

The Journal of Academic Social Science Studies



International Journal of Social Science
Volume 6 Issue 4, p. 561-584, April 2013

THE TURKISH PETROLEUM COMPANY AND THE PARTITION OF MIDDLE EASTERN OIL

TÜRK PETROL ŞİRKETİ VE ORTADOĞU PETROLLERİNİN PAYLAŞIMI

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Abstract

By the end of 1800's the importance of petroleum had become apparent. It was the driving force behind industrialization. Besides, the military - strategic implications of petroleum for future control of the world seas was understood. Thereupon, western states and the companies turned their faces to the Middle East where for long was known to include rich oil reservoirs. First a group of leading German industrialists and bankers around Deutsche Bank stepped in the region. With the Berlin - Baghdad railway project, Germans had secured subsurface mineral rights, including oil along the path of the railway. With the inclusion of other powers a fierce competition ensued between the old rivals. Partitioning of the Middle Eastern oil, which could not be set apart from the partition of Ottoman lands, took place within and around the Turkish Petroleum Company (TPC) in the following years. The history of the TPC begins in 1914, and ends in 1929. But the rivalry and struggle over the partitioning of Middle Eastern oil using TPC as an instrument made its peak between the years of 1918 and 1925. In the article below, this struggle has been put forward depending mainly on original documents and some secondary items.

Key Words: Turkish Petroleum Company, oil, Britain, Turkey, Iraq.

Öz

1800'lerin sonunda Batı'da petrolün stratejik bir hammadde olarak değeri anlaşılıyordu. Petrol, endüstrileşmenin ardındaki itici güç olmasının yanı sıra, gelecekte dünya denizlerinin denetim altına alınması ve gelişen savaş teknolojisi bağlamında taşıdığı askeri ve stratejik rol bakımından yaşamsal önemde görülüyordu. Bunun üzerine Batılı devletler ve şirketler, gözlerini, uzun süredir zengin petrol rezervlerine sahip olduğu bilinen Ortadoğu bölgesine ve bu bölgenin hâkimi olan Osmanlı Devleti'ne çevirdiler. Önce Deutsche Bank öncülüğünde bir araya gelen bir grup Alman sanayicisi Berlin-Bağdat demiryolu projesi aracılığıyla bölgeye adım attılar. Projeye Almanlar, demiryolu hattı çevresinde bulunan, petrol dâhil tüm madenlerin işletilmesi hakkını ele geçirdiler. 20. yüzyılın başında diğer güçlerin de devreye girmesiyle birlikte eski rakipler arasında şiddetli bir mücadele başladı. İzleyen yıllarda Ortadoğu petrolünün paylaşılması mücadelesi Türk Petrol Şirketi çevresinde gerçekleşti. Petrolün paylaşımı, petrol zengini toprakların paylaşımından ayrı düşünülemeyeceği için bu süreç aynı zamanda Osmanlı Devleti'nin Ortadoğu topraklarının paylaşımıyla örtüşmektedir. Türk Petrol Şirketi'nin tarihi 1914'de başlar ve 1929'da adının Irak Petrol Şirketi olarak değiştirilmesiyle biter. Fakat Ortadoğu petrollerinin, Türk Petrol Şirketi'ni bir araç olarak kullanmak suretiyle paylaşılması için sürdürülen rekabetin ve verilen mücadelenin zirve yaptığı yıllar 1918 ile 1925 arasındaki dönemdir. Aşağıdaki makalede, ağırlıklı olarak arşiv belgeleri kullanılarak ve bazı ikincil kaynaklardan yararlanılarak bu mücadelenin seyri ortaya konmaya çalışılmıştır.

Anahtar Kelimeler: Türk Petrol Şirketi, petrol, İngiltere, Türkiye, Irak.

Introduction: Oil Concessions and the Creation of the Turkish Petroleum Company

It had long been known that there was oil in Mesopotamia. When German experts announced in 1871 that there were rich oil reservoirs in the wide area ranging from Mosul to Bender Abbas, the region attracted the attention of imperialist powers.¹ In the early 1900s British and German investors –D'Arcy and the Deutsche Bank– approached the Sublime Porte to seek a concession to explore for oil in Mesopotamia. Although Deutsche Bank held the advantage thanks to the Baghdad railway concession in 1903, it was unable to find the necessary funds and took as partner Royal Dutch/Shell, a Dutch-British merger. D'Arcy, on his side, refused to quit the race and persevered in his efforts through the Anglo-Persian Oil Company (APOC). The Ottoman-American Development Company (OADC), represented by Admiral Colby M. Chester, an American entrepreneur, also joined the race in 1908.²

¹ Longrigg, *Oil in the Middle East*, pp. 13-16; Kent, *Oil and Empire*, p. 6; Earle, *Baghdad Railway*, p. 27.

² Mejcher, *Imperial Quest for Oil*, pp. 4-7; De Novo, *American Interests*, pp. 58-87; Longrigg, *Oil in the Middle East*, pp. 27-8.

Once the political instability created by the 1908 coup in Istanbul had dissolved, the race took off once again with renewed fervour. European investment groups decided to collaborate under the leadership of the National Bank of Turkey, a British bank led by Ernest Cassel and Calouste Sarkis Gulbenkian. In 1911, a consortium called African and Eastern Concessions Ltd., which soon changed its name to Turkish Petroleum Company (TPC), was established in London, of which 35 per cent belonged to the National Bank of Turkey, 25 per cent to Deutsche Bank, 25 per cent to the Anglo-Saxon Petroleum Company (ASPC), a subsidiary of Royal Dutch/Shell and 15 per cent to Gulbenkian. Admitting that it did not stand a chance before such a strong consortium, the Chester Group bowed out of the race. The British government, taking the extreme importance of oil for the Royal Navy into consideration, used its political power to transfer the entire shares held by the National Bank of Turkey and Gulbenkian to APOC.³ Having changed its financial structure, the TPC's corporation charter was initialled on 19 March 1914. The British government made its final move by buying 51 per cent of APOC's shares in May 1914. Thus, it took both this company and the TPC under its direct control.⁴

On 19 June, Britain and Germany delivered a joint memorandum to the Sublime Porte, asking for the TPC to be granted an exploitation concession in the Mosul and Baghdad vilayets. The Grand Vizier, Said Halim Pasha, informed the parties in writing that he had accepted their petition on 28 June – that is, on the day of the Sarajevo assassination. This letter was simply a promise of approval and *not* a final approval binding on the Ottoman State, because the Grand Vizier, in his letter, had stated that the contract provisions and the Ottoman Empire's shares would be determined at a later date. As the parties had not yet approved the TPC's corporation charter of 19 March 1914, it had not gained legal validity. Therefore, Britain and Germany's joint request had no legal foundation. Also, once the world was at war, the TPC agreement could not be signed and the promise of concession granted by the Ottoman government could not be fulfilled.⁵ The TPC, despite bearing a corporation charter of problematic legal validity and lacking in a valid concession agreement, would form the basic legal framework within which the Western powers would work in order to share out the oil of the Middle East during the ten years to come.

³ Yergin, *Oil, Money, and Power*, p. 213; Mejcher, *Imperial Quest for Oil*, p. 8; Longrigg, *Oil in the Middle East*, pp. 29-30.

⁴ Heller, *British Policy towards the Ottoman Empire*, pp. 91-2; Mejcher, *Imperial Quest for Oil*, pp. 15-16; Longrigg, *Oil in the Middle East*, pp. 30-1.

