasha, who felt that the Ottoman Government was in a difficult position regarding the powers. France had asked for nothing until urged on by the others. Italy desired concessions. Britain did not want Turkey to continue the construction of the railway herself, and would put obstacles in the way. Britain wanted to control this section and was afraid that the Ottoman Government would prove difficult over the question of Kuwait.

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65. Strangely enough the United States entered the picture with the following requests: that railway concessions be given to American companies in middle, southern, and eastern Anatolia, and should have the right to exploit any mines there; that Turkey should order warships from her. If these conditions were to be accepted, the United States would support the Bagdad Railway, although the solution would undoubtedly be that Turkey build the railway herself. The only source that mentions the United States seems to be Bayur, p. 332.

On May 25, 1910, Gwinner wrote to Cassel that Germany was willing to give Britain a 60% share in the Persian Gulf line, but that Hilmi Pasha (grand vizier) and Djavid Bey (minister of finance) refused. Grey replied to this in a letter to the president of the National Bank of Turkey, Babington-Smith, that Britain would be satisfied with a share of 55% provided she herself would build the harbours which the Bagdad Railway Company had contracted to build.

By March 1911 there was the beginning of a 'détente'. On March 18th a convention was signed between the Bagdad Railway Company and the Minister of Public Works providing for the continuation of the railway to Bagdad. The two directors of the Deutsche Bank, Gwinner and Helfferich, agreed in the convention of March 21 not to continue the line to the Persian Gulf, and as compensation they were given the right to prolong the railway from Toprak-Kalé to Akexandretta and the right to built the port at Alexandretta.

The Porte at this time approached the British Government with the suggestion either to internationalize the Bagdad-Persian Gulf portion by giving Turkey 40% and 20% each to Britain, Germany, and France, or that Turkey build the railway alone. The latter idea -- that Turkey build the railway herself -- was rejected by Britain, who suggested that the shares in the southern section be equally distributed among Britain, France, Russia, Germany, and Turkey, thus giving the Entente powers a majority. Turkey refused to accept Russia as a partner in the enterprise.

The grand vizier Hakki Pasha next tried to solve the problem by giving an equal share to Turkey, Germany, Britain, and France, with the terminus of the railway at Basra. England claimed the right to build from that point on.

In November 1910 Tsar Nicholas of the Russias had visited the Kaiser at Potsdam, and among the issues discussed were those relating to the Near East. This meeting resulted in the Potsdam Convention on the Bagdad Railway and Russian interests in Persia signed in August 1911.⁶⁶ Germany recognized the division of Persia into spheres of influence as defined by the Anglo-Russian Agreement of 1907, and pledged herself not to request any concessions for railways or navigation or such in Persia; Russia on her part recognized the rights of the Deutsche Bank in the Bagdad Railway, and promised to obtain a concession to build a railway in Persia to be connected with the Bagdad Railway at Khanikin.

Many hoped that after the Potsdam Agreement others would follow suit and settle the dispute. A member of the House of Commons, Pickersgill, said: "I cannot understand the policy of continued antagonism to Germany. Ex-President Roosevelt recently gave much good advice to our Foreign Minister, and amongst other things he said that the presence of Germany on the Euphrates would strengthen the position of Great Britain on the Nile.... The action of Russia in the recent meeting at Potsdam has brought matters to a head, and

66. For the full text of the Convention see Annex II.

I hope the Foreign Office will approach Turkey with a view to an arrangement for the completion of the Bagdad Railway which might be agreeable to Turkey, Germany and Ourselves."⁶⁷

Actually, this agreement was to be the beginning of a series of conventions among the powers which was to settle the Bagdad Railway question on the eve of the World War.

France was ready to follow in Russia's footsteps and reach an understanding with Germany. The French ambassador in London Paul Cambon told the German ambassador in London Paul von Metternich that he wished for a speedy settlement of the question, and that as far as France was concerned, it might be solved by German support of French railway schemes in Syria, for which in return France would liberate French capital for the Bagdad Railway.⁶⁸

In the summer of 1913 meetings were held between France (represented by Baron de Neuflize, a regent of the Bank of France, and de Klapka, secretary-general of the Imperial Ottoman Bank) and the Deutsche Bank (represented by two of its directors, Gwinner and Helfferich). The result of these conversations was the Draft Agreement on the Bagdad Railway of February 14, 1914,⁶⁹ negotiated by the Deutsche

67. Earle, op.cit., pp. 243-244, as quoted from Parliamentary Debates, House of Commons, Vol. 21 (1911), p. 82.

68. Letter No. 673 from Count von Metternich to the Chancellor Bethmann-Hollweg, February 26, 1911, Dugdale III, pp. 376-377.

69. For the full text of the convention see Annex III.

Bank and the Ottoman Bank, with the presence of representatives of the German and French Governments to give the contract its official character. Both parties sought to extend their railway systems and to link them together. The German group recognized Syria as being under French influence, and renounced all rights to build railways there. The French group was to liquidate its interests in the Bagdad Railway for a cash settlement.

There now remained only the matter of an understanding with Britain, which continued to dicker, although she had no right to do so, as Sir G. Lowther, British ambassador at Constantinople 1908-1913, had written: "Even if negotiations do proceed rapidly between the Porte and Bagdad Railway Company 'for the completion of the Bagdad line to Bagdad' we have no legal right to intervene or to protest".⁷⁰ During 1913-1914 notes flew back and forth between the embassies and the governments of Britain and Germany in an almost frantic attempt to reach an understanding. For a year before the final agreement was reached intense bargaining was carried on between businessmen, financiers, and government officials.

Britain insisted that two Englishmen appointed by the British Government be made members of the board of directors of any company undertaking the construction of the

70. Minutes signed A.P. (Parker) February 8, 1911, on Letter No. F.O. 371/1232 4644/21/11/44 (Tel. No. 29) from Sir G. Lowther to Sir Edward Grey, Constantinople, February 7, 1911, BD X (II), p. 21.

Bagdad-Basra section. This was a difficult point to raise, as it was not possible for a company to have representatives other than those representing the share holders. The right to nominate the board of directors belonged neither to the Ottoman Government, nor to the German Government, nor to the British Government, but to the financial groups participating in such an enterprise.

Ultimately a draft convention was agreed upon on June 15, 1914.⁷¹ Germany undertook to secure the admission of two members on the board of directors of the Bagdad Railway Company; the terminus of the railway was to be Basra, and the construction of the ports of Bagdad and Basra was to be undertaken by a separate Ottoman company; Germany renounced all claims to the portion beyond Basra, and the existing status of Kuwait was confirmed; in return, Britain agreed not to take any measures which would hinder the construction of the line.

It now seemed as though a compromise had been reached among the powers. Actually, more than a compromise was effected; the Ottoman Empire was really divided into spheres of influence. Prince Lichnowsky had said that "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 Edward Grey made to me personally

71. For a full text of the Agreement see Annex IV.

was the continuation of the railway as far as Basra. We had dropped this point in favour of the connection to Alexandretta; up to that time Bagdad had been the terminal point of the railway. 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, which hitherto had been a monopoly of the firm of Lynch.

"By this treaty the whole (of) Mesopotamia as far as Basra was included within our sphere of influence (without prejudice to already existing British navigation on the Tigris and the rights of the Wilcox (Willcocks) irrigation works), as well as the whole district of the Bagdad and Anatolian railway.

"The coast of the Persian Gulf and the Smyrna-Aidin railway were recognized as the British economic sphere, Syria as the French, and Armenia as the Russian. If both treaties were executed and published, an agreement with England would be reached which would preclude all doubts about the possibility of an Anglo-German cooperation."⁷²

The agreement over the Bagdad Railway had just been reached when World War I broke out. Prince Lichnowsky "received the ratification of the Anglo-German Treaty, executed in masterly caligraphy, and with a wonderful seal", the same

72. Mears, op.cit., pp. 369-370.

day that England declared war on Germany following the invasion
of Belgium.⁷³

The Bagdad Railway, originally an economic enterprise, now became a political and strategic struggle among the powers. It became the symbol of the diplomatic struggle to see which power would dominate. Russia objected but was opposed by Britain. France objected for fear that Germany would supplant her in Syria. Britain was afraid her authority would be undermined in Mesopotamia and the Persian Gulf.

Germany's aim in the Ottoman Empire was neither colonial nor one of conquest. It was purely commercial at first for she was not afraid of Turkish nationalism, and, unlike the other powers who wanted a weak Turkey for the purpose of dividing her up among themselves, preferred a strong Turkey which would absorb excess German trade and capital, and furnish her with new markets.

German railways in the Ottoman Empire had careful management. The operating expenses of the Anatolian and Bagdad Railway Companies never exceeded 47% of the gross receipts, whereas in Europe operating expenses were between 54% and 62%.⁷⁴ In 1911 the earnings exceeded the kilometric guarantee, and after 1913 no further payments were required. These railways increased security by scaring away roving bands of robbers, and brought about an economic renaissance in the regions they traversed.

73. Prince von Bulow, Memoirs, (Boston, 1931), Vol. I, p. 295.

74 38. Earle, op.cit., p. 232

The following table shows the result on the completed sections of the Bagdad Railway. The payments to the Ottoman Government of its share of the receipts in excess of the 4,500 francs guarantee per kilometer are underlined. German railways in Turkey proved a success.

<u>Year</u>	<u>Km in Operation</u>	<u>Passengers</u>	<u>Freight tons</u>	<u>Gross receipts per km.</u>	<u>Total Government subsidy in francs.</u>
1906	200	29,629	13,693	1,368.83	624,028.21
1907	200	37,145	23,643	1,754.44	546,129.77
1908	200	52,759	15,941	1,839.86	529,443.12
1909	200	57,026	15,364	1,936.72	509,565.45
1910	200	71,665	27,756	2,571.43	381,135.58
1911	238	95,884	38,046	3,379.34	238,166.59
1912	609	288,833	57,670	5,315.67	<u>278,785.25</u>
1913	609	407,474	78,645	3,786.53	216,295.17
1914	887	597,675	116,194	8,177.97	<u>2,939,983.00</u>

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CHAPTER IV

1914 UNTIL TODAY

By August 2, 1914, the following sections of the Bagdad Railway were open to traffic:

Konia-Boulgourlou	200 km
Boulgourlou-Ouloukichla	38 km
Ouloukichla-Karapinar	54 km
Dorak-Osmanieh	130 km

The Toprak-Kalé-Alexandretta branch line (59 km) which was connected with the above railway track was also open to traffic.

