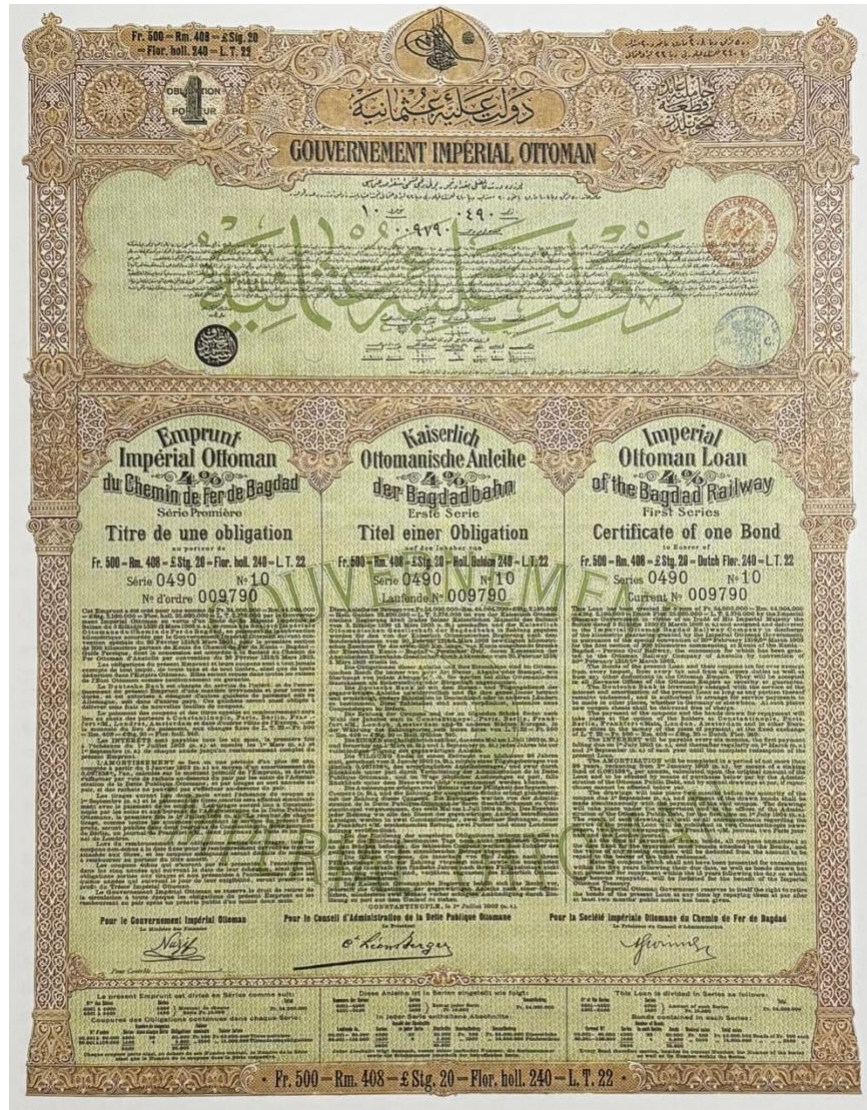


CORPORATE GEOPOLITICS: THE BAGHDAD RAILWAY 1899–1914



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*Cover image: Baghdad Railway Company bond certificate, 1904. Reproduced
from Pohl, Von Stambul nach Bagdad, 67.*

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CONTENTS

| | |
|---|-----------|
| <i>Acknowledgements</i> | iii |
| <i>List of Abbreviations</i> | v |
| <i>List of Maps</i> | vi |
| | |
| INTRODUCTION | 7 |
| Railway Development in the Ottoman Empire and the Baghdad Railway | 9 |
| Historiographical Intervention and Chapter Outline | 13 |
| Archival Source Base | 21 |
| | |
| CHAPTER I Internationalising the Baghdad Railway 1899 – 1903 | 22 |
| From Concession to Convention | 23 |
| Negotiating Internationalisation | 26 |
| Political Capture | 30 |
| | |
| CHAPTER II Railway Diplomacy 1904 – 1911 | 36 |
| Money and Mountains | 37 |
| Recasting the Baghdad Railway Question as a Multilateral Issue | 40 |
| The Young Turk Revolution | 45 |
| | |
| CHAPTER III The Architecture of Agreement 1912 – 1914 | 51 |
| Dismantling Multilateral Constraints | 52 |
| The Anglo-Ottoman Agreement | 54 |
| The Anglo-German Agreement | 59 |
| | |
| CONCLUSION | 64 |
| | |
| BIBLIOGRAPHY | 69 |

LIST OF ABBREVIATIONS

| | |
|-------------|------------------------------------|
| AA | Auswärtiges Amt |
| BRC | Baghdad Railway Company |
| CUP | Committee of Union and Progress |
| FO | Foreign Office |
| IOB | Imperial Ottoman Bank |
| OPDA | Ottoman Public Debt Administration |

LIST OF MAPS

Figure 1 Map of the Proposed Baghdad Railway Route, c. 1899

Figure 2 Map of the Railway System in Asia and Ownership c., 1913

Source: DBHA, OR 505 Bagdadbahn, Zeitungsausschnitte

INTRODUCTION

Since the early modern period, the overland and maritime routes from Europe to Asia have been objects of commercial ambition and strategic rivalry. The industrial revolution, however, transformed the scale and urgency of those ambitions. The acceleration of global trade, the expansion of colonial territories, and the revolution in transport technology that accompanied industrialisation elevated the question of connectivity between Europe and Asia from a commercial concern to an imperative of imperial power. The Middle East, situated at the geographic crossroads between the two continents, became one of the primary arenas in which these competing ambitions were projected, and the control of transit routes through its territory grew inseparable from broader Great Power rivalry.

Successive schemes sought to establish a viable commercial transport route through the region. The British Overland Mail Route in the 1830s carried dispatches and passengers by steamship to Alexandria, overland across Egypt to Suez, and onward by steamer to India, shortening communication times but remaining dependent on cumbersome and costly transfers between sea and land.¹ The completion of the Egyptian railway from Alexandria to Suez in 1858 improved overland transit yet still required passengers and cargo to change between rail and ship at either end. The opening of the French-controlled Suez Canal in 1869 appeared to settle the question decisively in favour of a maritime solution, and Britain's purchase of a controlling stake in the Suez Canal Company in 1875, followed by its occupation of Egypt in 1882, consolidated its dominance over the passage to India.² The result was a persistent source of Anglo-French friction.