⁵ Longrigg, *Oil in the Middle East*, p. 32; Nevakivi, *Britain, France and the Arab Middle East*, pp. 11-12; Mejcher, *Imperial Quest for Oil*, p. 16; Yergin, *Oil, Money, and Power*, p. 214;

The First World War and the Increasing Importance of Oil

Throughout the war, the vital importance of oil was felt with every passing day. The start of German U-boat campaign had led to dangerous oil shortages, leading the Allies to establish an oil council in February 1918, to coordinate the distribution and use of oil. Britain began to ration oil in May 1918. These developments conferred an increasingly important role on oil in the political and strategic assessments.⁶

In a report prepared by Admiral Edmond Slade on the name of Admiralty on 29 July 1918, it was stated that throughout the war, the British Empire had had to import 80 per cent of its yearly oil needs. Empire's oil consumption had increased fivefold during the war, reaching a yearly amount of ten million tonnes, while its external resources had declined. Slade concluded that the only solution for the British Empire was to take the oil fields of Persia and Mesopotamia, which were already within its zone of influence, under its direct and definite control. The Secretary of the War Cabinet, Maurice Hankey sent the report to Prime Minister David Lloyd George and Foreign Secretary Arthur James Balfour on 1 August, suggesting that Persia and Mesopotamia needed to be taken under control for strategic reasons linked to oil and that Britain's war priorities be revised in this spirit thus to include a military operation to conquer Mosul.⁷ In a governmental meeting convened on next day, the Slade report and its annexes were transmitted for consideration to the Oil Policy Committee, established under the presidency of Lord Harcourt. The committee advised the government to take the Mosul oil fields under its direct control. Finally, on the decision of British War Cabinet, the Mosul vilayet was conquered by the British forces by December 1918.⁸

Britain's Post-War Oil Policy

Once the war was over, Britain faced with the question of how to share the oil of Mesopotamia. There were three main approaches:

1) To allow all concerned companies' equal access to Mesopotamian oil, in accordance with the open door policy.

2) To control the oil through an Arab state under British tutelage and keep other countries and groups at bay. The leader of this opinion, Secretary of the Indian Office Edwin Montagu, argued that the TPC, whose present legal validity was questionable, should be re-structured, that the Arab state to be established should be given shares from this company, but that legal arrangements should be made to safeguard Britain's interests.⁹ Although the majority of the authorities both in London and in Baghdad supported this view, it presented two drawbacks. First, it did not take into account the

⁶ Yergin, *Oil, Money, and Power*, pp. 195–6; Mejcher, *Imperial Quest for Oil*, pp. 29–36.

⁷ TNA, PRO, CAB 21/119; Mejcher, *Imperial Quest for Oil*, pp. 39–41.

⁸ BL, IOR, P-S/10/781, P 4635; TNA, PRO, FO 371/3384, W 44/182014; TNA, PRO, WO, 106/917, No. 0-1924-1/1.2.1919; Wilson, *Mesopotamia 1917-1920*, pp. 10, 18–19.

⁹ TNA; PRO, CAB 21/119.

potential reactions of France and the USA and second, it rested on the false assumption that British funds alone would be sufficient to explore and exploit Mesopotamian oil.

3) To establish control over Mesopotamian oil through use of the concessions granted by the Ottoman government to the TPC before the war. The problem here was that in reality, no concession had been granted to the TPC. Nevertheless, the proponents of this view argued that what was important was not whether there was in fact a concession or not, but to prevent the other powers from questioning it. The way to do this was to include France and the USA within the TPC. Thus, not only would Britain impose its rights of primacy and control over the oil fields and prevent any possible opposition from France and the USA, but it could also benefit from their financial and technological resources as well.¹⁰

The Anglo-French Oil Agreement

On Lord Harcourt's advice, president of the Petroleum Imperial Policy Committee, the British government bought Deutsche Bank's 25 per cent of shares in the TPC which had been on consignment since the outbreak of war. During the negotiations held in London on 1 December 1918, French Prime Minister George Clemenceau accepted to amend the Sykes-Picot Agreement and thus to transfer Mosul from the French to Britain's zone of influence in exchange for a share of the oil.¹¹ On 6 January 1919, France sent Britain an official request for Deutsche Bank's shares to be bestowed upon itself. What was expected was very clear: once the German TPC shares were transferred to France, it would surrender Mosul and would not dispute the concession's validity. Otherwise, not only would it maintain its claim over Mosul, but it would also question the validity of the TPC concession.¹²

Negotiations between Britain, represented by Walter Long, First Lord of Admiralty, and France, represented by Henri Bérenger, Commissaire général aux Essences et Combustibles, were concluded with the signing of the Long-Bérenger Oil Agreement on 18 April 1919. France thus received the TPC's German shares. However, those members of the British government who were against sharing the oil of Mesopotamia reacted strongly against the agreement. George N. Curzon, Lord President of the Council, argued that Britain had surrendered 25 per cent of its most valuable asset to France, without receiving any concrete compensation in return. Thereupon, Lloyd George announced that he abolished the Long-Bérenger

¹⁰ Mejcher, *Imperial Quest for Oil*, pp. 112–15.

¹¹ *Documents*, I/IV, pp. 595–9, 938–56; Howard, *The Partition of Turkey*, p. 212; Lenczowski, *The Middle East in World Affairs*, p. 73; Cumming, *Franco-British Rivalry in the Post-War Near East*, pp. 59–65. Helmreich, *From Paris to Sevres*, pp. 204–5; Fromkin, *A Peace to End All Peace*, p. 375; Nevakivi, *Britain, France and the Arab Middle East*, pp. 86–91.

¹² TNA, PRO, CO, 730/100/21136; Busch, *Britain, India and the Arabs*, pp. 304–5.

Agreement.¹³ However, as it needed French support in the face of American pressure regarding the open door, Britain re-engaged in negotiations with France. This time, negotiations were led by Hamar Greenwood, secretary of the overseas trade, on the British side and again by Henri Bérenger on the French side. An agreement was struck on 21 December 1919. The Greenwood-Bérenger Agreement was practically identical to the Long-Bérenger Agreement. Philippe Berthelot, a French diplomat and John Cadman, one of the leading names of the British oil industry, who later would be president of APOC, finalised the agreement and the Anglo-French Oil Agreement was signed at the San Remo Conference on 24 April 1920.¹⁴ The two states also shared the Middle Eastern mandates among themselves during the same conference.

The Anglo-American Oil Battle

The naval competition between Britain and the USA caused them to compete with regard to oil resources as well. Thus they entered into a serious conflict over the partitioning of the Middle Eastern oil fields. In March 1919, the Standard Oil Company of New York (Socony) applied to the US Department of State claiming that the British officials had raided its Jerusalem office and confiscated its files. The USA sent the British government a memorandum in May, treating this subject, as well as the Long-Bérenger Oil Agreement. Britain replied that American interests were not being ignored.¹⁵ However, during that summer, British authorities forbade three Socony employees from working in Palestine, and prevented two Socony geologists from conducting research in Mesopotamia. Thereupon, the USA sent a new protest memorandum to Britain. Curzon, now the Foreign Secretary, replied that these limitations would be valid for everyone until peace could be negotiated and explained that the British geologists' presence in the same area was due only to military purposes. When an American oil explorer was arrested in Palestine in October, the US formally applied to Britain for its researchers to be accorded the same rights as British citizens in Palestine and Mesopotamia. Britain merely repeated its previous replies.¹⁶ Upon the signing of the Greenwood-Bérenger Agreement, the USA sent a new protest memo to Britain, accusing it of applying discrimination in the Middle Eastern territories under its occupation.¹⁷ On 23 January 1920, Lloyd George, Bonar Law,

¹³ *Documents*, I/IV, pp. 1089–95; Schwadran, *The Middle East*, p. 200; Helmreich, *From Paris to Sevres*, pp. 207–9; Nevakivi, *Britain, France and the Arab Middle East*, p. 155; Stivers, *Supremacy of Oil*, pp. 26–7; Busch, *Britain, India and the Arabs*, pp. 305–11.