Radjou-Aleppo-Djerablous	203 km
Bagdad-Samara	120 km ⁷⁶

When the First World War broke out Turkey was allied to Germany by the Secret Treaty of Alliance of August 2, 1914. Several acts were signed during the war concerning the railway:

The act of November 6, 1915, was signed at Berlin between the Ottoman Government, represented by its ambassador Hakki Pasha, and the Bagdad Railway Company, represented by Gwinner and Strauss, its president and vice-president respectively, concerning the work in the Taurus and Amanus mountains;

76. Elefériades, op.cit., p. 239.

The Act of January 10, 1917, signed at Constantinople between Enver Pasha and Abbas Halim for the Ottoman Government and Huguenin and Gunther for the Bagdad Railway Company, related to the extension of the track from Ras el Ain to Nisibin;

The Act of August 15, 1917, concerning the building of a provisional branch line leading to the Tigris River, was signed between Enver Pasha and Ali Munif for the Ottoman Government and Huguenin and Gunther for the Bagdad Railway Company;

The Act of December 30, 1917, was signed between Enver Pasha and Ali Munif for the Ottoman Government on the one hand, and Huguenin and Gunther for the Bagdad Railway Company on the other, and concerned the construction of a provisional branch line from Derbessie to a point near Mardin.⁷⁷

The Convention of January 14, 1916, was concluded at Berlin between the German Chancellor and Gwinner and Strauss, and guaranteed the necessary funds for the termination of the Amanus line, including provisional railway installations for military use.

Construction in the Amanus range was terminated in 1917, and in the Taurus mountains in 1918. By September of that year one could travel by rail without stopping from Haidar Pasha to Nisibin.

The campaign in Mesopotamia began when a British force from India occupied Basra in 1914, and the British began to extend their military occupation for reasons of "security".

77. Elefériades, op.cit., pp. 240-241.

A railway was constructed from Bagdad to Basra by the British army of occupation; these troops were accompanied by a corps of Royal Engineers and Indian coolies, who were put to work in order to build wharves and port facilities in Marghil, a suburb of Basra on the Shatt-el-Arab, to facilitate the landing and handling of war supplies which were sent from India to Persian Gulf. But it was only in the early part of 1918 when British troops had finally occupied Bagdad that the Bagdad-Persian Gulf line (narrow gage) was finished. This track is still in existence today; in fact the Development Board of Iraq is studying its transformation into a standard gage rail. When this study is completed and the line modified, the old dream of a standard gage railway from London or any part of Europe to Basra will have been accomplished, and passengers would, without changing sleepers, reach Basra about five days later.⁷⁸

The branch line to Khanikin was also built by the British army. When in 1918 British troops were sent from Bagdad to Persia in order to counteract Russian troops there, the British army decided to build a railway from Bagdad through Ba'aquba to Kasr-i-Sharine in Persia, the latter town being the base depot for the British expeditionary force in north-western Persia. This railway still exists. An Indian engineering corps built a road over Assadabad Pass up to Hamadan, while

78. Information about the railway after the war was received by the kindness of Mr. Alfred Kettaneh.

another landed at Bouchir on the Persian Gulf and worked its way up to Isfahan. The railway from Khanikin to Kasr-i-Sharine was dismantled after 1920 when both British and Russian troops evacuated Persia.

With the end of the World War the Ottoman Empire was divided into spheres of influence according to agreements reached during the War by the Allies; these were mainly the Sykes-Picot Agreement of 1916, whereby France obtained Syria and Britain Iraq and Palestine, and the Saint Jean de Maurienne Agreement of 1917, which enlarged on the first agreement and included Italy who claimed a sphere of influence in southwestern Anatolia.

Railways now were to be the concern of the mandatory powers. Accordingly, by the Convention of November 15, 1919, the DHP (Damas-Hama et Prolongements) obtained from the French Government the right to exploit -- provisionally -- the Bagdad Railway from Konia to Nisibin, including the branch lines of Toprak Kalé-Alexandretta and Derbessie-Mardin.

Negotiations were now entered into by the French and Turkish Governments, who signed the Agreement of Angora of October 20, 1921, whereby the Bagdad Railway Concession between Bozanti and Nisibin was transferred to a French group which was to be chosen by the French Government. This group was eventually formed under the name of the Société du Chemin de fer Cilicie-Nord Syrie (CNS) and was made up of the following members: the Ottoman Bank, Banque de Paris et des Pays Bas, Banque de l'Union

Parisienne, Regie Générale de Chemins de fer et Travaux Publics, Société Française d'Entreprises, and the DHP. The name of this company was later changed to the Société Bozanti-Alep-Nisibin et Prolongements (BANP).⁷⁹

From 1922 onwards, the French High Commissioner allowed the company the provisional exploitation of the following lines:

1. the repair of the Amanus line for a breach of 43 km (1923);
2. the reestablishment of the exploitation of the left bank of the Euphrates River (1924) from Djerablous to Aktché Kalé and Mardin;
3. the reestablishment of a provisional bridge between the Tigris and Euphrates Rivers (1925);
4. this bridge was properly repaired in 1927. It had been destroyed during the German evacuation of 1918; when repaired, trains could run as far as Derbessie. In 1928 the line was extended to the Turkish station of Nisibin, situated two kilometers away from the Syrian station of Tel Ziouane;
5. in 1928 the Derbessie line was inaugurated;
6. in 1932 the Nisibin-Tel Ziouane line was open to traffic.

Meanwhile, the Turkish Government had decided to purchase any railways within its territory held by foreigners, and thus acquired the Mersina-Adana-Tartous Railway. It also

79. Elefteriades, op.cit., p. 246.

acquired the Anatolian Railway Company and its shares in the Bagdad Railway; once this was done the Turkish and French Governments signed the Ankara Agreement of 1932, whereby certain sections of the Bagdad Railway were handed over to Turkey, who formed the Societe Anonyme Turque pour les Chemins de fer du Sud (CD)⁸⁰ to exploit the following: Payas-Toprak Kale, Fewzi Pasha-Medain Ekbes, and Tchoban Bey Nisibin.⁸¹

An understanding was reached during 1932 between the French High Commissioner and Turkey whereby the line extending from Nisibin to Tel Ziouane would be used to ship Syrian merchandise from the Jezireh to Aleppo and thence to Tripoli. The French at the time were trying to settle Turkish and Armenian refugees in the Jezireh.

By a Convention of June 27, 1933, awarded by the High Commissioner in Syria and Lebanon, the DHP was given the right to exploit the Alexandretta-Payas line, as well as Medain Ekbes-Tchoban and extensions beyond Nisibin. The DHP and the CD came to an agreement whereby their lines would be connected and would function together.

Between 1934-1935, acting under pressure of French banks and private business interests, Charles de Martel, High Commissioner in Syria and Lebanon, decided to have 72 kilometers of rails laid between Tel Ziouane and Tel Kotchek, the northern most station of the Mosul-Bagdad track. This part of the line

80. CD stood for Cenub Demiryollari, or southern railways.

81. Elefteriades, op.cit., pp. 246-253.

was inaugurated in 1935, and provided for a direct route from Europe to Tel Kotchek on the Iraqi frontier. The last link extending from Tel Kotchek to Mosul and from Mosul to Bagdad was begun in 1937 by the Iraqi Government and finished in 1940.

By 1939 the Bagdad Railway shares were divided in the following manner:

French Government	4,500'		
French business	7,000	11,500	38.33%
Turkish Government		10,500	35.00%
British Government	4,500		
British business	1,000	5,500	18.33%
Italian business		600	8.33%
Others		<u>1,900</u>	
	Total	30,000	100.00% ⁸²

The railway which had taken about fifty years to build was now terminated by the very powers that had tried to prevent its construction. The newspaper "La Syrie", in an article of February 16, 1937, stated that "l'achèvement du chemin de fer de Bagdad est le triomphe du bon sens, et nous sommes heureux d'ajouter du bon sens français".⁸³ Wilhelm von Pressel's dream of a railway connecting Europe with the Persian Gulf had become an accomplished fact.

82. Elefériades, op.cit., pp. 268-269.

83. Ibid., p. 262.

ANNEX I

THE BAGDAD RAILWAY CONVENTION*

5 MARCH, 1903

Between his Excellency Zihni Pasha, Minister of Commerce and Public Works, acting in the name of the Imperial Ottoman Government, of the first part; M. Arthur Gwinner, president of the board of directors, Dr. Kurt Zander, director-general, and M. Edouard Huguenin, assistant director-general of the Ottoman Anatolian Railway, acting in the name and on behalf of the Ottoman Anatolian Railway Company at Constantinople, of the second part, it has been decided as follows:-

Art. 1. The Imperial Ottoman Government grant the concession for the construction and working of an extension of the line from Konia to Bagdad and Busra, passing through, or as near as possible to, the towns of Karaman, Eregli, Kardash-Beli, Adana, Hamidieh, Osmanieh, Bagtcheb, Kazanali, Killis, Tel-Habesh, Harran, Ras-ul-Ain, Nisibin, Aviant, Mosul, Tekrit, Sadidjeh, Bagdad, Kerbela, Nedjef, Zobeir, and Busra, as well as the following branches:-

1. From Tel-Habesh to Aleppo.
2. From a neighbouring point on the main line, to be agreed upon, to Urfa.

The Imperial Ottoman Government will not grant a guarantee, under any form, for the construction of this branch

* Quoted from J.C. Hurewitz, Diplomacy in the Near & Middle East, Vol. I, pp. 252-263.

line, about 30 kilo metre in length, nor any appropriation for working expenses, but the gross receipts of every description from the branch line shall belong exclusively to the concessionaires.

3. From Sadijeh to Khanikin.

4. From Zobeir to a point on the Persian Gulf to be agreed upon between the Imperial Ottoman Government and the concessionaires, as well as everything appertaining to the said lines. The main line and its branches shall follow a route to be approved by the Imperial Ottoman Government - to the Ottoman Anatolian Railway Company on the following conditions:-

Art. 2. The duration of this concession shall be ninety-nine years. A similar period shall be adopted for the lines of Angora and Konia, and shall commence to run from the date of the issue of the firman and the exchange of the present convention.

As regards the new lines, this period of ninety-nine years shall commence to run separately for each section from the date on which the Imperial Government shall have issued the Government bonds to the concessionaires in accordance with article 35 of the present convention.