¹ H. L. Hoskins, *British Routes to India* (London: Longmans, Green and Co., 1928), 165–210.

² D.A. Farnie, *East and West of Suez: The Suez Canal in History, 1854–1956* (Oxford: Clarendon Press, 1969), 75–83, 260–292

The Canal had been conceived as a French enterprise, financed by French capital, built under the direction of Ferdinand de Lesseps, and celebrated in France as a triumph of French engineering and civilisation. Britain's subsequent assertion of control over both the Company and the territory through which it passed transformed a French achievement into a British imperial asset, and the bitterness this generated textured Anglo-French relations in the eastern Mediterranean for decades.³

However, the Canal – for all that it transformed the geography of global trade by diverting ships through Egypt rather than around the Cape of Good Hope – did not constitute the ultimate vision of a modern corridor to Asia. It was, of course, consequential. It halved the voyage from London to Bombay, reoriented global shipping patterns, and made Britain's control of Egypt a cornerstone of its imperial strategy.⁴ Yet maritime transit remained what it had been for centuries: the movement of goods and people by ship, subject to the irreducible slowness of ocean travel. The Canal therefore accelerated an ancient mode of connectivity rather than superseding it. A transport link commensurate with the technological ambitions of the industrial age could only be achieved by rail. Railways promised journey times measured in days rather than weeks and, crucially, they promised to develop the territories they traversed, opening the land itself to settlement, extraction, and commercial exploitation, creating new markets along their routes rather than merely connecting existing ones.

It is telling, in this regard, that the Deutsche Bank Historical Archive's collection on the Baghdad Railway opens not with financial memoranda or engineering surveys but with press

³ Farnie, *East and West of Suez*, 83–120.

⁴ Charles W. Hallberg, *The Suez Canal: Its History and Diplomatic Importance* (New York: Columbia University Press, 1931), 267.

clippings that Deutsche Bank officials had assembled on the political controversies surrounding the construction of the Suez Canal and the Anglo-French rivalry it had provoked.⁵ The men who would build the Baghdad Railway understood, then, before a single rail had been laid, that any enterprise of comparable geopolitical ambition would intersect with the same structural forces of Great Power competition and imperial finance that the Canal had set in motion. They entered the field with their eyes open.

Railway Development in the Ottoman Empire and The Baghdad Railway

Railway construction in the Ottoman Empire expanded dramatically in the second half of the nineteenth century, driven almost entirely by foreign capital. In 1888, the existing railways in Asiatic Turkey were owned entirely by French and British financiers, and the vast areas of Syria, Mesopotamia, and the Hejaz possessed no railways at all.⁶ Yet the completion of the Oriental Railways linking Constantinople to the European network in that year threw into sharp relief the inadequacy of communications in the Empire's Asian provinces, and almost immediately afterward the Sultan, with the advice and assistance of the Ottoman Public Debt Administration (OPDA), launched a programme for the construction of an elaborate system of railway lines in Asiatic Turkey.⁷ Within a decade, a network of concession-built lines was radiating outward from western Anatolia and Syria into the interior.

The Ottoman Empire's receptivity to this wave of foreign railway concessions was driven by two converging pressures. First, the fiscal crisis that culminated in the 1875 sovereign default when the Ottoman government decided to default unilaterally on interest payments on its foreign

⁵ DBHA, OR 505 Bagdadbahn, Zeitungsausschnitte.

⁶ Edward Mead Earle, *Turkey, the Great Powers, and the Bagdad Railway: A Study in Imperialism* (New York: Macmillan, 1924), 29–30.

⁷ Earle, *Turkey, the Great Powers, and the Bagdad Railway*, 29.

debt.⁸ The subsequent establishment of the OPDA in 1881, stripped the empire of the fiscal autonomy and domestic capital required to finance its own infrastructure. The OPDA, governed by a board on which sat representatives of the holders of Ottoman government bonds in Europe, assumed collection duties for various Ottoman revenues and used them to service the debt; by the early twentieth century its share in total state revenues had risen from 17 to 27 percent.⁹ Second, Sultan Abdülhamid II's centralising programme demanded large-scale investment which the treasury could not provide on its own.

Railways, moreover, served as a form of infrastructure that was uniquely multifaceted in its properties, acting at once as a transport and communication link, a vehicle of economic influence and development, and, in certain contexts, an instrument of geopolitical power. For the European Great Powers, control over trade routes conferred influence over the political economy of the regions they traversed and possessed military utility during an age of mass mobilisation. The concession system that emerged to channel European capital into Ottoman railway development offered investors guaranteed returns through kilometric payments underwritten by Ottoman state revenues, socialising the risk of construction while guaranteeing profits.¹⁰ In turn, this attracted European businessmen and their governments to the Ottoman Empire in search of commercial gain and to safeguard their nations' interests in the region.

By the 1890s, British and French investors had already established a substantial presence in Ottoman railway development. The oldest and most important railway in Anatolia, the Smyrna-Aydın line, authorised in 1856 and opened in 1866, was owned by an English company, which

⁸ Earle, *Turkey, the Great Powers, and the Bagdad Railway*, 31–32.

⁹ M. Şükrü Hanioğlu, *A Brief History of the Late Ottoman Empire* (Princeton: Princeton University Press, 2008), 92.