¹⁴ *Memorandum of Agreement (San Remo, April 24, 1920); Franco-British Convention of December 23, 1920; Documents*, I/IV, pp. 1114–17, I/VIII, p. 144;; Busch, *Britain, India and the Arabs*, p. 353, 387; Helmreich, *From Paris to Sevres*, pp. 210–12, 305; Evans, *Partition of Turkey*, pp. 295–6; Mejcher, *Imperial Quest for Oil*, pp. 111–12; Schwadran, *The Middle East*, p. 201.

¹⁵ *Papers, 1919*, II, pp. 258–9; *Correspondence between His Majesty's Government and the United States*; TNA, PRO, CAB 23/20; Sluglett, *Britain and Iraq*, p. 114; Mejcher, *Imperial Quest for Oil*, p. 109; Evans, *Partition of Turkey*, pp. 295–6; De Novo, *American Interests*, pp. 169–70.

¹⁶ *Papers, 1919*, II, pp. 250–61; *Documents*, I/IV, pp. 501–4, 541; De Novo, *American Interests*, pp. 170–3; Stivers, *Supremacy of Oil*, p. 111–12; Fromkin, *A Peace to End All Peace*, p. 534.

¹⁷ *Papers, 1920*, II, pp. 649–50; De Novo, *American Interests*, pp. 174–5.

Montagu and Churchill participated in a meeting to discuss the American reactions. It was concluded that since all operational and occupation costs in Mesopotamia were being borne by Britain, the US had nothing to say on the matter.¹⁸

Following the signature of the San Remo Oil Agreement, the US government decided that what were at stake were no longer the interests of American oil companies, but, more seriously, the national interests of the country. Thus the US Ambassador to London, John W. Davis, delivered a memorandum using much stronger wording than before to the British Foreign Secretary, on 12 May 1920. Davis accused Britain of favouring its own citizens on the territories it occupied and acting against the open door principle and the mandate rules agreed upon in Paris. Although Britain did not reply to this memo, the British ambassador in Washington, Auckland Geddes, explained to the American officials that the San Remo Oil Agreement did not prevent other states from exploring for oil in Mesopotamia.¹⁹

On 28 July 1920, Davis sent a second memo to Curzon, repeating his accusations and asking for a quick reply to his previous memo. He openly denounced the San Remo Oil Agreement and requested that all parties behave in accordance with the basic principles concerning the matter of mandates that had been agreed upon in Paris and that all citizens, regardless of nationality, receive equal treatment on mandate territories. Curzon replied on 9 August 1920. Reminding Washington that it had prevented Britain from benefiting from the concessions it had earned in Haiti and Costa Rica in 1913 and that it had closed its own country's oil fields to foreigners, he asked how they would justify their actions, which went counter to the open door principle. Curzon stated that Britain did not ask for extra privileges as a mandatory power, but that concessions gained before the war, just as the TPC concession, remained valid. He explained that the 25 per cent share of the TPC that had been given to France compensated for its long-standing interests in Mosul and the obligation to export the oil from Mesopotamia to the Mediterranean through Syria. Curzon argued that mandate conditions could only be discussed at the League of Nations and that the Mesopotamian oil belonged to the Arab state that would be created there. Indeed while the USA accused Britain of being monopolist, it was engaged in putting pressure on the Philippine Parliament to vote on a monopolistic law to the US advantage, which it finally obtained on 31 August 1920. This law gave exclusive access and exploitation

¹⁸ TNA, PRO, CAB 23/37.

¹⁹ TNA, PRO, FO 371/6485, E 8622/20/44; FO 371/10083, E 2062/13/65; *Papers, 1920*, II, pp. 651-5; De Novo, *American Interests*, pp. 177-8; Stivers, *Supremacy of Oil*, p. 46; Foster, *Making of Modern Iraq*, pp. 105, 134; Evans, *Partition of Turkey*, p. 296-8.

rights to Filipino and American individuals and companies over all public territories containing petroleum, mineral oils and gas.²⁰

The US Secretary of State, Bainbridge Colby, replied to Curzon's memo on 20 November 1920. He wrote that without the American contribution to the war, it would have been impossible to speak of a mandate at present and that the United States' non-participation in the League of Nations upon Senate's decision of 19 November 1919 did not signify that his country had to forego its rights in the mandated territories. He repeated his request for economic equality within the mandates. Colby pointed to the contradictions between the apportioning of Mesopotamia's oil at San Remo and Britain's claim that this oil belonged to the future Arab state; between the article in the San Remo Agreement stating that the exploiting company would be under permanent British control and Britain's claim that it did not intend to apply a monopoly. Naturally, Colby was mute when it came to the remarks on how the US applied monopolistic policies within its own spheres of influence. However, most important in Colby's memo was his claim that the TPC concession was not valid, thus touching upon the Achilles' heel of British policy.²¹

In his reply of 28 February 1921, Curzon maintained that the TPC concession was indeed valid and that it had been guaranteed by articles 311 and 312 of the Treaty of Sèvres. He further asked how the latest decision of the Philippine Parliament could be said to comply with the US position. He also observed that Washington had not been able to refute his remarks on Haiti and Costa Rica. On the other hand, Britain itself was unable to refute Colby's observations regarding its own contradictions.²²

The Republicans came to power in March 1921 with the full support of the American oil industry and thus adopted a very decisive oil policy. Secretary of Commerce, Herbert C. Hoover initiated the creation of a consortium formed of seven big oil companies²³ led by Walter C. Teagle, the president of the Standard Oil Company of New Jersey. The new administration repeated its doubts on the validity of the TPC concession. On 17 November 1921, the new US Ambassador to London, George Harvey, delivered yet another memo to Britain, suggesting to take the matter to arbitration.²⁴

²⁰ TNA, PRO, FO 371/7782, E 272/132/65; FO 371/10083, E 2062/13/65; TNA, PRO, CO 730/9/20634; *Papers, 1920*, II, pp. 651–5, 658–9, 663–8; Temperley, *Peace Conference of Paris*, p. 36; Evans, *Partition of Turkey*, pp. 298–301; Foster, *Making of Modern Iraq*, pp. 105–6, 134–7; De Novo, *American Interests*, pp. 179–80; Mejcher, *Imperial Quest for Oil*, pp. 117–18.

²¹ *Papers, 1920*, II, pp. 668–73; TNA, PRO, FO 371/10083, E 2062/13/65; Foster, *Making of Modern Iraq*, pp. 106–7, 137; Evans, *Partition of Turkey*, pp. 303–4; De Novo, *American Interests*, pp. 180–1; Temperley, *Peace Conference of Paris*, pp. 38–40.

²² *Papers, 1921*, II, pp. 80–4; TNA, PRO, FO 371/10083, E 2062/13/65; Foster, *Making of Modern Iraq*, pp. 137–9; Evans, *Partition of Turkey*, p. 304; De Novo, *American Interests*, pp. 181–2.

²³ *Standard Oil Company of New Jersey, Standard Oil Company of New York, Sinclair Oil Corporation, Atlantic Refining Company, Gulf Oil Corporation, Texas Oil Company, Mexican Oil Corporation.*

²⁴ TNA, PRO, FO 371/10083, E 2062/13/65; *Papers, 1921*, II, pp. 85–93, 106–10. De Novo, *American Interests*, pp. 182–3, 185–7; Yergin, *Oil, Money, and Power*, p. 224; Evans, *Partition of Turkey*, p. 305.