Art. 3. These lines, taken collectively, are divided, as regards the submission of the final plans and designs, into sections of 200 kilo meter in length. The concessionaires shall, within three months from the date of issue of the firman granting the concession and the exchange of the present convention and the specification (and after the conditions of

article 35 have been fulfilled), submit to the Ministry of Public Works, after the survey has taken final shape, and in accordance with the terms of the specification full plans and designs of the first section of 200 kilo meter in length, starting from Konia and passing through, or as near as possible to, Karaman and Eregli, i.e., along the contemplated route of the Bagdad line. As regards the other sections, the plans and designs relating thereto shall be submitted within eight months from the date on which the concessionaires for each section commences in pursuance of the provisions of article 35 which relate to each section.

The plans and designs must be examined by the Ministry, and, according to circumstances, approved as they stand, or modified if necessary, within three months from the date of their submission. After that period, if the Imperial Government have not notified their decision to the concessionaires, the latter may consider the designs which they have submitted as having been approved, and they shall proceed to put the work in hand. If the Imperial Government introduce such modifications into the designs as will involve a delay of more than one month in the approval of the plans, the period allowed for construction shall be extended by a period equal to the delay caused by the examination of those modifications and approval of the plans.

The special assignments intended for the first section of 200 kilo meter starting from Konia and passing through or as near as possible to Karaman and Eregli, are set forth in Annex I (Financial Convention)¹ which forms an integral part

1. Not reproduced.

of the present convention.

Art. 4. The concessionaires undertake to commence work on the first section, at their own expense, risk, and peril, within three months from the date of approval of the plans and designs of those first 200 kilom., and likewise to complete it not later than two years from the same date.

The concessionaires undertake to commence work within three months from the date of approval of the plans and designs of the other sections, and to complete the whole of the lines and branches within eight years from the date of issue of the **firman** and the exchange of the present convention. Notwithstanding, any period of delay in carrying out the terms of article 35 for any section, that is to say any period of delay in the issue of the bonds by the Imperial Government to the concessionaires, shall be added to the said period of eight years. The works must be carried out in accordance with standard practice and the terms of the annexed specifications, as well as with the approved plans and designs; notwithstanding, in case of *vis major*, the periods for completion shall be extended by a period equal to that of the interruption of the work, provided that the concessionaires immediately notify the local authorities as well as the Ministry of Public Works.

The term *vis major* shall be understood to include the case of a war between European Powers, as also a radical change in the financial situation of Germany, England, or France.

Art. 5. The Ministry of Public Works shall control the works by one or more commissioners, both during execution,

on completion of the works, and before their reception. This control shall likewise apply to the working of the line and the maintenance of the works during the period of concession.

The concessionaires shall deposit each year, to the order of the Ministry of Public Works, and in respect of expenses of control, a sum of 270 gold piasters per kilometre, payable monthly, from the date fixed for the commencement of the works until the termination of the concession.

Art. 6. The enterprise being of public utility, land necessary for the building of the railway and everything appertaining thereto, quarries, and gravel-pits for balast necessary for the railway and belonging to private persons shall be taken over in accordance with the law on expropriation, whenever it has not proved possible to come to an understanding between the concessionaires and the owners for the purchase of such land.

The Government shall expropriate and hand over to the concessionaires land necessary for the building of the line and everything appertaining thereto after the location of the railway has been approved and staked out. The land shall be handed over by the Government within two months.

The land necessary for temporary occupation during the work shall be handed over to the concessionaires by the local authorities on condition that the former shall indemnify the owners.

If in the said land necessary for the building of the railway and everything appertaining thereto there should be land called Arazii-Emirei-Halie, it shall be handed over free of charge to the concessionaires.

If within a zone 15 kilom. each side of the railway there should be land called Arazii-Emirei-Halie which contains quarries and gravel-pits for ballast, the concessionaires may work them free of charge, during the period of construction, provided that they close them down of the completion of the work; should the concessionaires desire to make use of these quarries and gravel-pits during the period of working they shall conform to the regulations governing the matter and pay the specified royalty.

The temporary occupation of such land during the work of construction shall likewise be granted to them free of charge.

Art. 7. The railway shall be built for a single line; but land shall be acquired in view of the construction of a second line. 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.

Art. 8. Manufactured material for the permanent way and the materials, iron, wood, coal, engines, carriages and waggons, and other stores necessary for the initial establishment

as well as the general enlargement and development of the railway and everything appertaining thereto which the concessionaires shall purchase in the Empire or import from abroad shall be exempt from all inland taxes and customs duties. The exemption from customs duties shall also be granted for the coal necessary for working the line which is imported from abroad by the concessionaires until the gross receipts of the line and its branches reach 15,500 fr. per kilometer. Likewise, during the entire period of the concession the land, capital, and revenue of the railway and everything appertaining thereto, shall not be taxed, neither shall any stamp duty be charged on the present convention or on the specification annexed thereto, the additional conventions, or any subsequent instruments, or for the service of the Government bonds to be issued; nor on the amounts encashed by the concessionaires on account of the guarantee for working expenses, nor shall any duty be levied on their shares, preference shares, and bonds, nor on the bonds which the Imperial Ottoman Government shall issue to the concessionaires.

The concessionaires shall be liable to stamp duty for all their transactions other than those for which exemption is granted to them in the present article.

The concessionaires shall form an Ottoman joint-stock company, under the name of "Imperial Ottoman Bagdad Railway Company," which shall take the place of the Ottoman Anatolian Railway Company in all that concerns the new line from Konia to the Persian Gulf with its branches, and which shall be

governed by the annexed statutes.

The Ottoman Anatolian Railway Company undertakes never to cede or transfer to any other company the existing lines from Haidar-Pasha to Angora and to Konia.

The Imperial Ottoman Bagdad Railway Company which will be formed undertakes not to cede or transfer the lines to be constructed from Konia to Bagdad and to Busra and their branches.

Art. 9. The building and other materials necessary for the construction and working of this line and its branches, as also the officials and workmen, shall be conveyed, but only during the period of construction and under the supervision of the Ministry of Marine, on the Shatt-el-Arab, the Tigris, and Euphrates, in steam or sailing ships, or other craft which shall be acquired or hired by the company.

Material thus conveyed shall be exempt from customs duty, taxes, etc.

Art. 10. The wood and timber necessary for the construction and working of the railway may be cut in the forests of the neighbouring districts which belong to the State, in accordance with the regulations relating thereto.

Art. 11. As soon as the concessionaires shall have notified to the Ministry of Public Works the completion of the work on one section the latter shall cause an inspection of the works already completed to be made by a technical commission appointed for that purpose, and shall accept them provisionally

if approved; one year after they have been provisionally passed, a second inspection of the works shall be made by a technical commission, and, should it be reported that the works have been carried out in accordance with standard practice and the terms of the specification, the Ministry of Public Works shall pronounce their final acceptance as a result of the commission's report.

The concessionaires shall have the right to open the lines to traffic in successive sections after they have been accepted provisionally. The length of the completed section, from Konia, Adana, Bagdad, Busra, as also from the different intermediate points, shall be at least 40 kilom. and shall finish at a station.

Art. 12. Should the Imperial Government decide upon the construction of branches joining the railway which forms the subject of this convention with the sea at a point situated between Mersina and Tripoli in Syria, they shall grant the concession for the said branches exclusively to the concessionaires, provided, however, that the rights already granted to the Damascus-Hamah Railway Company and extensions are safeguarded.

Notwithstanding, should the concessionaires, within a maximum period of one year from the date of the notification made to them by the Imperial Government, not agree to construct the branch or branches in question in accordance with the clauses and terms of the present concession, or, having agreed to do so,

fail to execute them within the time agreed on by the Imperial Government and the concessionaires, the latter shall forfeit all rights to the said branches, and the Imperial Government may grant the concession for them to third parties.

The concessionaires shall, further, have the preferential right on equal terms to construct the following branches:-

- (a) Towards Marash.
- (b) Towards Aintab.
- (c) Towards Birijik.
- (d) Towards Mardin.
- (e) Towards Erbil.
- (f) From the Diala towards Salakie and Tuk-Kharmati.
- (g) From el-Badj to Hit.

This preferential right for the seven branches specified above is dependent for its validity on the following conditions:-

Should the Imperial Government decide definitely to grant the concession of one of these branches to third parties, the concessionaires shall be obliged, within nine months from the date of the notification made to them by the Ministry of Commerce and Public Works, to inform the Imperial Ottoman Government whether they desire to take up that concession upon the conditions accepted by the third parties mentioned above.

Art. 13. The concessionaires shall have the right to establish and work tile and brick works on the line with the permission of the local authorities. Machinery and tools for the use of the said works shall enjoy the same exemption as that granted to the material and tools for the railway. The

The coal consumed in those works shall be exempt from customs duty.

The works shall revert free of charge to the State on the expiration of the concession.

Art. 14. During the entire period of the concession, the concessionaires shall be bound at their own expense to maintain in perfect condition the railway and everything appertaining thereto, as well as its fixtures and rolling stock, in default of which the procedure provided for by article 16 of the specifications shall be adopted.

Art. 15. The concessionaires are bound to conform, as regards the policing and safety of the line, to the laws and regulations now in force, or to be enacted hereafter in the Ottoman Empire.

The Imperial Government shall take all necessary measures for the maintenance of order along the line and in the construction yards.

In the case of interruption of the traffic on part or whole of the line through the fault of the concessionaires, the Imperial Government shall take, at the expense, risk, and peril of the concessionaires, all necessary steps in accordance with article 16 of the specification with a view to ensuring the temporary working of the line.

Art. 16. The concessionaires shall have the right to levy tolls in accordance with the tariff of the specification from the date on which each section of the railway is provisionally accepted until the expiration of the concession.

Art. 17. The transport of officers and men, both naval and military, travelling collectively or separately, whether in time of war or peace, as well as that of war materials and stores, prisoners and convicts, State officials, and mails, shall be effected in accordance with the terms of Chapter V of the specification.

Art. 18. As guarantee for the fulfillment of the present engagements the concessionaires shall, within three months from the day on which they receive official notice of the firman granting the concession, deposit as security in a bank at Constantinople, approved by the Government, a sum of £T. 30,000 either in cash or Government bonds, or the bonds of an Ottoman joint-stock company, or else guaranteed by the State at the current price.

If the deposit is made in bonds the bank shall obtain an undertaking that any deficiency caused by a fall in the price shall be made good. Immediately after the deposit of the security the firman granting the concession shall be issued to the concessionaires.

The security shall be returned only when the works have been finally accepted and in proportion to the length of the sections opened to traffic; if within the three months above mentioned the concessionaires do not make the said deposit, they shall, without any previous summons, forfeit all concession rights.