¹⁰ Earle, *Turkey, the Great Powers, and the Bagdad Railway*, 30.

also held the Mersina-Adana Railway and the lease of the Haydarpaşa–İzmit line.¹¹ French interests controlled the Smyrna-Cassaba Railway in western Anatolia as well as the growing network in Syria, where a Franco-Belgian syndicate had received the Jaffa–Jerusalem concession and French investors were building the Beirut–Damascus line. British investors also maintained significant interests in Mesopotamian River navigation through the Euphrates and Tigris Steam Navigation Company, under which name the Lynch Brothers had been operating steamers on the Tigris and the Shatt al-Arab since the middle of the nineteenth century, enjoying a practical monopoly on the trade between Baghdad and Basrah.¹²

It was into this already competitive landscape that the German railway enterprise entered. German involvement in Ottoman railways began in 1888, when a syndicate led by Georg von Siemens, Managing Director of the Deutsche Bank, and Alfred von Kaulla, director of the Württembergische Vereinsbank, was awarded a concession for the Haydarpaşa–İzmit line and its extension to Ankara, thereby creating the Anatolian Railway Company (ARC) and the first of the German railway enterprises in the Ottoman Empire.¹³ The Company completed the Ankara line in 1893 and then reached Konya in 1896 under a second concession carrying similar kilometric guarantees. These early railways ran efficiently and generated goodwill with the Ottoman Ministry of Public Works, establishing the institutional and diplomatic foundation for a far more ambitious project, and by the end of the nineteenth century, the German-owned ARC had constructed almost 1,000 kilometres of railway lines in the Ottoman Territory.¹⁴

¹¹ Earle, *Turkey, the Great Powers, and the Bagdad Railway*, 31–32.

¹² Earle, *Turkey, the Great Powers, and the Bagdad Railway*, 190–91.

¹³ Volkan Ş. Ediger and John V. Bowlus, “Greasing the Wheels: The Berlin-Baghdad Railway and Ottoman Oil, 1888–1907,” *Middle Eastern Studies* 56, no. 2 (2020): 197.

¹⁴ Ediger and Bowlus, “Greasing the Wheels,” 197.

On 27 November 1899, the Sultan granted Deutsche Bank and the ARC a preliminary concession to extend the existing line from Konya through Baghdad to Basrah on the Persian Gulf.¹⁵ The concession, which granted approximately 2,300 kilometres of railway line with provisions for additional branch lines in Syria and Mesopotamia, was formalised in the Baghdad Railway convention on 5 March 1903. Under the convention, the Baghdad Railway Company (BRC) was incorporated in Constantinople as an Ottoman *soci  t   anonyme*, a joint-stock company constituted under Ottoman law, jointly sponsored by Deutsche Bank and the Imperial Ottoman Bank (IOB), and governed by a board of directors whose composition could be, and would be, contested as a proxy for geopolitical influence.

¹⁵ George Young, ed., *Corps de droit ottoman: recueil des codes, lois, r  glements, ordonnances, et actes les plus importants du droit int  rieur, et d'  tudes sur le droit coutumier de l'Empire ottoman*, vol. 4 (Oxford: Clarendon Press, 1905–6), 64 ff.

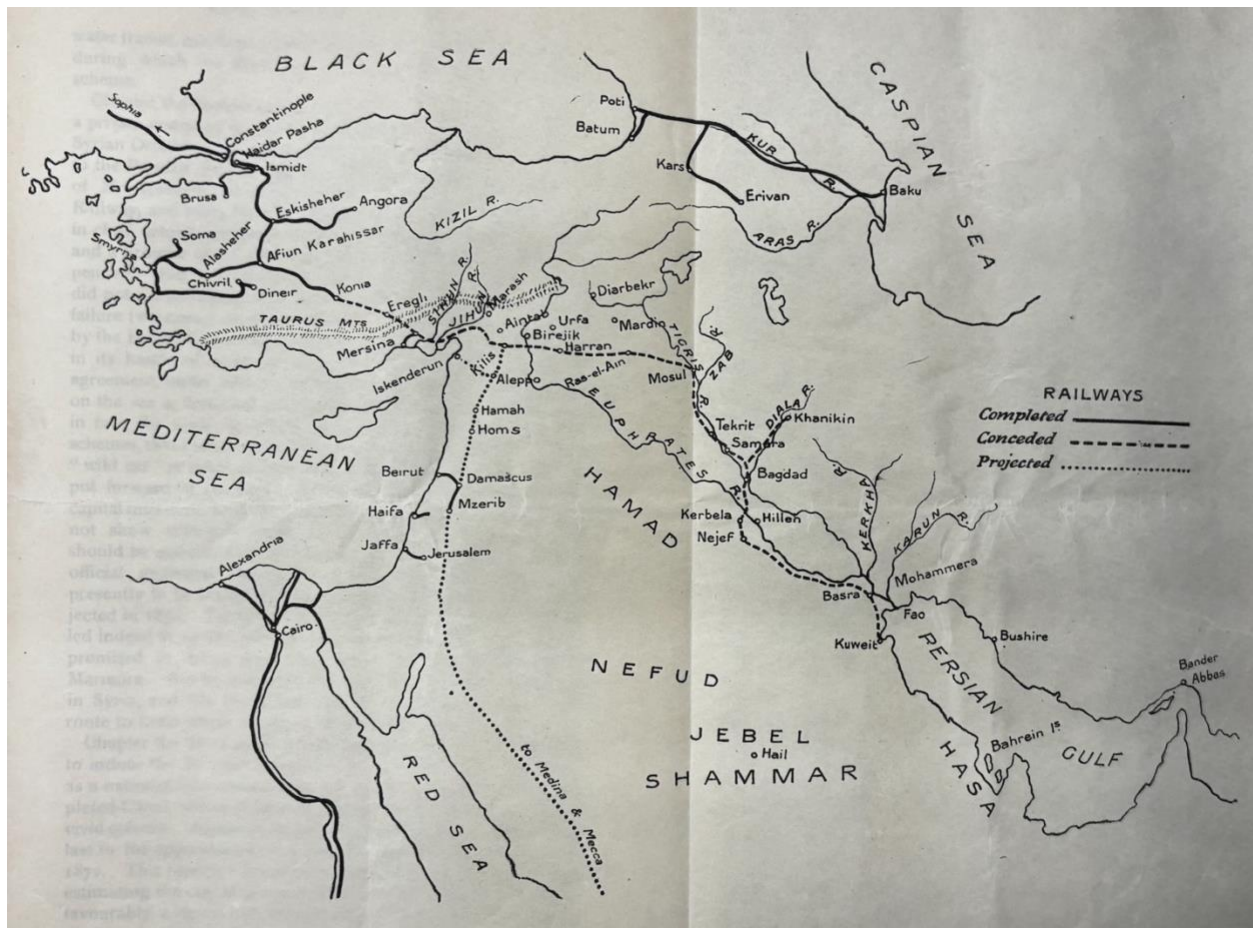


Figure 1 – Map of the Proposed Baghdad Railway Route, c. 1899

Historiographical Intervention and Thesis Outline

The Baghdad Railway sat at the intersection of geopolitical rivalry, commercial ambition, and Ottoman developmental aspiration, and by 1914 its negotiations had become entangled with the diplomatic relations of every European Great Power. Scholarship on the early history of the railway has accordingly been shaped by the wider question that has organised successive generations of First World War historiography on the origins of the conflict. The resulting body

of work has therefore primarily concentrated on what drove the German state and German private capital to pursue the project, and on whether that pursuit deepened or eased antagonisms among the Great Powers as they moved toward the July Crisis. Within this framework, scholarship has developed along three principal axes. The first and most sustained concerns Anglo-German relations and whether the railway was an instrument of German imperial expansion or, as later historians have contended, a vehicle through which the two powers moved toward accommodation.