Since the legal validity of TPC concession was debatable, Britain could not risk bringing the matter to arbitration. To create some legal foundations it caused several articles (239, 240, 287, 310 and 311) which would guarantee the TPC concession to be written into the Treaty of Sèvres, but this treaty never came into force. It tried to have the League of Nations Council approve its mandate conditions, but American opposition from without and Italian from within frustrated British efforts. It pressurized the Iraqi government to confirm the TPC concession, but King Feisal resisted. Although it considered negotiating a new concession agreement with Iraq, which would replace the TPC concession, it was impossible to do so without the consent of the US and France. Furthermore, it soon became clear that Britain had not the necessary financial and technological means to extract and exploit the oil in Mesopotamia, which was in greater quantities than had been originally believed.²⁵ Upon American suggestion to take the TPC concession matter to arbitration, Gulbenkian met with William Tyrell from the British Foreign Office and stated that the only solution was to give the US shares in the TPC²⁶

As for the American consortium, its aim was to obtain a satisfactory share of Middle Eastern oil. Since the safe extraction of oil necessitated the establishment of order and stability in the region and since the US was not yet prepared to undertake such a responsibility, it needed Britain to take on this job. Doubtless, Britain would be granted the lion's share in compensation for this responsibility, but as long as its shares were not less than those of France, it was in its interest to reach a compromise.²⁷ When APOC representative John Cadman came to the USA at the end of 1921 to conduct unofficial meetings, the American oil consortium, responded positively to Cadman's proposition that it participate in the TPC and took this offer to the American government. However, the government refused this offer, repeating that the TPC concession was invalid and that the company was of a monopolistic nature. Thus, the ongoing disagreement between Britain and the USA became one between the American oil consortium and the US government. The consortium representatives argued that it should ask for a share equal to that of France, that is, 25 per cent; that the government should no longer insist on the open door in the Middle East, because this would also open the door to Japan, Italy and others to ask for oil shares, thus decreasing the United States' shares; and that the question of the legal validity of the TPC concession could be resolved through obtaining a new concession from Iraq. Despite these arguments, they were unable to convince the government.²⁸

²⁵ TNA, PRO, FO 3717782, E 412/132/65; BL, IOR, P-S/11/161, P 8264; P 8480; P-S/10/815; Stivers, *Supremacy of Oil*, pp. 89-90; De Novo, *American Interests*, pp. 183-4; Mejcher, *Imperial Quest for Oil*, p. 117; Sluglett, *Britain and Iraq*, p. 137; Longrigg, *Oil in the Middle East*, p. 31, 68.

²⁶ TNA, PRO, FO 371/6363, E 13144/382/93.

²⁷ TNA, PRO, FO 371/8994, E 1434/91/65.

²⁸ De Novo, *American Interests*, pp. 187-8; Evans, *Partition of Turkey*, p. 306.

In the meantime, Admiral Mark L. Bristol, American High Commissioner in Istanbul, sent his Commercial Attaché, Julien E. Gillespie, to Ankara to conduct unofficial meetings. Gillespie met with several nationalist leaders throughout his stay, from 26 December 1921 to 5 February 1922. Prime Minister Rauf Bey told him that if Turkey were to take Mosul, it would prioritise the USA for the exploitation of oil. In March 1922, the press related that a Standard Oil representative had arrived in Anatolia.²⁹

Britain, facing mounting pressure, urgently needed to reach an agreement with the US. The Colonial Secretary, Winston Churchill asked the President of the Department of Overseas Trade, Philip Lloyd-Greame, to embark on negotiations with the Americans. Lloyd-Greame entrusted two APOC representatives, Charles Greenway and John Cadman, to meet with the adviser at the US State Department's Office of the Foreign Trade, Arthur C. Millspaugh, who was then in London. Churchill believed that since the TPC lacked a legal foundation, there was no way to prevent the USA from taking a share of Mesopotamian oil. Moreover, the United States' inclusion in the TPC would play in Britain's favour, as its support would thus be guaranteed both in the war against the Kemalists and for the approval of the mandates by the League of Nations. However, throughout this process, it was essential that London not project an image of insecurity that would show up its weakness in the matter of the TPC.³⁰

Meanwhile, the ongoing Washington Naval Conference ended with a compromise. The agreement was signed on 6 February 1922 and put an end to Anglo-American rivalry on the high seas. It would now be easier to cooperate on oil matters. However, it was not easy for the British government to convince its TPC partners on the need to take the Americans on board or for the American oil consortium to convince the US government on the advantages of entering the TPC. Finally, the US government decided to renounce its insistence on the present concession and to enter negotiations on TPC participation on condition that a new concession would be sought from Iraq.³¹

Official negotiations began in London in July 1922. The American oil consortium was represented by William Teagle, President of the Standard Oil Company of New Jersey. The TPC was represented by first, the President of Royal-Dutch/Shell, Henri Deterding, acting in the name of ASPC, second, by Charles Greenway acting in the name of APOC, third, by Ernest Mercier of the French group, Compagnie Française des Pétroles (CFP) and fourth, by Gulbenkian, acting in his own name. A disagreement rose on the shares to be given to the Americans. Greenway suggested 20 per cent and Deterding 12; however, Teagle would not accept less than 25

²⁹ İlkin, "Chester Demiryolu Projesi," pp. 744-9; Sonyel, *Türk Kurtuluş Savaşı*, pp. 238-9; Evans, *Partition of Turkey*, pp. 331-6.

³⁰ TNA. PRO, CO 730/27/3167; TNA, PRO, FO 371/7782, E 1195/132/65; FO 371/7783, E 1590, 2902/132/65; Mejcher, *Imperial Quest for Oil*, pp. 119-20; Sluglett, *Britain and Iraq*, p. 109.

³¹ *Papers, 1922*, II, pp. 337-8; Evans, *Partition of Turkey*, pp. 306-7; De Novo, *American Interests*, pp. 188-9.

per cent.³² In September, the Turks' final victory over the Greeks increased uncertainties regarding the future of Mosul, which led to the suspension of negotiations.³³ With the Turkish victory, Britain's need to reach an agreement with the Americans became ever more urgent. It began to press APOC and ASPC to accept the American offer.

Turkish-American Relations: The Chester Syndicate

Admiral Colby M. Chester's applications to resuscitate his pre-war project by adjusting it to actual circumstances in May and in November 1920 were rejected by the Department of State. He re-applied twice in 1921, in February and May, but he was again overturned, the last time with a clear and official explanation that his project would be given no governmental support. Having received a negative answer to his application in February 1922 as well, Chester lost all hope in the American administration and decided to establish direct relations with the Turkish government.³⁴ Meanwhile, a Canadian investor, K. E. Clayton-Kennedy provided Chester with financial backing. The representatives of the Chester Syndicate, Clayton-Kennedy and Arthur Chester, arrived in Ankara in September 1922 to meet with the nationalist leaders. The US Department of State ordered the High Commissioner in Istanbul, Admiral Bristol, to support the company in an inconspicuous manner. By November, the syndicate members and the Turkish government reached an agreement by which, the OADC would construct 4 thousand kilometres of railways and three ports in an area encompassing Anatolia, Mosul, Kirkuk and Suleymaniya. It would be granted a 99-year concession over all known oil and other mineral reserves and those that would be discovered during the next 20 years within the 40 kilometers radius around the railroad and the ports and it would finance its investments through the profits it would thus earn.³⁵

The Turkish leaders, by granting these concessions, hoped to gain American support at Lausanne Conference, especially as concerned Mosul. Also, by showing that they had a positive approach to foreign capital as long as it was not used as a political pressure tool and on condition that matters were conducted according to the Turkish laws, it was hoped that the West would forego its insistence on capitulations and that infrastructure could be created as soon as possible in order to develop a national economy. However, when internal problems prevented the OADC from depositing the

³² TNA, PRO, FO 371/7784, E 7487, 8553, 7597, 7793, 7972, 7992/132/65.