In the event of it proving impossible to carry out the terms of article 35, the concessionaires shall have the right

to recover their security without any formality or obligation to ask the previous consent of the Government.

Art. 19. The Imperial Ottoman Government reserve the right of withdrawing any time the concession of the line from Konia to Busra and branches on payment to the concessionaires, for the remaining period of the concession, of an annual sum equivalent to 50 per cent. of the average gross receipts for the five years preceding the year in which the concession is withdrawn, provided always that the said annual sum is not less than 12,000 fr. per kilometre. In this case the Imperial Ottoman Government shall repay in one payment the whole of the Government bonds issued to the concessionaires which have not been previously redeemed, and from the annual sum to which, under the present article, the concessionaires are entitled there shall be deducted the annuity of the said loans, viz., 11,000 fr. per kilometre. The Government shall guarantee to the concessionaires the regular payment at the specified periods of the balance due to them on account of the withdrawal of the concession, which shall form the subject of a special convention.

The lines and everything appertaining thereto shall then be handed over to the Government, and the Government shall then proceed to purchase the existing rolling stock and fixtures, materials, and stores, in accordance with article 19 of the specification.

In the event of the concession for the railway being withdrawn, and should the Imperial Government not deem it desirable

to work it through their own officials, they shall not grant the right of working it to another company, but undertake to cause it to be worked on lease by the concessionaires.

Art. 20. On the expiration of the concession for each section the Imperial Government shall acquire all rights of the concessionaires over the railway and everything appertaining thereto, as well as in regard to plant and materials, and shall become entitled to all the proceeds derived therefrom.

The lines and everything appertaining thereto shall be handed over free of all debt and liability to the Imperial Government, and the latter shall effect the purchase of plant and stores in accordance with article 20 of the specification.

Art. 21. The railway employees and officials shall wear the uniform approved and adopted by the Imperial Government; they shall all wear the fez, and shall as far as possible be selected among Ottoman subjects.

Five years after the date of the opening of each section to traffic the whole of the executive working staff, except the higher officials, shall be exclusively composed of Ottoman subjects.

Art. 22. The concessionaires may work any mines which they will discover within a zone of 20 kilom. each side of the middle of the line, provided that they conform with the laws and regulations relating thereto, but this shall not give them a privilege or a monopoly.

They may likewise cut wood in the forests adjoining the line, either for timber or for charcoal, on application

to the competent authorities and if they conform to the regulations governing the matter.

Art. 23. The concessionaires shall have the right to build at their own expense at Bagdad, Busra, and at the terminus of the branch from Zobeir, harbours with all necessary arrangements for bringing ships alongside the quay and for the loading, unloading, and warehousing of goods.

The plan of these harbours shall be submitted within eight years at the latest from the date of exchange of the present convention, and the works on each harbour shall be finished within twelve years at the latest from the date at which the work is begun on the section adjacent to each harbour respectively.

A scale of tariffs shall be annexed to the plans.

These three ports shall form an integral part of the railway, and the net receipts derived therefrom shall be carried to the account of the gross receipts of the railway.

On expiration of the concession these harbours and everything appertaining thereto shall revert free of charge to the State.

Should the concessionaires fail to construct any one of these harbours within the above-mentioned period, the Imperial Government shall be entitled to grant the concession to third parties.

In any case the concessionaires may during the period of construction of the railway establish at these three points, as well as the port of Kostambul, temporary structures for the unloading of materials for the railway.

These structures shall, if the Imperial Government require it, be demolished on the completion of the works.

Art. 24. The concessionaires shall be entitled to set up and open, wherever the need is felt, on the land belonging to the railway depots and warehouses which shall be available for use by the public.

These depots, warehouses, and other plant shall become the property of the Government on the expiration of the concession in accordance with article 20 of the specification.

The Government shall have a share of 25 per cent in the net receipts of these depots and warehouses.

Art. 25. The concessionaires shall be entitled to use on the lines free of charge natural hydraulic power, the right of using which is not already appropriated, or which will be created, for the purpose of generating electricity for the driving of trains, for their lighting, or for other purposes in the working of the railway. The plans and designs of the works which are to be carried out for this purpose shall be submitted for the approval of the Ministry of Commerce and Public Works.

Should use be made of this electric power, 50 per cent of the savings under this head in the working expenses shall be carried to the credit of the Imperial Ottoman Government.

All plant of this kind shall revert free of charge to the State on the expiration of the concession.

Art. 26. The Government shall be entitled to construct at their own expense entrenchments and works of defense on the points of the main line or its branches and wherever they shall

deem it necessary.

Art. 27. Nevertheless the concessionaires shall be exempt from the formality of presenting an application and obtaining permission for research.

Art. 28. The concessionaires shall be bound to submit to the Ministry of Public Works a monthly statement of all receipts; these statements shall be drawn up in the manner prescribed by article 17 of the specification.

Art. 29. The railway considered as divided into sections of 200 kilom. in length, should the concessionaires, except in an established case of vis major, not have commenced the works within the appointed time, or should they not complete the work on one section within the appointed time or should they interrupt the traffic, or should they not, on any section, fulfil the other principal engagements under the present convention, the Imperial Government shall issue a summons to the concessionaires stating the undertakings which remain to be fulfilled by them, and should they within a period of eighteen months from the date of the summons not have taken such steps as are necessary, they shall forfeit their concessionary rights for every section of the line in regard to which they shall have been found in default, and procedure provided for by article 18 of the specification shall be adopted.

It is agreed that, so long as the main line between Konia and Bagdad is not entirely completed, the concessionaires may not open to traffic the parts of the line from Bagdad to Busra which they may have constructed.

During the period in which the sections between Bagdad and Busra are not open to traffic the concessionaires shall refund to the Imperial Government, at the dates when the annual instalments fall due, the annuity of 11,000 fr. per kilometre for interest on and redemption of the bonds which the Imperial Government shall have issued for the said sections, and they shall not, of course, receive anything on account of working expenses; but these clauses do not in any way prejudice the other rights of the concessionaires on the line from Bagdad to Busra.

The forfeiture of the concession for one or several sections of the railway shall not prejudice the rights of the concessionaires as regards the remaining sections of the new lines, nor as regards the whole of the old lines.

Art. 30. The concessionaires shall construct free of charge at the points selected by the Government the necessary premises for the offices of the Imperial Railway Commissioners and of the customs, postal, and police officials.

The concessionaires shall construct at important stations, after arrangement with the Ministry of Commerce and Public Works, two rooms with water-closet for the postal service.

Art. 31. The concessionaires may install at their own expense on the whole extent of the line telegraph poles and wires; this line shall not be used for private correspondence which has no connection with the working of the railway.

The Imperial Government reserve to themselves the right to control at all times by inspectors appointed by the Ministry of Posts and Telegraphs of all telegraphic correspondence carried

over the wires of the company.

The Government shall be entitled to make use of the poles belonging to the railway for the erection of one or, if necessary, two telegraphic wires, and the poles on the railway shall be erected so that they are capable of supporting these two additional wires, as well as those of the company. In case of need the Government shall have the right of erecting, at their own expense, other poles throughout the extent of the line or, in case of breakage or interruption of their lines, placing telegraphists in the stations for transmission of important and urgent official telegrams on the telegraph lines of the railway, provided always that the railway service is not obstructed.

Art.32. The concessionaires shall be entitled to convey by their own means of transport and without paying any tax to the postal administration of the Empire correspondence and bags concerning exclusively the railway service; but on condition that they shall submit them, according to rule, to the control of the officials of the postal administration. Private letters of the staff shall be subject to postage.

The concessionaires shall only carry letters of this nature on their lines on condition that they comply with the terms of the inland postal regulations in force within the Empire. They shall also be entitled to carry free of charge stores, such as coal, lubricants, and materials and plant required for the construction, maintenance, and working of the railway, both on the existing lines and on those lines

which form the subject of the present convention.

Art. 33. The Imperial Government undertake that the service of the line connecting Haidar-Pasha with Sirkedji and the bridge of Karakeui shall be carried on by the Mahsousse Administration by means of three new boats, of an average service speed of at least 14 miles (of 1,855 meters) per hour.

If within one year from the date of exchange of the present convention the Mahsousse Administration should not organise the service under the above-mentioned conditions, the concessionaires shall have the right to carry passengers and goods between the two points, provided that they select the crews of these boats from retired officers and men of the Imperial fleet, or from cadets of the Imperial Naval School who are eligible for commissions.

The boats of the concessionaires shall carry on their service in the place and instead of the Mahsousse Company while being exclusively appropriated to the said transport service, and the concessionaires shall pay yearly to that administration a sum equal to 5 per cent of the gross receipts derived from the transport of passengers and goods carried on by them between the above-mentioned points.

From the balance of the gross receipts there shall be deducted:-

1. Working expenses;
2. An annuity of 8.30 per cent of the initial capital appropriated to the acquisition of boats; after deduction of the said sums, the remainder shall be carried to the account of the gross receipts of the new guaranteed lines.

The amount of initial capital shall be determined after the boats have been purchased.

It is understood that if the gross receipts of one year do not allow of the above-mentioned expenses being met the company shall have no claim upon the Imperial Government.

It may, however, make good the deficit from the receipts of the following years.

The boats of the concessionaires, being considered as a section of the Mahsousse, shall enjoy the same rights as the latter.

Art. 34. The concessionary company and the company about to be formed by it being Ottoman joint-stock companies, all disputes and differences which may arise, either between the Imperial Government and the concessionaires or the company, or between the concessionaires or the company and private persons, as a result of the execution or interpretation of the present convention and the specification attached thereto, shall be carried before the competent Ottoman courts.

The new company, being Ottoman, must correspond with the State departments in the Turkish language, which is the official language of the Imperial Ottoman Government.

Art. 35. The Imperial Ottoman Government guarantee to the concessionaires an annuity of 11,000 fr. per kilometre constructed and worked, and also a contract sum of 4,500 fr. per annum for working expenses in respect of each kilometer worked.

This annuity of 11,000 fr. shall be met by an Ottoman State loan bearing interest at 4 per cent, with a sinking

fund of 0.087538 per cent, redeemable during the period of the concession. Consequently the concessionaires will be entitled to a nominal sum of 269,110 fr. 65 c. of this State loan for each kilometre constructed and opened to traffic, and the concessionaires shall be debarred from demanding other amounts on this head from the Imperial Ottoman Government.