Edward Mead Earle wrote the inaugural historical account of the railway in 1923, three years after the Treaty of Versailles, when the question of German responsibility was still political rather than academic.¹⁶ Earle framed the railway as a study in German imperialism, in which the railway was the instrument through which Germany sought to embed itself in the Middle East at the expense of Britain, France, and Russia, arguing that it accelerated the antagonism that culminated in the First World War.¹⁷ Later, Lothar Rathmann, who wrote in the early 1960s amid the renewed *Kriegsschuldfrage* debates, replaced Earle's diplomatic framework with an economic one.¹⁸ The railway, in Rathmann's account, represented monopoly capitalism in its imperial phase.¹⁹ He shows how German capital penetrated the Ottoman periphery in search of concessions, mineral rights, and captive markets for surplus accumulation, which led Rathmann to criticise

¹⁶ Earle, *Turkey, the Great Powers, and the Bagdad Railway*.

¹⁷ Earle, *Turkey, the Great Powers, and the Bagdad Railway*

¹⁸ The *Kriegsschuldfrage*, literally the "war guilt question," was the long-running political and historiographical debate over responsibility for the outbreak of the First World War, initially focused especially on Germany's culpability and later broadened into a wider debate about comparative responsibility among the European powers. See Annika Mombauer, "Guilt or Responsibility? The Hundred-Year Debate on the Origins of World War I," *Central European History* 48, no. 4 (2015): 541–64; Lothar Rathmann, *Berlin-Bagdad: Die imperialistische Nahostpolitik des kaiserlichen Deutschlands* (Berlin: Dietz, 1962).

¹⁹ Rathmann, *Berlin-Bagdad*.

earlier nationalist-centred accounts as inadequate, since they obscured the underlying economic logic driving German expansion eastward.²⁰

Paul Butterfield, also writing his dissertation in the 1930s, challenged Earle's antagonism thesis, arguing that British financiers and senior diplomats were willing to participate in the railway and that anti-German sentiment promoted by the hostile press repeatedly wrecked negotiations which the government's own officials had endorsed.²¹ His account remains the most sustained attempt to explain why cooperation collapsed despite apparent willingness on both sides, however Butterfield worked exclusively from diplomatic archives, and therefore neglected the financial aspects of the BRC itself.²² Later historians have continued to push back against Earle's antagonism thesis. Writing just after World War II in 1947, the diplomatic historian Maybelle Chapman interpreted the Baghdad Railway as a source of cooperation, describing it as one of the few subjects on which Anglo-German agreement was ultimately attained in the years directly before World War I.²³ Almost 70 years later, Ryan Bukaty echoed her argument, contending that earlier historians have too readily assumed imperial rivalry to be inherently destabilising, and presents the railway negotiations as evidence that the project brought Britain and Germany toward cooperation prior to the outbreak of war, rather than apart.²⁴ Like Butterfield, Bukaty is also attentive to the disjuncture between diplomatic realities and public perception, noting that press antagonism frequently obscured the cooperative dimensions of the negotiations.

²⁰ Rathmann, *Berlin-Bagdad*.

²¹ Paul R. Butterfield, *The Diplomacy of the Bagdad Railway, 1890–1914* (PhD diss., Universität Göttingen, 1932).

²² Butterfield, *Diplomacy of the Bagdad Railway*.

²³ Maybelle Rebecca Kennedy Chapman, *Great Britain and the Bagdad Railway, 1888–1914* (Northampton, MA: Smith College, 1948).

²⁴ Ryan Michael Bukaty, "Commercial Diplomacy: The Berlin-Baghdad Railway and Its Peaceful Effects on Pre-World War I Anglo-German Relations" (master's thesis, University of North Texas, 2016), <https://doi.org/10.12794/metadc849612>.

These interventions are valuable in qualifying the narrative of Anglo-German antagonism. Yet, the continued oscillation between rivalry and cooperation across the fifteen years of negotiations exposes the limits of working within the framework of the question itself. That the railway's only completed agreement was reached in June 1914, a month before the outbreak of World War I, suggests that the historical record does not yield a stable answer. Subsequent scholarship has begun to explain this instability by progressively disaggregating "Germany," and later also "Britain," as unified imperial actors, revealing the competing interests of financiers, diplomats, commercial lobbies, and press bodies that operated beneath the surface of national policy. Once these internal divisions were made visible, the antagonism or cooperation binary ceased to organise the evidence productively because different groupings within and across the political and economic classes of the Great Powers were shown to be cooperating or seeking to block cooperation on the Baghdad Railway, often simultaneously.

Disaggregating Germany and Britain began with West German scholars, such as Helmut Mejcher, who showed that the German government and its investors frequently disagreed, and that the railway could not therefore be reduced to a straightforward expression of German national policy.²⁵ Murat Özyüksel, working across Ottoman and German archives, sharpened the point by demonstrating that Deutsche Bank backed government policy only when it served the bank's profit motive, and clashed openly with officials who subordinated commercial logic to strategic ambition.²⁶ On the British side, Christian Lekon similarly disaggregated British actors, finding that the British financial elite were not a coherent group but were instead divided between a

²⁵ Helmut Mejcher, "Die Bagdadbahn als Instrument deutschen wirtschaftlichen Einflusses im Osmanischen Reich," *Geschichte und Gesellschaft* 1, no. 4 (1975): 447–81.