³³ TNA, PRO, FO 371/8894, E 1434/91/65; De Novo, *American Interests*, pp. 189-91; Yergin, *Oil, Money, and Power*, p. 225.

³⁴ *Papers, 1921, II*, pp. 917-22; Evans, *Partition of Turkey*, pp. 344-5; De Novo, *American Interests*, pp. 212-17.

³⁵ *Papers, 1922, II*, pp. 967-75; *Papers, 1923, II*, pp. 1198-9; De Novo, *American Interests*, pp. 218-22; Evans, *Partition of Turkey*, p. 345; İlkin, "Chester Demiryolu Projesi," pp. 749-57.

guarantee of 30 thousand dollars stipulated by the agreement, the Turkish National Assembly was unable to discuss and approve of the project.³⁶

Upon the Turkish nationalists' inclination to compromise with the Chester Syndicate, Walter Teagle, on the name of American oil consortium, felt the need to ask the US Department of State whether it would not be more appropriate to negotiate with the Turks rather than with the TPC. Secretary of State Charles Evans Hughes refrained from giving a clear answer by saying that this was a business matter.³⁷ However, the United States' strategic interests dictated it to reach a compromise not with the Turks but with the British. In this context, the Chester concession was significant only as a negotiating chip to be used against the British.

The Oil Question during the Lausanne Conference

Both Curzon and İsmet Pasha sent messages to the oil lobbies as soon as the negotiations at Lausanne began. Curzon reminded the Conference that, Britain did not intend to establish a monopoly over the region's oil and that negotiations were in process to enable the participation of all states and communities. İsmet Pasha, on his side, declared that his government was aware of the world interest in oil and that it would provide oil to those who needed it.³⁸

Curzon planned to offer Italy and Turkey a share of the 20 per cent equity participation in the company that the San Remo Conference had put aside for Iraq, thereby enlarging the TPC's base and providing it with a legal guarantee and also to convince Turkey to abandon its claim over Mosul. On 30 November, Vernon, Clarke and Forbes-Adam from the British delegation met with Muhtar Bey, the Turkish delegation's oil expert, to discuss Turkish participation in the exploitation of oil in Mosul. Muhtar Bey said that the Mosul matter could be resolved as Britain wished, on condition that Turkey be granted participation in the TPC. However, Curzon had instructed Muhtar Bey to be told that there was no possibility of Turkey's joining the TPC but that, to compensate, a certain amount of the 20 per cent equity participation set aside for the Iraqi government could be transferred to Turkey. Thereupon, the Turkish delegation changed its discourse and stated that it would be impossible to discuss oil matters without first reaching an agreement on borders.³⁹

Britain's concern was that international public would react if it were to give the impression that it would not reach an agreement with Turkey over Mosul because of oil. Philip Lloyd-Greame, Secretary of Commerce under the Bonar Law government set up in October 1922; felt this anxiety more keenly than anyone else.⁴⁰ He considered the TPC concession area as a whole and believed that in order for the TPC to work in all

³⁶ İlkin, "Chester Demiryolu Projesi," pp. 750–2.

³⁷ *Papers, 1922*, II, pp. 345–7; De Novo, *American Interests*, p. 192.

³⁸ TNA, PRO, FO 371/9063, E 1297, 1391/1/44.

³⁹ *Lozan Telgrafları I*, p. 152; TNA, PRO, FO 371/7785, E 13523, 14209/132/65; FO 371/7964, E 13443, 13493/13003/44.

⁴⁰ TNA, PRO, CO 730/27/60792.

safety, this unity needed to be protected at all costs; even at the cost of British withdrawal. From his point of view to give Mosul and Baghdad vilayets to Turkey on condition that Turkey recognised the TPC concession, would be a judicious choice. Some investment groups in Britain supported his views. In a sense, Lloyd-Greame was acting as their spokesperson. Leading these investment groups were Andrew Weir, Baron Inverforth and William Maxwell Aitken, Baron Beaverbrook, who brought along the support of the leading British newspapers such as the *Daily Mail*, the *Daily Express* and the *Observer*. Inverforth's aim was to break the TPC's monopoly and take a share of the region's oil. Once Britain would withdraw from the TPC's concession area, all TPC claims, which rested on very fragile legal foundations, would crumble. Certain powerful people within the British oil lobby also supported Lloyd-Greame, because they had doubts as to whether the Baghdad government would prove to be durable and stable and thus preferred to do business with Turkey rather than with Iraq. Britain would withdraw sooner or later. Then either they would have to deal with an untrustworthy Arab government, or else the Iraqi state, which was already established on a very uncertain balance, would disintegrate and the region would plunge into political chaos. It was therefore preferable to deal with a stable Turkish government.⁴¹ Lloyd-Greame, in a memo he wrote on 15 February 1923, explained that an Iraq incapable of self-governance and of self-defence would not serve imperial interests but that it would rather prove to be a burden. Oil could be exploited even without Britain's presence in the region. British traders already held a dominant position over Iraq's trade and economy before the war. There was no reason for this to change now. However, the government counted a greater number of pro-TPC and anti-withdrawal members, causing Lloyd-Greame to fail in his endeavours.⁴² On 8 December, Leo Amery, the First Lord of Admiralty, during a meeting of the government's sub-committee on Iraq, said that the region containing the oil fields and where the pipelines were to be laid needed absolutely to be kept under direct British control.⁴³

Upon Curzon's suggestion that a certain amount of the 20 per cent equity participation set aside for Iraq should be transferred to Turkey and Italy, Duke of Devonshire William Cavendish, the Colonial Secretary, asked Cox, the British High Commissioner in Baghdad, to press the Iraqi government on the matter. The Faisal administration was to be made to understand that Iraq's territorial integrity depended on accepting this offer. Britain's hidden agenda was to force Iraq to accept the San Remo Oil Agreement. Since the pledge made by Sait Halim Pasha in 1914 had reserved the Ottoman State the right to set the participation rate and the agreement provisions with the creation of the State of Iraq, this right had now been transferred to Baghdad.

⁴¹ Mejcher, *Imperial Quest for Oil*, pp. 142–3.

⁴² TNA, PRO, CAB 23/45, 27/206.

⁴³ TNA, PRO, FO 371/7784, E 13359/132/65; FO 371/7967, E 14238/13003/44.