The total nominal amount of Government bonds accruing to the concessionaires by the terms of the foregoing arrangement shall be issued to them by the Imperial Ottoman Government on the signature of each special convention for each section; but the concessionaries shall make good to the Imperial Ottoman Government the sums which the latter have paid during the period of construction for the service of the bonds issued to the concessionaires, viz., till the date on which each section of the railway is provisionally accepted. These sums shall be placed by the concessionaires in the hands of the Public Debt for the account of the Imperial Ottoman Government.

The Imperial Government reserve the right of modifying at any moment the system of payment of the kilometric annuity of 11,000 fr. fixed in the first paragraph of the present article, after redemption of the bonds issued in respect of the said annuity.

As soon as the growth of the traffic and receipts and the financial situation permit the issue by the concessionaries themselves of bonds of their own to replace the Government bonds which have been issued to them by the Imperial Government, the concessionaires shall come to an agreement with the Imperial Government for the purpose of carrying out this arrangement.

For the first section of 200 kilom. beyond Konia the face value of the bonds to be issued by the Imperial Ottoman Government to the concessionaires is fixed at 54,000,000 fr. But as soon as this section is finally accepted and the length of the completed line is fixed, the exact nominal value of the bonds accruing to the concessionaires for that section shall be calculated at the rate of 269,110 fr. 65 c. per kilometre. Any surplus of this nominal amount shall be calculated at the issue price, plus interest at 4 per cent accrued up to the date of payment, and the sum thus ascertained shall be paid in cash by the concessionaires into the Imperial Treasury. The calculation shall be made at a minimum of $81\frac{1}{2}$ per cent.

The Ottoman Anatolian Railway Company guarantees to the Imperial Ottoman Government the construction of the aforesaid section of 200 kilom. until the work on this section is completed.

In the event of the Imperial Ottoman Government deeming it necessary, they may also require the Ottoman Anatolian Railway Company to guarantee other sections, and the Ottoman Anatolian Railway Company shall have the right to do so.

The contract sum of 4,500 fr. per annum for working expenses in respect of each kilometre opened to traffic will be guaranteed to the concessionaires by a special convention for each section simultaneously with the convention regulating the annuity of 11,000fr.

As regards the first section of 200 kilom. beyond Konia, the above-mentioned contract sum of 4,500 fr. per kilometre per

annum is secured to the concessionaires on the surplus of the guarantees already assigned to the lines of the Ottoman Anatolian Railway Company.

The service of the Government bonds which are to be issued for the aforesaid kilometric annuity of 11,000 fr. shall be secured on the special appropriations agreed upon with the Imperial Government before work is begun on each section.

The Imperial Ottoman Bagdad Railway Company, on its part, further pledges, irrevocably and inalienably, to the holders of the said bonds the line from Konia to the Persian Gulf and its branches with their rolling stock. Similarly, and for the same purpose, it assigns its share in the receipts from this line after payment of the working expenses, but the bondholders shall not be entitled to intervene in the administration of the company.

The aforesaid share of the receipts, after deducting working expenses - both the said share and the amount of expenses to be determined by the company's books - shall be paid annually, if need be, by the company to the Administration of the Ottoman Public Debt for the service of the bonds. The Imperial Ottoman Government shall refund to the company any sums under this head for the service of the bonds issued. The Imperial Ottoman Government further assign, irrevocably and inalienably, to the holders of the aforementioned Government bonds their share of the gross receipts of the said line.

If the gross kilometric receipts of the line exceed 4,500 fr. but do not exceed 10,000 fr., the surplus above 4,500 fr. shall belong entirely to the Government.

If the gross kilometric receipts exceed 10,000 fr. being always divided as stated above, 60 per cent of the surplus over and above the 10,000 fr. shall pass to the Imperial Government, and 40 per cent to the Company.

It is agreed that if the gross kilometric receipts do not reach 4,500 fr. the sum required to make good the deficiency in this amount shall be paid to the concessionaires by the Government at the same time as the annuity of 11,000 fr. from the special assignments to be agreed on between the Imperial Government and the concessionaires of the clauses of the present convention relative to each section.

The above assignments shall be collected and paid through the agency of the Administration of the Ottoman Public Debt.

As regards the Government bonds to be issued for the construction of the different sections of the railway, the receipts accruing to the Imperial Government shall be pooled in such a manner that the amount available shall be assigned to the whole of the said bonds in proportion to the original nominal value of each issue.

Immediately after the payment of the coupons and the sinking fund of the Government bonds issued, the surplus of the receipts accruing to the Imperial Ottoman Government shall be paid to the latter annually after the completion of the formalities provided for by article 40 of the present convention.

Art. 36. For the purpose of determining the average of the kilometric receipts from every portion of the new Bagdad

lines, all the receipts from every portion of the new lines, together with the net receipts referred to in article 23 and 33 of the present convention, shall be pooled as and when the new lines are opened to traffic.

The average of the gross kilometric receipts thus obtained shall serve as the basis for ascertaining the total of the sum to be paid in accordance with article 35.

Art. 37. The concessionaires undertake to carry out at their own expense all the improvements on the old lines from Haidar-Pasha to Angora and Eskishehr to Konia required for the introduction of an express train service, but the expenditure involved shall not exceed a sum of 8,000,000 fr.

In return for this expenditure and for the new extraordinary charges for working expenses involved in the introduction of the express train service, the Imperial Government assign to the concessionaires -

1. An annuity of 350,000 fr. for thirty years for interest and sinking fund in respect of the capital sum of 8,000,000 fr. mentioned above.

This annuity shall be paid from the commencement of the worked of improvement.

2. An annuity of 250,000 fr. for the establishment of the express trains.

This latter annuity shall not become payable till the main line reaches Aleppo.

The annuities provided for in the present article shall be paid to the Ottoman Anatolian Railway Company out of the

existing assignments for the guarantees of the old railway system and in the same manner as the latter.

Art. 38. The concessionaires undertake the construct and work, as soon as the Imperial Government shall require them to do so, on the conditions of the present convention, a branch line starting from the Konia-Busra line and ending at Diarbekr and Kharput.

Art. 39. The proposed junction of the Damascus-Hamah line and its **extensions** with the railway system forming the subject of the present convention shall take place at Aleppo.

Art. 40. The concessionaires shall submit to the Ministry of Public Works, in the course of the month of January of each year, an account of the receipts, after it has been audited and approved by the Imperial Commission, and this shall be the basis on which the sums accruing to the Imperial Government and the company shall be determined in conformity with article 35 of the present convention.

As soon as the amount of the Government's share of these receipts is determined, the Imperial Ottoman Bagdad Railway Company shall remit it to the Administration of the Ottoman Public Debt for the account of the service of the Government bonds, and the latter shall deliver in cash to the Imperial Government any surplus which remains available over and above the sums required for the payment of the coupon which matures on the 1st July of the current financial year.

The Imperial Government on their part, undertake to inform the Administration of the Public Debt within two months of the presentation of the account of receipts for a financial year of the amount of the sums acknowledged to be due to the

company for immediate payment.

Art. 41. The concessionaires shall have the right to establish between Hamidieh and the port of Kostambul a temporary branch line for the transport of the plant and materials required for the railway. It is nevertheless understood that after the completion of the works which form the subject of the present convention the concessionaires shall, if the Imperial Government signify their demand for it, have to remove the rails from this temporary branch line.

It is understood that during this temporary working the Imperial Government will not pay either annuity or working expenses for the said branch line.

Art. 42. The land and the quarries which are expropriated in virtue of article 6 of the present convention shall be such area as is strictly necessary for the works of the railway and everything appertaining thereto, and may not be of greater extent. The expropriations shall be carried out under the supervision of the Ministry of Public Works.

Art. 43. All the plant and materials required for the construction of the new lines and everything appertaining thereto referred to in article 8 of the convention, being free of all taxes and customs duties, shall, on arrival, be inspected in the usual manner by the Customs officials.

Art. 44. The stores and warehouses to be constructed on the station premises in accordance with article 24 of the convention shall be used only for the storage of goods to be transported.

Such warehouses and stores shall be built in accordance with designs which will be submitted by the concessionaires and approved by the Ministry of Public Works.

Art. 45. The concessionaires must erect, at their own expense and up to a total outlay of 4,000,000 fr., such military stations as may be deemed necessary by the Ministry of War. The number, the site, and the arrangements of these military stations and everything appertaining thereto shall be settled by agreement between the concessionaires and the Ministry of War.

Art. 46. The concessionaires undertake to pay annually a sum of ET 500 to the Poorhouse as soon as the main line is opened to traffic.

ANNEX II

CONVENTION (POTSDAM) ON THE BAGDAD RAILROAD
AND RUSSIAN INTERESTS IN PERSIA: RUSSIA & GERMANY

6/19 AUGUST 1911*

Art. 1. The German Imperial Government declares that it has no intention to request for itself the construction of railways or the concession of navigation or telegraphic services or to support requests of that nature on the part of German or foreign citizens to the north of the line going from Casre to Chirine, passing by way of Ispahan, Yezd and Khakh and reaching the Afghan frontier at the degree latitude of Gachik.

Art. 2. The Russian Government which intends to obtain from the Persian Government a concession with a view of creating a network of railways in northern Persia engages itself on its part, among other things, to ask for the concession for the construction of railway which is to start from Teheran and to end at Khanikine, to connect this network of railways on the Turko-Persian frontier with the Sadijeh-Khanikine line as soon as the (Koniah-) Bagdad branch railway shall have been completed.

When this connection is obtained, the work of construction of the line indicated shall begin at the latest two years after

* Quoted from J.C .Hurewitz, Diplomacy in the Near & Middle East, Vol. 1, pp. 267-268.

the completion of the Sadijeh-Khanikine branch and terminated within the space of four years.

The Russian Government reserves unto itself the right to establish at a proper time the definitive location of the line under consideration; but on this occasion it shall bear in mind the desiderata of the German Government. The two governments shall favor international traffic over the lines from Khanikine to Teheran and from Khanikine to Bagdad and avoid all measures that might interfere therewith, such, for instance, as the creation of transitory customs duties or the application of differential tariffs.

If at the end of a period of two years after the completion of the Sadijeh-branch to Khanikine of the railway from Koniah to Bagdad, the construction of the line from Khanikine to Teheran is not commenced, then the Russian Government shall inform the German Government of its renunciation of the concession of this latter line. The German Government, in that case, shall have the right to solicit on its part the concession of said line.