²⁶ Murat Özyüksel, *The Berlin-Baghdad Railway and the Ottoman Empire: Industrialization, Imperial Germany and the Middle East* (London: I.B. Tauris, 2016).

cosmopolitan financial sector willing to pursue transnational ventures with Deutsche Bank and a more narrowly imperial transport and shipping interest that viewed German expansion as a threat to established commercial positions.²⁷ The Foreign Office (FO), rather than straightforwardly representing City interests, oscillated between these factions and at critical moments subordinated the financial sector's commercial logic to alliance management and strategic considerations.²⁸

More recently, historians have also recovered the Ottoman Empire's own agency in the railway's history, demonstrating that Ottoman state and non-state actors were not passive participants but pursued their own commercial, developmental, and strategic objectives. Jonathan McMurray argued that historians had distorted the railway by measuring it solely against German expansion, when in fact it offered the Ottoman Empire a renewed capacity for economic development.²⁹ Özyüksel reinforced this by showing how the Ottomans pursued railways as instruments of centralisation, development, and military integration.³⁰ This strand of scholarship has been vital in recovering dimensions of the railway's history that earlier accounts subordinated to European imperial narratives and thesis attempts to treat Ottoman agency attentively where it intersects with the railway's internationalisation. However, due to its limited scope, the thesis' archival grounding lies primarily in British and German sources, and therefore its analytical weight remains focused on the structural forces shaping British and German actors.

The dissolution of "Germany" and "Britain" into their constituent actors thus exposes the antagonism-cooperation question as misconceived as different groupings within each state were

²⁷ Christian Lekon, 'Gentlemanly Capitalism and the Baghdad Railway, 1888 –1914: "Cosmopolitanism" vs. "Patriotism"', *Journal of Universal History Studies* 4, no. 2 (2021): 118–40, <https://doi.org/10.38000/juhis.1004940>.

²⁸ Lekon, "Gentlemanly Capitalism and the Baghdad Railway."

²⁹ Jonathan S. McMurray, *Distant Ties: Germany, the Ottoman Empire, and the Construction of the Baghdad Railway* (Bloomsbury Publishing, 2001).

³⁰ Özyüksel, *The Berlin-Baghdad Railway and the Ottoman Empire: Industrialization, Imperial Germany and the Middle East*.

simultaneously promoting and obstructing the railway. Rather than adjudicating whether the enterprise deepened or eased imperial rivalry, this thesis recovers the structural process through which the BRC became an institutional medium of Great Power relations, in which financial, political, and commercial pressures converged and where actors negotiated the terms on which international cooperation would proceed or collapse.

In taking a structural approach, it does not claim that the actors who appear in this narrative lacked agency, simply executing structural imperatives. Rather, it argues that they exercised initiative within the field that structural forces defined, and that the range of strategies available to each was shaped primarily by the intersection of financial and political constraints. The argument traces three linked dynamics which converged within the institutional form of the BRC itself. The first was financial. The scale of the railway exceeded what any single national capital market could sustain, and its dependence on bond financing underwritten by Ottoman state revenues made a transnational capital structure a structural necessity rather than a diplomatic preference. The second was political. Mobilising transnational capital required the endorsement of European governments, which in turn exposed the BRC to domestic political forces and, increasingly, to the logic of Great Power alliance management. The third was commercial. The railway's promise to shorten transit times for goods, mail, and passengers to Asia aligned commercial interests amongst prospective investors in the Baghdad Railway and across national boundaries, while simultaneously threatening established French and British transport and shipping incumbents whose opposition became a persistent source of obstruction.

Two features of the BRC served as the mechanisms through which actors mediated these overlapping pressures. The first was its capital structure. The allocation of equity participation, the terms of bond issuance, and the Ottoman revenue guarantees that determined which national

capital markets would finance the railway and on what terms. The second was its corporate governance, which consists of the composition of its board, the distribution of construction contracts, and the administrative arrangements that determined which states and private interests exercised operational control. As these features of the company were malleable, the overall corporate structure, which I use throughout this thesis as an umbrella term for capital structure and corporate governance, was not a fixed entity but an adaptable institutional form whose terms could be, and repeatedly were, renegotiated as the structural landscape shifted.

The first chapter traces the transformation of the Baghdad Railway from an Ottoman concession into an international financial and political problem between 1899 and 1903. It argues that the railway's scale, construction costs, and dependence on bond finance backed by Ottoman revenues made transnational capital structurally indispensable from the outset. Yet the effort to secure that capital exposed the project to political intervention, because international participation required governmental consent over customs, Gulf access, and corporate control, as well as investors. The chapter shows that British participation collapsed not because cooperation was commercially irrational, but because commercial rivals, press agitation, and nationalist politics converted the company's capital structure and governance into proxies for geopolitical power.

The second chapter examines the years 1904 to 1911, when the financial pressures established in the first chapter persisted even as the diplomatic environment around the railway was fundamentally recast. It argues that the Entente Cordiale and the Anglo-Russian Convention transformed the Baghdad Railway question into a multilateral diplomatic issue by multiplying the powers with claims on its corporate structure and by converting participation from a matter of national controversy into one of mutual diplomatic constraint. Share allocations, board seats, and financing arrangements consequently came to be valued less for their commercial utility than for

their geopolitical significance. The chapter concludes that the Young Turk Revolution shattered this impasse without dissolving the underlying tension, while the March 1911 corporate reorganisation created the institutional flexibility that made later bilateral settlement conceivable.

The third chapter analyses how, between 1911 and 1914, the multilateral constraints that had blocked agreement were progressively loosened and then reorganised in bilateral form. It argues that settlement became possible not because rivalry disappeared, but because rivalry and cooperation were redistributed across a series of interlocking corporate and legal arrangements. The Russo-German and Franco-German agreements loosened earlier obstacles, while the Anglo-Ottoman convention and the Anglo-German agreements defined the conditions under which British, German, and Ottoman interests could coexist. Through terminus restrictions, board representation, port and navigation companies, cross-shareholdings, tariff guarantees, and non-competition clauses, the final settlement embedded conflict within a framework that also made cooperation possible.

Despite fifteen years of protracted and frequently stalled negotiations, the agreements concluded in June 1914 managed to settle an extraordinarily complex convergence of financial, political, and commercial constraints. Yet the structural perspective that accounts for how agreement was reached also raises the question of why it proved so fragile. If the company's capital structure and governance could be refashioned to accommodate the gradual movement of financial pressures and the slow reconfiguration of commercial interests, they could not absorb the velocity at which political structures could, at times, transform. The structural forces traced in this thesis did not move at the same speed, and the crisis of July 1914 demonstrated the fragility of a settlement whose financial and commercial adjustments could not keep pace with the velocity of political transformation.