The San Remo Oil Agreement, which had decreed that the (as yet) nonexistent State of Iraq should be allowed an option of 20 per cent equity participation in the TPC, had no legal foundation. Baghdad could refuse to recognise this agreement and ask for the negotiations of a new arrangement in line with Sait Halim Pasha's reservations, where it would be Iraq who would designate the provisions and the shares. It was necessary to bind Iraq legally in order to prevent this likelihood.⁴⁴

Curzon warned the British government to keep the state of affairs of the conference confidential from Iraq, for if Faysal learned of Britain's difficult situation, he could start to make excessive demands. Taking this warning seriously, the British government carefully created the impression that Mosul could become a bargaining chip. Thus, on the one hand it incited anti-Turkish Arab nationalism in Iraq, on basis of the Turks' so-called uncompromising attitude and on the other, it created the impression that Iraq needed to surrender some of its oil in order to save Mosul.⁴⁵ Likewise, the link between the resolution of the Mosul question and oil also needed to be concealed. Curzon was clearly lying when he said in Lausanne that Britain's demands regarding Mosul had nothing to do with oil:

"That is the substance of the oil affair, which I have explained to the commission in order that they may know the exact amount of influence –and it is nil– which has been exercised in respect of oil on the attitude which I have ventured to take up today on the question of Mosul."⁴⁶

It is a well-known fact that since the publication of the Slade Report, British government constantly evaluated the Mosul question in the context of oil and Curzon was one of the leading figures in this process. Throughout his tenure as foreign secretary, he received numerous reports on the Middle East petroleum. All of them confirmed that there was sufficient oil in Mosul to be exploited commercially and showed the locations of present and potential oil fields. The Anglo-American discussions and negotiations on oil demonstrate how effective a role Curzon played throughout. Moreover, he had told the Italian representative at Lausanne, Garroni, that were the Mosul question to be resolved in accordance with British interests, then he could consider granting Italy a share of the region's oil.⁴⁷ While Curzon was conducting meetings at Lausanne, representatives of the oil companies met in London to negotiate how to apportion Middle Eastern oil within the TPC. Curzon had especially asked the two meetings to take place simultaneously and was kept informed daily on proceedings in London. Since the oil companies in London benefited from the complete support of their respective governments, progress made during these

⁴⁴ TNA, PRO, FO 371/8994, E 165, 1399/91/65.

⁴⁵ TNA, PRO, FO 371/8994, E 263/91/65; Mejcher, *Imperial Quest for Oil*, pp. 140–2.

⁴⁶ TNA, PRO, FO 371/9063, E 1297, 1391/1/44.

⁴⁷ TNA, PRO, FO 371/7785, E 14205/132/65; Sluglett, *Britain and Iraq*, pp. 110-11.

meetings would define Curzon's room for manoeuvre as well as provide him with leverage over his counterparts at Lausanne.⁴⁸

Anglo-American Dissension at Lausanne

Britain had come to Lausanne to secure TPC concession through the peace agreement that was to be signed,⁴⁹ whereas the US had come with the intention to prevent precisely this from happening. In a speech he delivered on 25 November 1922 during the Lausanne Conference, the US representative Richard Washburn Child disclosed that his government did not look warmly upon the San Remo Oil Agreement, which was against the open door policy.⁵⁰ In response to Curzon's speech of 23 January 1923, where he had spoken of the TPC concession's legal validity and of the fact that Britain had no intention of establishing an oil monopoly, Child delivered a memo emphasising that the US had not changed its position.⁵¹ When the draft agreement sent by the Allies to the Turkish party on 31 January 1923 was seen to contain an article (article 94) on the recognition of the TPC concession, Child sent yet another memo to Curzon stating that this was unjust and that an arbiter needed to be consulted in order to put an end to such injustice.⁵² It was clear that these memos, which Curzon described as 'childish,' hastened the approval of the Chester project and gave hope to Turkey that it would benefit from American support.⁵³

Negotiations between the TPC and the American oil consortium, which had been proceeding by letter, continued in the form of direct meetings in London, right after the start of the Lausanne Conference. Before the meetings began Lloyd-Greame met with representatives of shareholding oil companies in the TPC to explain that Turkey and Italy had made a request for shares from the company and that unless these requests were met, the two countries were prepared to fold back on an uncompromising position. He further explained that as the TPC was based on weak legal foundations, American involvement in the company was essential in order to discourage any questioning of the validity of the TPC concession.⁵⁴ An agreement was reached between the shareholders on condition that APOC, ASPC, the French group and the American consortium would each hold 24 per cent of company shares, while Gulbenkian would hold 4 per cent of shares without voting rights. APOC, which would supply the greatest portion of shares to be transferred to the American consortium, would be compensated with the granting of 10 per cent of oil to be

⁴⁸ TNA, PRO, CO 730/47/1749; Mejcher, *Imperial Quest for Oil*, pp. 131-2.

⁴⁹ TNA, PRO, FO 371/7784, E 12597/132/65; FO 371/7785, E 13749/132/65; FO 371/7921, E 11322/10102/44.

⁵⁰ *Papers*, 1923, II, pp. 904-5.

⁵¹ Meray, *Lozan Barış Konferansı*, pp. 376-7.

⁵² TNA, PRO, FO 371/8994, E 1423/91/65; *Papers*, 1923, II, p. 968.

⁵³ Stivers, *Supremacy of Oil*, pp. 153-5.

⁵⁴ TNA, PRO, FO 371/7785, E 13922, 14007/132/65.

extracted from the concession area, free of charge. Although the French group accepted the 1 per cent reduction without demur, it had still to take over the shares that it had been given by the San Remo Oil Agreement. As long as the US continued to question the TPC concession, France would continue its wait and see policy. Meanwhile, the partners were not enthusiastic about Turkish and Italian participation in the company.⁵⁵

At the onset of the London meetings, the British government declared that APOC would transfer its shares to the American consortium on two conditions: the American government would put an end to its claims that the TPC concession was invalid and accept that its demand regarding the oil of Mesopotamia had been satisfied. This meant that the American government would commit itself to not support the Chester group either politically or economically, or in any other way. Washington rejected both conditions, despite the efforts of the Standard Oil Company and the American consortium it presided over.⁵⁶

Disagreements were not limited to between London and Washington. The American consortium and the TPC also disagreed on two points. First was the Gulbenkian's share, which resulted neither from his capital investment, nor from his technical abilities. He had gained this share during the company's creation stage in compensation for his expert knowledge of the Ottoman state structure, his effective relations within that structure and his consequent ability to convince *the right people with the right methods*. The Americans thought that Gulbenkian should be bought out of the company and that the TPC shares should be shared equally between the four partners. Although APOC and ASPC supported this approach, an agreement could not be reached once France declared its support for Gulbenkian.⁵⁷ The second point of disaccord appeared when APOC requested that it be granted 10 per cent of oil to be extracted from the concession area, free of charge, in compensation for transferring a portion of its shares to the American consortium. Unable to overcome these difficulties, the London meetings were suspended on 31 January 1923.⁵⁸

Britain's inability to break Turkey's resistance concerning the Mosul question during the Lausanne Peace Conference meant that it had become ever more imperative to achieve a compromise with the US, because the Turks were taking fast and concrete steps towards the completion of the Chester project thus obtaining American support. Thereupon, Britain initiated a new series of meetings with the oil companies. The parties came together from 24 March to 14 April 1923 in New York to discuss the creation of a new concession agreement to be signed with Iraq. This signified that Britain accepted that the TPC was bereft of a legal foundation.⁵⁹ The parties arrived at a

⁵⁵ TNA, PRO, FO 371/7785, E 14034, 14209, 14256/132/65.

⁵⁶ TNA, PRO, FO 371/7785, E 14034, 14217, 14289/132/65; FO 371/8994, E 582, 1434/91/65; *Papers, 1922*, II, pp. 347-52; De Novo, *American Interests*, pp. 192-3.

⁵⁷ Stivers, *Supremacy of Oil*, p. 128, fn.49.

⁵⁸ *Papers, 1923*, II, pp. 1198-9.