Art. 3. In the view of the general importance which the realization of the Bagdad railway has for international commerce, the Russian Government engages itself not to take any step that might prove an obstacle to the construction of the railway or prevent the participation of capital in this enterprise. Always, of course, with the understanding that no pecuniary or economic damage would accrue thereby to Russia.

Art. 4. The Russian Government reserves unto itself the right to entrust to a group of foreign financiers the construction of the projected junction between the network of railways in Persia and the Sadijeh to Khanikine line in place of undertaking itself this construction.

Art. 5. Independently of this, the Russian Government reserves unto itself the right to participate in the works in whatever form it may deem proper, whatever be the mode of construction of the line in question, and to reassume possession of the railway by reimbursing the actual amounts expended by the constructors.

The high contracting parties engage themselves besides to participate annually in the tariff or other privileges which one of the parties may obtain with regard to this line. All other causes of the present agreement remain valid in all events.

ANNEX III

DRAFT AGREEMENT ON THE BAGDAD RAILROAD: THE
IMPERIAL OTTOMAN BANK AND THE DEUTSCHE BANK

15 FEBRUARY 1914*

Art. 1. The French group let it be known that it is presently seeking from the Imperial Ottoman Government a concession for an integrated railroad system extending from the Black Sea and comprising notably the principal line of Samsun-Sivas-Kharput (present-day Elazig) with extensions to Ergani Maden, Bitlis and Van towards the East, to Kastamonu and Bolu toward the west, as well as a branch line leaving from the neighborhood of Suluseray and extending in the direction of Yozgat as far as the divide between Yesil Irmak and the Kizil Irmak.

The German group takes note of the declarations of the French group and declares, for its part, its intention to seek the concession for the lines intended to link the systems of the Anatolia and Bagdad Railroads with that of the Black sea to Sivas by way of Kayseri and to Ergani Maden by way of Diyarbakir.

The French group takes note of these declarations.

* Quoted from J.C. Hurewitz, Diplomacy in the Near & Middle East, Vol. I, pp. 723-276.

Art. 2. As a result, the systems of the two groups will meet, to the west at Bolu in the station of the Anatolia Railroad, to the south at Sivas in the station of the Black Sea Railroad, and to the east at Ergani Maden in the station of the Bagdad Railroad.

The technical conditions under which the junction at Bolu will be made shall form the subject of an equitable agreement between the Companies concerned at a later date.

The two groups shall come to an understanding so that the construction and operation of the port of Heraclea (Eregli) and of the railroads joining Heraclea with the rail networks of the interior might be accomplished, taking into just account French and German industrial interests in the Heraclea basin and the interests of the railroads of the two groups.

Art. 3. The two groups note that the respective positions of the Damascus-Hama and Extensions Railroad and of the Bagdad Railroad are fixed as of this date by the junction of the system of these companies at Aleppo and by their access to the sea respectively at Alexandretta for the Baghdad Railroad and at Tripoli in Syria for the Damascus-Hama and Extensions Railroad.

With a view to strengthening their respective situations and pursuing the normal development of their railroad systems free from any rivalry or competition, the two groups are agreed on the announcement of the following arrangements (articles 4 to 6) .

Article 4. The German group declares its intention eventually to seek the concession for a line intended to link

Alexandretta directly with Aleppo and Aleppo, by way of Maskanah, with a given point in the system already under concession to the Bagdad Railroad in Mesopotamia. The French group takes note of the declaration of the German group, and for its part, declares its intention eventually to seek the concession for a line intended to link Tripoli in Syria directly with the Euphrates by means of an extension from Homs to Dayr al-Zawr where the Damascus-Hama and Extensions would join the Bagdad Railroad system. The German group takes note of this declaration.

Art. 5. With regard to the lines defined in the preceding article, the two groups recognize a protected zone for sixty kilometers to the south of the line of Alexandretta-Aleppo-Maskanah and Extension, an equal zone to the north of the line Tripoli-Homs-Dayr-al-Zawr, and a protected zone of sixty kilometers on either side of the right of way of the existing line from Homs to Aleppo.

At the junction of the two systems, where they come into contact, the protected zones are delimited by a straight line drawn from the point of junction of the rails at Aleppo to the point of intersection of the outer limits of the two zones, following the markings which the parties have by mutual agreement made on the schematic map annexed to these presents.¹

The protected zones are exclusively reserved to the action of the system to which they belong, each of the groups engaging itself neither to construct nor to operate railroads in the protected zone of the other group.

1. Not reproduced.

Art. 6. The two groups shall refrain from constructing or operating, without prior agreement, any new extension reaching the sea in the free zone existing between the outer limits of the protected zones of the Alexandretta-Aleppo and Tripoli-Homs lines.

Art. 7. The points of junction defined above between the systems of the two groups (articles 2,3 and 4) are the only ones now foreseen; new junctions which may be decided upon at a later date by the Imperial Ottoman Government shall be the subject of a prior agreement between the two groups.

Art. 8. In order to give complete effect to the preceding stipulations, insofar as they tend to the formation of integral systems, the two groups mutually assure each other that they shall not seek the construction or operation of any railroad in the zone of action of a system of the other groups, particularly taking into account the points of junction indicated above (articles 2, 3 and 4).

In the same way, the two groups shall refrain from aiding or abetting either directly or indirectly any individual or company of whatever nationality, whose action would go counter to the provisions of the present agreement.

Art. 9. Traffic questions of interest to the systems of the two groups will be regulated by two special agreements entered into between the interested companies and annexed to these presents.²

Art. 10. The two groups, having been informed of the program of railroad construction with the execution of which the Imperial Ottoman Government intends to entrust them, recognize the necessity so to space the projects as to take account of the financial situation of Turkey.

To this end they express the desire, and for their part, shall act in a way that the construction of the railroads for which the concession have, or may be, granted and which are of the same importance to the economic development of the Empire shall be pursued insofar as possible *pari passu*, each group normally having recourse in an equal manner to the loans issued or guaranteed by the Ottoman Treasury.

The two groups consider that the interest of Turkey oblige her, in order to assure her credit and to facilitate her new issues, to restore the loans already advanced to the situation that existed before the Balkan War. Should the contribution assumed by the Balkan states not suffice for the purpose, new guarantees equivalent to those guarantees lost must be earmarked for the service of the loans, subject to the following reservations:

The allocation shall be made only in the feasible amount, that is, the equivalent of the sums necessary for the service of the loan.

The new allocation shall have only a provisional character; it shall become void at a time when, after three consecutive years, the former pledges, owing to plus value, assure the service of the loans.

In general all excess from the earmarked pledges, the use of which the beneficiary enterprise shall no longer have, must revert to the Ottoman Treasury for its general needs and its free disposition,

With the end in mind of the maintenance and consolidation of Turkish credit, the two groups consider that their common interests suggest effective cooperation in the liquidation loans in their different markets.

Art. 11. All agreements and conventions entered into among the participants of the two groups previous to this date on the subject of the matters governed by these presents are declared specifically to be abrogated.

Art. 12. The present agreement being concluded in good faith, the two groups declare their intention to submit to arbitration the regulation of any difficulties which might arise from its application.

Each group shall choose an arbitrator. If necessary, the arbitrators shall designate a referee to reconcile them; in case of disagreement on the choice of referee, the latter shall be designated, at the request of the parties, by the President of the Federal Tribunal of Lausanne.

Art. 13. The present agreement will be communicated to the French and German Governments for their approval.

Art. 14. The final ratification of the present agreement is dependent upon:

1. The conclusion of an agreement between the French group and the Imperial Ottoman Government on the subject of

the railroads for which the French group seeks the concession;

2. The conclusion of an agreement between the German group and the Imperial Ottoman Government on the subject of the Bagdad and Anatolia Railroads;

3. The conclusion of a financial agreement between the two groups relative to the liquidation of the interest of the French group in the Bagdad Railroad enterprise.

ANNEX I. NOTE ADJOINED TO THE
AGREEMENT OF THE GROUPS.

1. In application of Article 2, paragraph 2, the Black Sea Company shall remain liable to the Anatolia Company for eventual loss of construction advantages which may result from the fixing of the point of juncture at Bolu.

2. The French negotiators have expressed the desire to insert in Article 8, paragraph 1, after the words "construction or operation", the words "nor control or direction." The definitive decision regarding this insertion remains in suspense.

3. The last paragraph of Article 10 does not refer to the Consolidation Loan now in process of negotiation at Paris.

4. The annexes mentioned in Article 9, which would regulate the traffic questions, are reserved for study by the interested Companies and for ultimate approval by the groups.

The drafts annexed proforma to these presents, which (save for several modifications in form) were prepared September last (1913), have the value of general indications only.

5. A memorandum, annexed to these presents, indicates the general conditions under which the financial agreement mentioned in the last paragraph of Article 14 shall take place.

ANNEX II. MEMORANDUM

The liquidation of the interest of the French group in the Bagdad Railroad enterprise, mentioned in Article 14 (3), shall be accomplished by the exchange of these interests, comprising:

Approximately 8000 shares of the Bagdad Railroad Company	Frs. 4,000,000
Approximately 3900 shares of the Construction Company	1,950,000
Approximately 55,500 bonds, Bagdad Series II	27,750,000
Approximately 71,400 bonds, Bagdad Series III	<u>39,700,000</u>
	of Frs. 69,400,000 =====

against the advance on the second installment of the Customs Loan of Constantinople, 1911, granted to the Ottoman Government by a German group, amounting to approximately Frs. 66,000,000.

The conditions of the exchange shall be fixed by an agreement in common between the Imperial Ottoman Bank and the Deutsche Bank.

ANNEX IV

ANGLO-GERMAN DRAFT CONVENTION ON THE

BAGHDAD RAILWAY*

15, June, 1914.

Art. 1. Clause (a).- Recognizing the general importance of the completion of the Baghdad Railway for international commerce, His Britannic Majesty's Government undertake not to take or encourage any measure likely to impede the construction or management by the Baghdad Railway Company of the Baghdad Railway system or to prevent the participation of capital in this undertaking.

Clause (b).- The Imperial German Government declare that they will use their best endeavours to secure that two British members, agreeable to His Britannic Majesty's Government, shall be admitted as representatives of British shareholders to the Board (Conseil d'Administration) of the Baghdad Railway Company.

Art. 2. Clause (a). - The Baghdad Railway Company having concluded with the Imperial Ottoman Government an arrangement on the following basis, the Imperial German Government and His Britannic Majesty's Government declare, so far as concerns themselves, that they adhere to the said arrangement, and will use their best endeavours to secure its due execution:-

(i) The terminus of the Baghdad Railway Company's line shall be at Basra, and the Baghdad Railway Company has renounced all claims to construct a branch line from Basra

* Quoted from J.C. Hurewitz, Diplomacy in the Near & Middle East, pp. 281 - 286.