Archival Source Base

This thesis draws on archival sources from two principal collections, supplemented by published diplomatic correspondence. The Deutsche Bank Historical Archive in Frankfurt provides access to the internal correspondence, memoranda, and financial assessments through which the bank's directors navigated the railway's financial and diplomatic complexities. It also contains correspondence between Deutsche Bank officials and the AA, as well as exchanges with British investors and the FO, making it possible to trace how corporate terms proposed by financiers were received, modified, or rejected by governmental actors on both sides.

These materials are supplemented by the published volumes of *Die Große Politik der Europäischen Kabinette* and *British Documents on the Origins of the War*, which provide diplomatic correspondence from the German and British sides in accessible form. Together, these sources make it possible to reconstruct both the evolving posture of the British government toward the railway through FO and Cabinet records, and the corresponding position of the AA within the German diplomatic archive.

CHAPTER I

THE BAGHDAD RAILWAY QUESTION 1899 – 1903

Just after the Baghdad Railway convention had been signed on 5 March 1903, Arthur von Gwinner, who replaced Georg von Siemens as Director of Deutsche Bank following his death in October 1901, sent Lord Revelstoke of Baring Brothers, the representative of the British syndicate that had been formed to invest in the BRC, the most forthcoming proposal yet for participation in the enterprise. It promised equal British, French, and German shares in the BRC, including equal board representation between the three nations, and promised the eventual internationalisation of the existing Anatolian Railway line from Constantinople to Konya, which was owned by the ARC. Crucially, Arthur Balfour, the British prime minister (1902-1905), and Lord Lansdowne, the British Foreign Secretary (1900-1905), had also verbally consented to the agreement that Deutsche Bank had offered. The Baghdad Railway was therefore poised to become a balanced international enterprise funded through a transnational capital structure, while control over its corporate governance would be distributed amongst the three Great Powers. However, in less than two months, the British government publicly reversed its position and renounced the participation of British investors in the Baghdad Railway altogether.³¹

This chapter explains the collapse of British participation as the emergence of two linked pressures that, by April 1903, had converged within the BRC itself. The first was financial. The scale of construction costs, combined with the limited capacity of the German market to absorb

³¹ Arthur von Gwinner to Lord Revelstoke, March 18, 1903, and Sir Nicholas O'Connor to the Marquess of Lansdowne, April 24, 1903, in *British Documents on the Origins of the War, 1898–1914*, vol. 2, *The Anglo-Japanese Alliance and the Franco-British Entente*, ed. G. P. Gooch and Harold Temperley (London: His Majesty's Stationery Office, 1927).

bonds, made transnational investment and Ottoman financial guarantees structurally necessary to the railway's success. The second was the politicisation of the railway that financial pressure produced. Because mobilising transnational capital required government backing, the BRC's capital structure and corporate governance became vulnerable to national politics in Britain, France, and Germany. Moreover, incumbent commercial interests whose established positions in Ottoman transport and navigation were threatened by the railway's prospective success actively exploited this vulnerability, mobilising press opposition to place political pressure on the British government to block its support for internationalisation. The corporate architecture that was being negotiated by Deutsche Bank and the British syndicate had thereby become a proxy for nationalist political forces.

From Concession to Convention

The Baghdad Railway concession of November 1899 granted Deutsche Bank and the ARC the right to extend the existing line from Constantinople to Konya through Baghdad to Basrah, with an eventual terminus on the Persian Gulf. The rights attached to it were extraordinarily expansive. Beyond the railway itself, the concession conferred mining, agricultural, and quarrying rights within twenty kilometres of the track, navigation rights on the Tigris and Euphrates, and the authority to establish harbours, irrigation works, and industries along the route. While the concession settled the political grant to build the railway, it did not determine how the railway was actually going to be constructed and financed.³² Between November 1899 and March 1903,

³² Ediger and Bowlus, "Greasing the Wheels," 196–200; Earle, *Turkey, the Great Powers, and the Bagdad Railway*, 59–60.

therefore, the concessionary grant was progressively formalised into a defined convention, which created the corporate entity – the BRC – that would own, construct, and operate the railway.

Through this process, the financial pressures that would induce Deutsche Bank to pursue transnational capital became increasingly visible. The projected line required roughly 2,300 kilometres of track, and its most difficult sections crossed the Taurus and Amanus mountain ranges in southeastern Anatolia, entailing extensive tunnelling.³³ By 1903, the railway was estimated to cost between £30 and £40 million. Since construction could not be financed through operating revenue, which would only accrue once the line was built, the Baghdad Railway required large-scale borrowing in advance through the issuance of bonds on European capital markets. Bond finance in this period worked by offering investors a fixed annual return, with an underwriting bank placing the bonds among buyers whose willingness to purchase depended on the creditworthiness of the guarantee behind them.³⁴ The Ottoman government provided this guarantee through a kilometric arrangement, promising the railway company 11,000 French francs annually for every kilometre of track laid and pledging designated provincial revenues, above all customs receipts and tithes from the vilayets of Aleppo, Mosul, and Baghdad to secure the return on the bonds. If traffic receipts fell below the guaranteed minimum, the assigned revenues would make up the difference.³⁵

The railway's viability therefore depended on the Ottoman state's ability to earmark and enlarge those revenues. Customs increases were particularly important, because Ottoman tariff

³³ Manfred Pohl and Angelika Raab-Rebentisch, eds, *Von Stambul nach Bagdad: die Geschichte einer berühmten Eisenbahn* (Piper, 1999).

³⁴ Herbert Feis, *Europe: The World's Banker, 1870–1914: An Account of European Foreign Investment and the Connection of World Finance with Diplomacy before the War* (New Haven: Yale University Press, 1930), 319–22.