⁵⁹ *Papers, 1923*, II, pp. 1200-1.

compromise on how to partition TPC shares. Thus, D'Arcy Exploration Company Ltd., linked to the APOC; ASPC, linked to Royal-Dutch/Shell; La Compagnie Française des Pétroles, which represented French shares and the American consortium, The Near East Development Company, would all receive 23,75 per cent. Gulbenkian's company, Participations and Investments Ltd., would receive 5 per cent in the shape of cash-settled shares and Gulbenkian would have no voting rights.⁶⁰

The Chester Concession

Clayton-Kennedy and Arthur Chester once more came to Ankara in December 1922. For some time, the uncertainty of the company's financial support restrained Ankara from making a definite decision. However, once it was understood that the Mosul question would not be resolved as desired at Lausanne and that Britain was prepared to take concrete measures to pull the US to its side, Turkey signed the concession agreement on 29 April 1923.⁶¹ Just after the concession had been ratified by the Turkish National Assembly, General Goethals, representative of the Chester Group, met with Allen W. Dulles, Chief of the Near-east Division of the State Department, and asked whether the US government would support the company on this matter. Dulles evaded the question by answering that they did not wish to meddle in the Middle East's territorial arrangements.⁶²

Although the American administration welcomed the steps taken by Turkey from a diplomatic point of view, it continued to support the negotiations the American consortium was conducting with the TPC. Its weak financial backing, the fact that it had a majority of non-American shareholders, the conflict between Arthur Chester Jr. and his powerful Canadian partner, Clayton-Kennedy, prevented Washington from taking the Chester group seriously.⁶³ Presumably the US perceived Chester as an unsuccessful bribe effort. It had already received a much stronger bribe from Britain. It was unimaginable that it should forego the chance to become a partner to one fourth of Iraqi oil in return for shares from oil in Mosul, which in the end would probably not belong to Turkey.

Both Britain and France, as expected, reacted against the ratification of the Chester concession. France sent a harsh memo to Ankara, characterizing this as an 'unfriendly behaviour'.⁶⁴ The British were aware that a concession granted by Turkey over lands over which it had no jurisdiction had no practical worth, that Chester did not have the necessary finances to implement this concession and that the US did not

⁶⁰ TNA, PRO, FO 371/10829, E 8197/43/65; Schwadran, *The Middle East*, pp. 233-7; Mejcher, *Imperial Quest for Oil*, pp. 159-60; De Novo, *American Interests*, p. 194.

⁶¹ De Novo, *American Interests*, pp. 222-4; Earle, *Baghdad Railway*, pp. 361-70.

⁶² *PRFRUS*, 1923, II, pp. 1200-1.

⁶³ Mejcher, *Imperial Quest for Oil*, p. 138; Stivers, *Supremacy of Oil*, p. 186.

⁶⁴ *Papers*, 1923, II, p. 1201; Earle, *Baghdad Railway*, p. 358.

support the project. It therefore reacted in a less stringent manner than France. Curzon defined Turkey's move as a clumsy ruse to pull the US to its side on the matter of Mosul.⁶⁵ Nonetheless, Britain sent a memo to remind the US that Ankara could not grant a concession to Chester over Mesopotamia, which was not in its area of jurisdiction.⁶⁶ Upon reactions the US Department of State sent instructions to its ambassadors in London, Paris and Rome for each to deliver a statement that the Chester concession had been obtained by a private enterprise, that the US was not party to this agreement, that the concession was not of a monopolistic nature and that in accordance with the open door principle, all who wished could participate; further, that solutions to disagreements would be sought either through arbitration or through amicable agreement, according to the nature of the dispute.⁶⁷

After a while, intra-company conflicts became more and more apparent and it was understood that the company would be unable to find the necessary finances to fulfil its commitments. As a result, Ankara cancelled the Chester concession on 18 December 1923.⁶⁸

Final Efforts of Britain to Guarantee the TPC Concession

The British suspected Child and Bristol of the US delegation to be in cohorts with the Chester group during the first phase of the Lausanne Conference.⁶⁹ Curzon notified the American ambassador to London, Harvey, of his unease concerning these two diplomats and his suspicion that they were scheming with the Turks. In return for Britain's readiness to compromise in New York, the American administration refrained from sending them to the second phase of meetings in Lausanne. Joseph Grew led the American delegation at the second phase, which took place between April and July 1923. However, as Britain continued in its efforts for the recognition of the TPC, despite the decision it had taken in New York, following definite orders from Washington that he should not allow this to take place, Grew prevented the TPC concession from appearing in the Lausanne Treaty by demonstrating a vehemence even greater than that of İsmet Pasha's. Had the concession become valid through Turkish recognition, the United States' hand would have been severely weakened during oil negotiations. Unwilling to risk the suspension of the conference for a second time because of British oil interests, Britain gave up on its insistence to have the TPC concession written in the treaty.⁷⁰

Right after the signature of the Lausanne Treaty, Britain embarked on a new effort to obtain a new concession from the Iraqi government, in accordance with the

⁶⁵ TNA, PRO, FO 371/9149, E 3693/2104/44; FO 371/9150, E 3826/2104/44; FO 371/9151, E 4604, 4624/2104/44.

⁶⁶ Evans, *Partition of Turkey*, pp. 347–8.

⁶⁷ *Papers, 1923*, II, pp. 1201–2.

⁶⁸ *Papers, 1923*, II, pp. 1205–52.

⁶⁹ TNA, PRO, FO 371/9065, E 1587/1/44.

⁷⁰ TNA, PRO, FO 371/8995, E 7723/91/65; FO 371/9087, E 7250, 7258/1/44; *Papers, 1923*, II, pp. 1021–2; De Novo, *American Interests*, p. 194; Mejcher, *Imperial Quest for Oil*, pp. 138–9; Stivers, *Supremacy of Oil*, p. 156–7; Grew, *Turbulent Era*, pp. 579–82.

San Remo Oil Agreement and what had been decided in New York. Meetings between the TPC and the Iraqi government began in September 1923. The US government approved of the compromise reached in New York and extended its official support to the process.⁷¹ However, the meetings were blocked soon after it began as the Iraqi government refused the royalty choice offered by the TPC. Baghdad wanted a reasonable share in the company to have a voice on Iraq's oil policy. The 20 per cent equity participation option was deemed to be insufficient.⁷² Iraq wished for company shares to be registered directly in Iraq's name and be delivered in this manner; not by setting aside a certain percentage of company shares as equity participation. The TPC argued that although the 20 per cent equity participation rate offered to Iraq seemed inadequate at first glance, in fact it was a reasonable offer, because the majority of oil to be extracted would be exported and so it would be necessary to build a pipeline of 600 to 750 kilometres as well as pump stations and a railway system which would facilitate exploitation. Furthermore, a significant amount of money would be needed to conduct geological research, drainage and drilling. The company maintained that for work on such a scale, Iraq needed the TPC.⁷³ As it proved impossible to reach an agreement; the meetings were suspended in March 1924.

The Iraqi government contacted the American Consulate in Baghdad while the meetings were in process to ask the US to apply to Iraq independently of the TPC. This way, the US could obtain a much greater share than that provided by the TPC. However, the US government could not, and would not, take such a step which would require it to undertake direct political responsibilities in the region. It rejected Baghdad's offers so as not to disrupt ongoing oil negotiations with Britain.⁷⁴

In February 1925, Britain, in order to persuade Iraq, took the matter to the members of the Investigative Committee created by the League of Nations Council to find a solution to the Mosul question. The Committee's Belgian member, Albert Paulis, told Henry Dobbs, the new British High Commissioner in Baghdad, that he did not believe that Iraq could develop without a significant amount of foreign capital and that for this reason, he was of the opinion that Iraq should be administered by the TPC, just as Mozambique, a Portuguese colony in name, was administered by British companies which had their own administrative institutions and local armies.⁷⁵ The TPC could be even more successful than the British companies in Mozambique, as it had the backing of not just one country, but of international capital. But for this to happen, Iraq had to

⁷¹ *Papers*, 1923, II, pp. 246–64.