(Zobeir) to the Persian Gulf referred to in article 1 of the Baghdad Railway Convention of the 5th March, 1903, and to build a port or railway terminus on the Persian Gulf, under article 23 of the said Baghdad Railway Convention.

(ii) As hitherto, no discrimination, direct or indirect, shall be permitted on the Baghdad Railway Company's system, either as regards facilities or rates of charge for the conveyance of like articles between the same points on account of ownership, origin, or destination of goods presented for transport, or in any other manner whatever.

(iii) The Baghdad Railway Company agrees that the period fixed by article 21 of the "cahier des charges", relating to the notice to be given in case of any modification of the conditions of transport or rates of freight, shall uniformly be two months. The said notices shall be inserted in the Official Gazette of the Imperial Ottoman Government and in the Journal of the Ottoman Chamber of Commerce at Constantinople.

(iv) In the event of the construction of a branch line from Basra (Zobeir) to the Persian Gulf being undertaken adequate arrangements shall be made to secure facilities for through traffic from and to the Baghdad Railway Company's system, and there shall be complete protection against discrimination, direct or indirect.

(v) The construction and exploitation of the proposed ports of Basra and Baghdad, authorized by article 23 of the

Baghdad Railway Convention of the 5th March, 1903, shall be carried out by a separate Ottoman Company.

No duties or charges of whatever nature or under whatever denomination shall be levied by the port company on any vessels or goods which shall not equally, under the same conditions, be imposed in like cases on all vessels or goods, whatever be the nationality of the vessels or their owners, or the ownership or the country of origin or destination of goods, and whatever be the places from which the vessels or goods arrive or to which they depart.

In all that relates to the stationing, loading and unloading of vessels in these ports, no privileges or facilities shall be granted to any vessel or vessels which shall not equally and under like conditions be granted to all other vessels.

In all that relates to the dues and charges of whatever nature to be levied, and to the facilities to be accorded, in the ports of Basra and Baghdad, goods arriving or to be forwarded by water shall receive identic treatment to those arriving or to be forwarded by rail.

The Imperial Ottoman Government reserves to itself the right to confer upon the Commission, which it proposes to entrust with the improvement and maintenance of the navigability of the Shatt-el-Arab, its rights of control over the port of Basra.

No rights conferred upon the ports company shall prejudice or impair the right of the aforesaid commission to perform any

of the duties entrusted to it under the Anglo-Turkish Convention of the 29th July, 1913.

Clause (b). - The Imperial German Government declare that they will not oppose the acquisition by British interests of 40 per cent of the share-capital of the separate Ottoman Company for the construction and exploitation of the ports of Basra and Baghdad, mentioned in sub-clause (v) above, and their rateable representation on the Board (Conseil d'Administration) of the port company, and in the contracts, if any, for construction and maintenance.

Art. 3. Clause (a). - The Imperial German Government and His Britannic Majesty's Government declare that they will in no case support the construction of a branch from Basra (Zobeir) or from any point of the main line of the Baghdad Railway to the Persian Gulf unless and until there is complete agreement on the subject between the Imperial Ottoman Government, the Imperial German Government, and His Britannic Majesty's Government.

Clause (b). - The Imperial German Government declare that they will in no case themselves establish, or support any claim by any persons or corporations whatsoever to establish, a port or railway terminus on the Persian Gulf unless and until there is complete agreement on the subject between the Imperial German Government and His Britannic Majesty's Government.

Clause (c). - His Britannic Majesty's Government declare that they will in no case themselves establish, or support any claim by any persons or corporations whatsoever to establish, in Ottoman territory, railway undertakings either in direct competition with the Baghdad Railway Company's lines, or in contradiction with that company's existing rights, unless and until there is complete agreement between the Imperial German Government and His Britannic Majesty's Government. For the purposes of this article, the western terminus of the Baghdad Railway system shall be held to be at Konia and the eastern terminus at Basra.

Art. 4. Clause (a). - The Imperial German Government, having cognisance of the declaration signed on the 29th July, 1913, on behalf of the Imperial Ottoman Government, concerning navigation on the Rivers Tigris and Euphrates, declare that they will not oppose the execution, nor support any action directed against the execution, of such declaration, so long as the navigation on the said rivers is maintained in substantial accordance with the provisions thereof.

Clause (b). - His Britannic Majesty's Government declare that they will not oppose the acquisition by the Baghdad Railway interests of 40 per cent of the share capital to be allotted to Turkish interests at the first allotment (i.e., 20 per cent of the whole share-capital) and the right in respect thereof to subscribe for a rateable proportion of

further issues of capital of the Ottoman Company for river navigation, and their rateable participation (by directors agreeable to the Imperial German Government) in the board of the aforesaid Company out of the share of the directorate allotted to Turkish interests (i.e., 20 per cent of the whole directorate).

Clause (c).- It is, nevertheless, understood that nothing in this article shall be held to affect the rights conceded by article 9 of the Baghdad Railway Convention of the 5th March, 1903, except insofar that the Imperial German Government and His Britannic Majesty's Government agree, so far as concerns themselves, that the said rights shall cease on the completion of the construction of the Baghdad Railway to Basra, in accordance with the arrangement referred to in article 2 of the present Convention.

Art. 5. - The concessionaire, nominated in pursuance of article 3 of the aforesaid declaration of the 29th July, 1913, having concluded with the Imperial Ottoman Government an arrangement on the following basis, the Imperial German Government and His Britannic Majesty's Government declare, so far as concerns themselves, that they adhere to the said arrangement and will use their best endeavours to secure its due execution:-

No discrimination, direct or indirect, shall be permitted by the Ottoman Company for river navigation, either as regards facilities or rates of charge for the conveyance of like articles between the same points on account of the ownership,

origin, or destination of goods presented for transport, or in any other manner whatsoever. The Company shall grant no through bills of lading, rebates, or other privileges of any description in respect of goods carried by any ship between any place served by the Company's vessels, and any place oversea, unless the same privileges are accorded in respect of similar goods carried under the same conditions and in the same direction between the same places by all ships regularly trading between those places, irrespective of nationality.

Art. 6. The Imperial German Government and His Britannic Majesty's Government will join in using their good offices with the Imperial Ottoman Government to secure that the Shatt-el-Arab shall so far as practicable be brought into and permanently kept in a satisfactory state of conservancy in order that sea-going vessels may always be assured of free and easy access to port of Basra, and to secure, further, that the navigation on the Shatt-el-Arab shall permanently be kept open for sea-going vessels, and be carried on under conditions of absolute equality for the vessels of all nations, without regard either to the nationality of the vessels or to their cargoes.

Dues shall be imposed, not for the mere fact of navigation, but only for administrative charges of the Commission referred to in Article 7 and for repaying sums actually spent on improvements in the navigation of the Shatt-el-Arab and harbour facilities. They shall in no case exceed 1 fr. per

registered ton (the dues to cover the coming in and going out of the same vessel) except by agreement between the two Governments; any dues shall be levied on a basis of absolute equality without regard to the nationality of sea-going vessels or their cargoes.

Art. 7. (a). The Imperial German Government having taken note of the Anglo-Turkish Convention of the 29th July, 1913, under which the free navigation of the Shatt-el-Arab is assured on terms of absolute equality to the shipping of all nations and a Commission is established for the execution of such works as may be necessary for the improvement of its channel and for its maintenance and for other like purposes set out therein, and being of opinion that the provisions of the said Convention are conducive to the best interests of international commerce, will uphold it so long as it is not materially altered and so long as the duties imposed upon the Commission are satisfactorily carried out.

The Imperial German Government take note in this connection of the declaration, signed on the 21st October, 1913, and attached to the said Convention, to the effect that articles 7 and 8 thereof do not affect the rights enjoyed in the Ottoman Empire by the nationals of the Treaty Powers.

(b) His Britannic Majesty's Government, so far as they are concerned, agree:-

(i) That the German consul at Basra shall have the right to correspond with the Commission on matters within its competence;

(ii) That, if in any case the Commission fail to meet the reasonable requirements of the commerce of the river, and refuse to remove the causes of complaint raised by the German consul, the question at issue shall be referred to an impartial expert, to be nominated by agreement between the two members of the Commission and the German consul, provided that if a similar or analogous complaint is made by any other consul, he shall participate in the said nomination; and that, failing unanimous agreement, Her Majesty the Queen of the Netherlands shall be invited to designate the expert referee.

The Government of His Britannic Majesty will use their good offices with the Imperial Ottoman Government to ensure that effect is duly given to such recommendations as may be made by the expert referee.

Art. 8. The Imperial German Government and His Britannic Majesty's Government take note of the Heads of Agreement between the Smyrna-Aidin Railway Company on the one part and the Anatolian and Baghdad Railway Companies on the other part, initialled on the 28th March, 1914, and forming an annex¹ to the present Convention, and, so far as they are concerned, undertake to uphold the definitive agreement when signed.

Art. 9. Any difference of opinion arising out of this Convention or the explanatory note attached thereto shall be

1. Not reproduced.

submitted to arbitration. If the two Governments fail to agree about a special court or arbiter, the case shall be submitted to the Hague Tribunal.

EXPLANATORY NOTE

Section 1.

In regard to article 1, clause (a), of the Convention, it is agreed as follows:-

The Baghdad Railway system is such as it is defined in the conventions concluded with the Imperial Ottoman Government on -

March 5, 1903.

March 21, 1911.

June , 1914.

A true copy of each of the said conventions has been communicated to His Majesty's Government by the Imperial German Government.

It is further agreed in regard to the said clause that no sacrifice of a pecuniary or economic character is to be incurred by Great Britain thereof; and that it does not involve the assent of His Britannic Majesty's Government to any levy of import dues, over 15 per cent ad valorem, in the Ottoman Empire, or to any other form of taxation not now in existence.

Nevertheless, His Britannic Majesty's Government will not oppose the Baghdad Railway Company in securing, from

existing revenues or from proposed new revenues (to be derived from the increase of the customs' duties to 15 per cent ad valorem or from the proposed monopolies or consumption taxes to be instituted in regard to alcohol, petroleu, matches, tinder, cigarette paper, playing cards and sugar), the requisite fresh guarantees to enable the Company to complete the line. This undertaking shall in no way prejudice prior rights of His Britannic Majesty's Government derived under the Anglo-Turkish Pecuniary Claims Convention of the June, 1914.