³⁵ Ediger and Bowlus, "Greasing the Wheels," 198–200; Earle, *Turkey, the Great Powers, and the Bagdad Railway*, 89–90, 99–100, 112.

increases affected foreign trade and were constrained by the international regime governing Ottoman finance following the creation of the Public Debt Administration. The Porte could not simply raise customs duties at will. In order to strengthen the revenue base behind the guarantees, any increase in customs duties required the consent of the Great Powers under the existing Ottoman Public Debt Association regime, above all Britain, whose dominant share of Ottoman trade gave it both the strongest commercial interest in resisting tariff increases and considerable influence within the Public Debt Administration. Ultimately, the financing structure of the railway built a chain of dependence. Financing the railway required issuing bonds; issuing bonds required kilometric guarantees; the guarantees required assigned provincial revenues; and any enlargement of those revenues required international consent.³⁶

Although a French syndicate formed around the IOB agreed in May 1899 to purchase a 40 per cent stake in the BRC, this did not solve the railway's financial challenges.³⁷ French participation broadened market access for the company, yet it did not by itself absorb enough bond issuance to carry the line through the Taurus and Amanus sections. Deutsche Bank therefore turned to London. Two considerations drove the choice: London held the deepest capital market in the world, and British participation promised to ease the political obstacles posed by the Public Debt Administration to any increase in customs duties, and therefore to the revenue stream that underwrote the guarantees. British cooperation was equally vital to the question of the railway's terminus on the Persian Gulf, where access to the Persian Gulf intersected with long-standing British strategic claims over Kuwait.³⁸

³⁶ Earle, *Turkey, the Great Powers, and the Bagdad Railway*, 11, 17, 19–20; O'Connor to Lansdowne, April 28, 1903, in *British Documents on the Origins of the War, 1898–1914*, vol. 2.

³⁷ Earle, *Turkey, the Great Powers, and the Bagdad Railway*, 60–62.

³⁸ O'Connor to Lansdowne, April 28, 1903, in *British Documents on the Origins of the War, 1898–1914*, vol. 2.

What had begun in 1899 as an expansive concessionary grant had, by March 1903, been transformed into a conventionally organised corporate undertaking whose financial viability depended on outside capital and whose revenue basis depended on outside political consent. The corporate architecture of the BRC, its capital structure, its guarantee arrangements, and the international constraints on the revenues that underwrote them, ensured that the railway would not remain a bilateral pursuit between Germany and the Ottoman Empire. In the years that followed, the financial and corporate dimensions of the railway became inseparable, and the terms on which outside participation was sought became the central axis of the Baghdad Railway question.

Negotiating International Participation

The earliest British engagement with the Baghdad Railway reveals how the pursuit of transnational financing made the railway vulnerable to national political forces. In June 1901, Sir Nicholas O’Conor, the British Ambassador in Constantinople, reported to the FO that the French and German syndicates had finalised their respective shares in the BRC.³⁹ O’Conor noted that Siemens had stipulated in an annex to the Franco-German agreement in 1899, which had formalised the French entry to the railway, that a share should be preserved for British investors, but that no one in London had acted on this provision.⁴⁰ O’Conor urged the FO to form a British syndicate, warning that it would be “unpleasant to contemplate the construction of a railway traversing the whole of Asia Minor and terminating in the Persian Gulf, in which Great Britain takes no part or share.”⁴¹ O’Conor’s dispatch framed the railway as a commercial opportunity that British investors

³⁹ Sir Nicholas O’Conor to the Marquess of Lansdowne, June 1901, in *British Documents on the Origins of the War, 1898–1914*, vol. 2.

⁴⁰ Sir Nicholas O’Conor to the Marquess of Lansdowne, June 1901, in *British Documents on the Origins of the War, 1898–1914*, vol. 2.

⁴¹ Sir Nicholas O’Conor to the Marquess of Lansdowne, June 1901, in *British Documents on the Origins of the War, 1898–1914*, vol. 2.

risked missing. However, as the issue moved from the Ambassador's desk to the Foreign Secretary's, the attention the question over British participation received shifted.

In a memorandum prepared for a meeting between King Edward VII and Kaiser Wilhelm II in September 1901, Lord Lansdowne reframed the question of participation in the Baghdad Railway around territorial sovereignty.⁴² Emphasising that Britain had entered into agreements with the Sheikh of Kuwait forbidding the alienation of territory without British consent, Lansdowne offered an assurance that Britain would not “refuse facilities to the German Government for coming to Kuwait as the terminus of the Anatolian Railway,” but insisted that “a previous understanding with His Majesty's Government would be indispensable.”⁴³ The Kaiser accepted this framework, stating that Kuwait held importance for Germany “merely as the proposed terminus of the Bagdad Railway” and that Siemens would be instructed to reach a prior understanding with Britain when the time came.⁴⁴ What had been, in O'Connor's framing, a commercial opportunity was now, in Lansdowne's formulation, a question of territorial control and imperial precedence. Each successive layer of engagement therefore redefined the railway's stakes upward.

By early 1902, these positions had hardened into explicit preconditions. In March, Lansdowne informed Count Paul von Metternich, the German Ambassador in London, that Britain expected “a share, at least equal to that given to any other Power” in capital, management, and material orders.⁴⁵ A month later, O'Connor pressed Marschall along similar lines, linking British

⁴² Lansdowne memorandum for King Edward VII, September 1901, in *British Documents on the Origins of the War, 1898–1914*, vol. 2.

⁴³ Lansdowne memorandum for King Edward VII, September 1901, in *British Documents on the Origins of the War, 1898–1914*, vol. 2.

⁴⁴ Memorandum communicated by Count Metternich, September 3, 1901, in *British Documents on the Origins of the War, 1898–1914*, vol. 2.

⁴⁵ Lansdowne to Metternich, March 18, 1902, in *British Documents on the Origins of the War, 1898–1914*, vol. 2.

consent on the Ottoman customs tariff increase, the mechanism through which the kilometric guarantees would be funded, to achieving satisfactory terms for the British syndicate that would participate in the railway.⁴⁶ This linkage connected the railway's internal financial agreement directly to external diplomatic leverage because the kilometric guarantee depended on customs revenues that could not be increased without British assent, giving Britain leverage over the railway's financial viability.