⁷² Sluglett, *Britain and Iraq*, pp. 112–3.

⁷³ TNA, PRO, FO 371/10082, E 1303/13/65.

⁷⁴ Stivers, *Supremacy of Oil*, pp. 116–32.

⁷⁵ The country was under the control of three British companies, *Compahnia de Nyassa*, *Compahnia de Moçambique* and *Compahnia de Zambezi*. (Ataöv, *Afrika Ulusal Kurtuluş Mücadeleleri*, p. 431).

approve the TPC concession, after which the great powers which held shares in the company could control Iraq through the company and establish stability in the country. Otherwise, once Britain withdrew, the Iraqi State would be incapable of establishing internal stability only with its own power and resources. He accepted Dobbs' request to help to convince the Iraqi government.⁷⁶ Investigative Committee's Hungarian member, Pal Teleki, fulfilling Dobbs' wishes, met with the Iraqi authorities. The Iraqi government signed the agreement only four days before the Committee completed its investigations, on 14 March 1925. Most probably, Teleki told them that they would lose Mosul unless they signed the agreement. The Iraqi media's indignant reaction, the rumour that the parliament would hand in its resignation as a group and the resignation of the ministers of justice and education did nothing to change the outcome.⁷⁷

The agreement specified that the Iraqi government would have no voting rights on the TPC board of directors and that its powers would be limited to supervising the company's production area and its administration offices. In other words, Iraq was excluded from the company's production, exploitation and exportation decision-making processes. The concession area covered two thirds of Iraq's total surface area. The concession duration would be of 75 years. All and any instruments and machinery needed by the company to drill, exploit, stock and transport oil would be imported free of customs duties and taxes and the oil that would be produced and sold by the company would be exempted from export tax. Iraq would be paid a royalty of four shillings per ton of petrol produced and this payment would be made for the 20 years following the completion of the pipeline. At the end of 75 years, Iraq would automatically own the company's land property. If the company planned a shared capital increase and issued new shares, Iraqi nationals would be granted participation priority up to 20 per cent.⁷⁸

The TPC was thus saved from the legally disputable foundation created by Sait Halim Pasha's promise of 1914 and was anchored to a solid legal foundation. The only obstacle now was the April 1923 protocol, which limited the Anglo-Iraqi mandate agreement to four years. The oil companies needed a much longer time than this to be able to feel secure and confident that Iraq would be ruled by a stable system of government. Therefore, the conclusion of the Investigative Committee's report was arranged so that it contained a condition of extending the mandate to 25 years. Naturally, the reason provided for this condition was not the oil trust, but the 'will of the people.' The League of Nations Council accepted this conclusion on 16 December 1925.

⁷⁶ TNA, PRO, FO 371/10824, E 964/32/65; Mejcher, *Imperial Quest for Oil*, pp. 150-1.

⁷⁷ TNA, PRO, FO 371/11455, E 3504/27/65; Hurewitz, *Diplomacy*, pp. 131-42; Sluglett, *Britain and Iraq*, p. 113, 124; Longrigg, *Oil in the Middle East*, pp. 68-9.

⁷⁸ TNA, PRO, FO 371/10828, E 3128/43/65; FO 371/11455, E 3504/27/65; Stivers, *Supremacy of Oil*, pp. 88-9; De Novo, *American Interests*, p. 197-8; Schwadran, *The Middle East*, pp. 234-40.

Inverforth Gets Out From Underfoot

Lord Inverforth, backed by the Rothermere-Beaverbrook media group, continued its relations with the Turks. He was in contact with Agwi Petroleum Co. and British Mexican Petroleum Co. Also, the ex-First Sea Lord, Wester Wemyss, had joined him.⁷⁹ While the decision of the Council of the League of Nations was being awaited Inverforth accelerated his lobbying efforts. Gulbenkian, tried to warn the French against taking the Inverforth syndicate seriously.⁸⁰ However he was unable to extract France from its dilemma. It was known that Inverforth was in direct contact with Standard Oil Co., which led the American consortium within the TPC, and even that he obtained financial support from this company. Besides, even if the British claimed the opposite, the Inverforth group's propaganda activities in France were very effective, helping it to win the support of influential circles, such as media groups like Havas Agency and the newspaper *Le Matin*, as well as the Banque de Paris et des Pays Bas and other French investment groups linked to the US. Neither the French, nor the Americans wished to risk backing the wrong horse in the battle between the two big British investment groups.⁸¹

Fethi Bey, Turkish Ambassador to Paris, told Gulbenkian, Inverforth had clearly said to him that 'we will give you Mosul and you will give us oil.' He had even claimed that he could topple the government if need be, through the use of the media and other means of pressure. According to the British authorities, Inverforth was not being directed by the Turks, but was taking his own gamble. Whitehall shared Gulbenkian's view that Inverforth himself lay behind Turkey's intransigent attitude in Lausanne.⁸² Finally, Austin Chamberlain, secretary of state for foreign affairs, called Lord Inverforth to the Foreign Office and warned him that his actions were hardly of a patriotic nature and that he would be well-advised to change his attitude. The warning was effective; the Inverforth group withdrew from the race.⁸³

Conclusion: The Compromise

Although a general compromise was reached in New York in April 1923, disputes amongst the TPC partners on the partitioning of oil continued. The dispute reached its climax in November 1925, when the media published rumours that the Americans were withdrawing from the TPC talks for the Gulbenkian problem could not be resolved, that Chamberlain had offered the United States' shares to Germany in

⁷⁹ TNA, PRO, FO 371/10828, E 6845/43/65; Stivers, *Supremacy of Oil*, p. 169.

⁸⁰ TNA, PRO, FO 371/10829, E 7521/43/65.

⁸¹ TNA, PRO, FO 371/10828, E 6845/43/65; FO 371/10829, E 7521/43/65.

⁸² TNA, PRO, FO 371/10828, E 6845, 7018/43/65; FO 371/10829, E 7521/43/65.

⁸³ TNA, PRO, FO 371/10829, E 7522/43/65.

return for its retiring its support from Turkey in Mosul and that Chancellor Gustav Stresemann had given a positive response. Both Teagle and Greenway refuted these claims. But rumours continued.⁸⁴

The problem was resolved in April 1926, when it was agreed to give Gulbenkian 5 per cent of shares from royalties instead of 5 per cent of shares of stock.⁸⁵ The final agreement was signed only on 31 July 1927 under the name of Red Line Agreement. With this agreement, the partners' company shares were definitively defined and they were bound by a clause that prohibited them from independently seeking oil interests in ex-Ottoman territories. Called the self-denying clause, this commitment was the final stage of the partition of Middle Eastern oil at this point in history. The first large oil field was discovered in October 1927, at Baba Gurgur, near Kirkuk. Others followed. The name of the Turkish Petroleum Company was changed in 1929 to the Iraq Petroleum Company.⁸⁶

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⁸⁴ TNA, PRO, FO 371/10828, E 7000/43/65; FO 371/10829, E 7437/43/65.

⁸⁵ TNA, PRO, FO 371/11455, E 2207, 2960, 3504/27/65.

⁸⁶ Schwadran, *The Middle East*, pp. 204-13, 238-50; Longrigg, *Oil in the Middle East*, pp. 45-7, 67-75; Mejcher, *Imperial Quest for Oil*, pp. 162-3; De Novo, *American Interests*, pp. 198-9; Sluglett, *Britain and Iraq*, pp. 113-14.

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