Section II

In regard to article 1, clause (b), the German group which controls the Baghdad Railway Company has given a written assurance to the Imperial German Government that it will always use its best endeavours and voting power to ensure the permanent presence on the Board of the Railway of two directors agreeable to His Britannic Majesty's Government that they will use their influence with the group concerned so that the said assurance may be always carried out.

Section III

In regard to article 3, clause (c), of the Convention, it is agreed as follows:-

1. No lines in that part of Asiatic Turkey which, west of the 36th meridian of east longitude, lies south of the 34th

degree of latitude and/or in that part which, east of the said meridian, lies south of the 31st degree of latitude, shall be held to be in direct competition; but any line north of these limits shall be held to be in direct competition if it establishes direct railway communication between the Mediterranean and the Persian Gulf.

2. There shall be a protective zone extending for 60 kilom. on either side of the line of the Baghdad Railway system, and any line passing within the said zone shall be held to be in direct competition, provided that in the region between Museyib and Kurna the protective zone shall be bounded on the east by a line drawn midway between the Rivers Tigris and Euphrates, from the latitude of Museyib to Kurna.

3. Local lines serving as feeders for the river navigation and not exceeding 100 kilom. in length shall, provided they do not pass within the protective zone, not be held to be in direct competition.

4. The question of whether any other line is or is not in direct competition shall, in the event of failure to reach an agreement, be referred to arbitration in accordance with article 9 of the said Convention.

Section IV

In regard to articles 6 and 7 of the Convention, it is agreed that the following recommendations shall serve as a basis for the work of the Commission:-

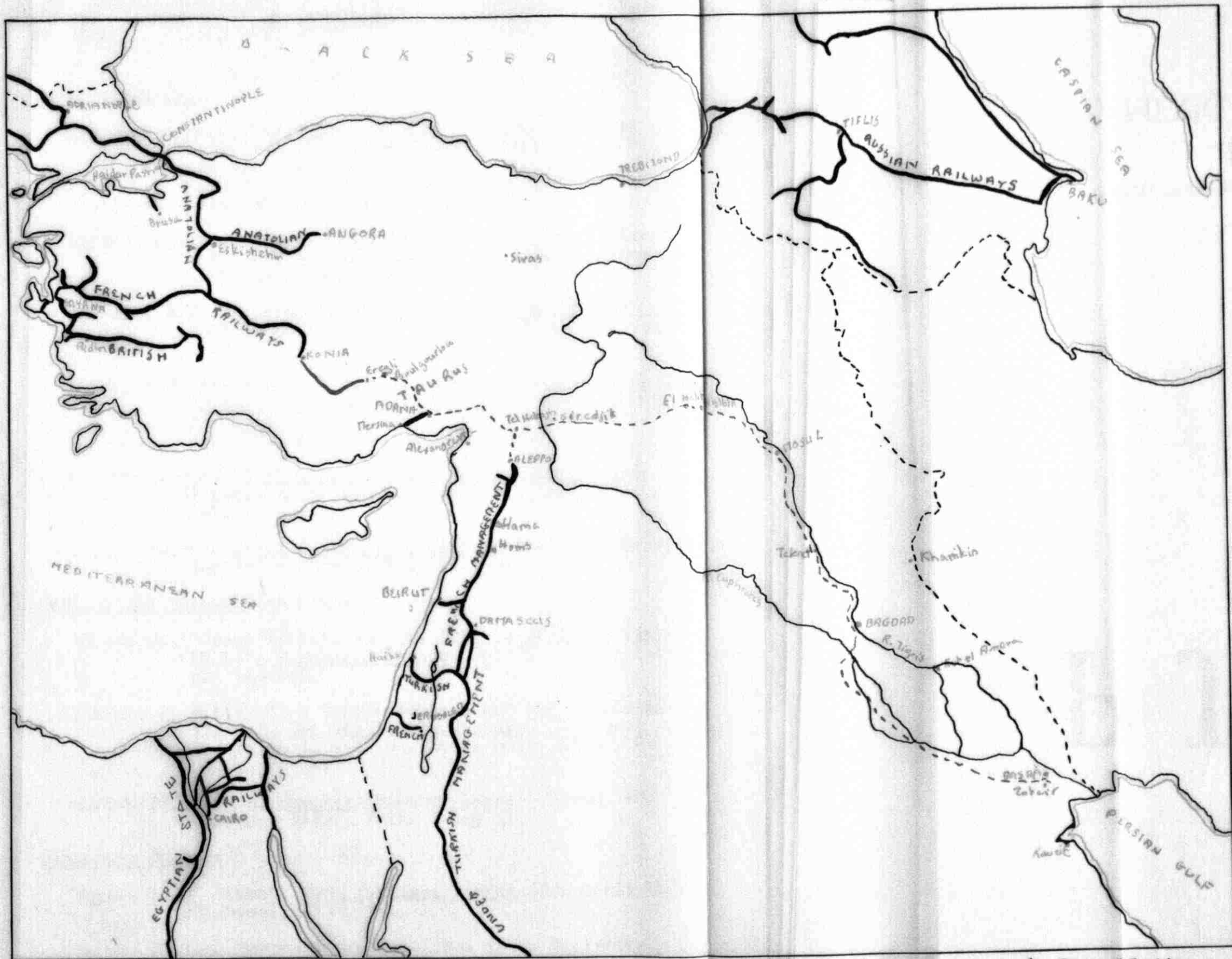
1. The Commission to set to work as soon as possible.
2. The Commission to undertake a preliminary survey, during a period of at least twelve months, before recommending any large expenditure on permanent works.
3. The Commission to aim as a first step at a depth of 24 feet at high-water springs on the bar.
4. The channel of the river below Mohammerah to be buoyed as soon as possible so as to indicate the position of a shoal in the river.
5. Fixed mooring buoys, allotted as far as possible to the several companies, to be provided at an early date at Basra.
6. The Commission might with advantage model its arrangements generally upon the analogy of the Danube Commission, so far as applicable.

Section V

In regard to article 7, clause (b), of the Convention, it is agreed as follows:-

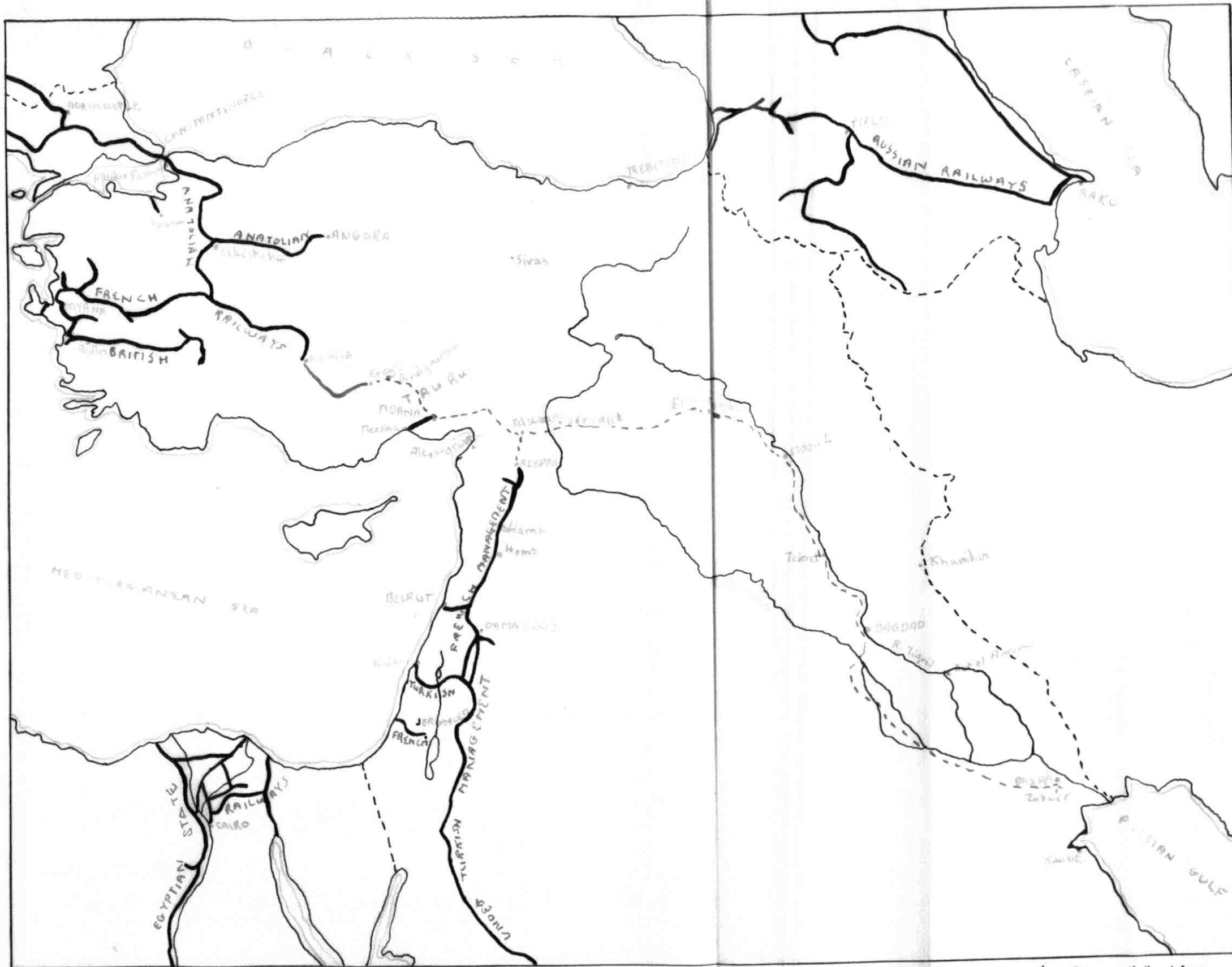
The expert referee shall, unless it be otherwise agreed by the parties concerned, proceed to Basra for the purpose of his enquiry. He shall publish his report within four months after having received all the necessary materials from all the parties, including both Commissioners, or within four months of his arrival at Basra.

The expenses of the enquiry, including the remuneration of the referee, shall be born in equal shares by the Governments concerned.



1907

THE BAGDAD RAILWAY
 Working in 1907 —
 In projection - - -
 OTHER RAILWAYS —



1907

THE BAGDAD RAILWAY
 Working in 1907 —
 In projection - - -
 OTHER RAILWAYS —

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