In early 1903, the negotiations entered their most intensive phase in the lead up to the formalisation of the Baghdad Railway convention. On 4 February, Lansdowne wrote to Sir Ernest Cassel, a prominent Anglo-German financier based in London, who served as an intermediary between the British and German sides, confirming that the government looked "favourably" upon the project.⁴⁷ Lansdowne outlined three forms of support the government could offer: a mail subsidy for Indian posts carried via the railway; facilitation of the Ottoman customs tariff increase; and assistance in securing a terminus at Kuwait. In his letter, he also insisted, however, that "the line should, so far as possible, be placed upon an international basis, so that no part of it would be controlled or guarded by a single Power." Three weeks later, the FO formally invited Baring Brothers, led by Lord Revelstoke and one of London's most prominent merchant banks, to lead the British syndicate.⁴⁸

The shape of the proposed arrangement became clearer through exchanges in February and March 1903. A memorandum by Sir Thomas Sanderson, the Permanent Under-Secretary at the FO, recorded a conversation with Mr. Barry of the Banque Impériale Ottomane that laid out the

⁴⁶ O'Connor to Lansdowne, April 10, 1902, in *British Documents on the Origins of the War, 1898–1914*, vol. 2.

⁴⁷ Lansdowne to Cassel, February 4, 1903, in *British Documents on the Origins of the War, 1898–1914*, vol. 2.

⁴⁸ Foreign Office to Messrs. Baring Brothers & Co., February 1903, in *British Documents on the Origins of the War, 1898–1914*, vol. 2.

potential share distribution, which would give 25 per cent each to Germany, France, and England, 10 per cent to the ARC, and 15 per cent to Austrian and Swiss parties, with the board comprising eight members for each of the three principal national groups.⁴⁹

On 18 March, Gwinner sent Lord Revelstoke a letter setting out formal terms for British entry. The terms included the provisions Barry had communicated, but Gwinner went further, enclosing a draft letter undertaking to bring about the eventual international control of the Anatolian Railway's existing Haydarpaşa-to-Konya line as well as the proposed Baghdad line.⁵⁰ By proposing to place the existing German-owned infrastructure under shared governance, reconfiguring its board representation and shareholding structure, Gwinner conceded that the corporate architecture of the railway was inseparable from its diplomatic significance and was offering the British to enter on equal terms. In return, Gwinner again asked for British cooperation in allowing the Porte to increase its customs revenue, a share of the Indian mail service for the railway, and terminal facilities at Kuwait.

The offer to internationalise the Anatolian Railway went further than the AA preferred as Marschall had originally advised excluding foreign participation entirely, demonstrating that the German government's strategic interest in maintaining exclusive control over the existing line conflicted with Deutsche Bank's financial need to attract British capital.⁵¹ Gwinner's willingness to sacrifice exclusive German control over the ARC thus mirrored, on the German side, the tension that would shortly emerge on the British side between financiers willing to cooperate based on the

⁴⁹ Sanderson memorandum on conversation with Barry, February 23, 1903, in *British Documents on the Origins of the War, 1898–1914*, vol. 2.

⁵⁰ Gwinner to Revelstoke, March 18, 1903, in *British Documents on the Origins of the War, 1898–1914*, vol. 2.

⁵¹ *Die Grosse Politik der Europäischen Kabinette, 1871–1914: Sammlung der diplomatischen Akten des Auswärtigen Amtes*, vol. 14, 455–60.

financial logic of the railway and political actors determined to block them.⁵² In both cases, the financial logic of the enterprise pointed toward cooperation while the political logic pulled against it. The prospect of British participation thus raised political questions in Germany no less than in Britain, revealing that the structural need for transnational capital could not be pursued without raising political considerations that might resist it. Yet, in the weeks that followed, a potential arrangement appeared to crystallise, and the Baghdad Railway stood poised to become a balanced international enterprise.

Political Capture

On 7 April 1903, Lansdowne recorded that he met Revelstoke and Cassel to warn them that “a serious attempt was apparently being made to discredit the enterprise” in the press and in Parliament, on the grounds that the railway was “closely connected with the German Government and detrimental to British interests.”⁵³ Lansdowne himself believed this attack to be “founded upon misapprehensions,” but he acknowledged the need to assess the scale of public hostility before the government could proceed.⁵⁴ The opposition that destroyed the negotiations drew its energy from three distinct sources whose interaction created a political environment in Britain so hostile to the Baghdad Railway that the government could not withstand the pressure to block the participation of its syndicate.

The first source was incumbent commercial interests directly threatened by the railway’s construction. H.F. Lynch, whose family firm Lynch Brothers held a near-monopoly on steamship navigation on the Tigris and Euphrates, wrote to *The Times* on 18 April with forceful claims about

⁵² Earle, *Turkey, the Great Powers, and the Bagdad Railway*, 184–85.

⁵³ Memorandum by Lansdowne, April 7, 1903, in *British Documents on the Origins of the War, 1898–1914*, vol. 2.

⁵⁴ Memorandum by Lansdowne, April 7, 1903, in *British Documents on the Origins of the War, 1898–1914*, vol. 2.

the dangers of British participation.⁵⁵ Furthermore, Sir Thomas Sutherland, chairman of the Peninsular and Oriental Steam Navigation Company, whose mail contracts and shipping routes stood to lose traffic to the railway once it was constructed, followed with his own public intervention, declaring it unacceptable to allow a major transport artery to fall into the hands of a foreign power. In the House of Commons, the Conservative MP Gibson Bowles, himself a representative of the Aydin Railway, a rival British-owned line in Ottoman Anatolia that was commercially threatened by the Baghdad Railway route, submitted parliamentary questions characterising the negotiations as “hanging on to the skirts of German financiers” and warning of their effect on relations with Russia.⁵⁶

The second source was the press, which acted as a vehicle through which rival commercial interests could politicise the railway, and whose editorial leadership seized upon the railway as confirmation of pre-existing anti-German convictions. The Times served as the principal conduit, publishing a sustained series of editorials from 8 April, including letters sent by Lynch and Sutherland that entrenched the perception that the Baghdad Railway constituted a threat to British imperial interests.⁵⁷ Its editorial line emphasised that the contractual structure preserved German control regardless of foreign investment because the ARC, which would hold a 10% share in the company, was German owned, that customs duties for kilometric guarantees would fall disproportionately on British trade, and that claims about the railway accelerating Indian mail

⁵⁵ Earle, *Turkey, the Great Powers, and the Bagdad Railway*, 190–92; Lekon, “Gentlemanly Capitalism and the Bagdad Railway,” 127–28.

⁵⁶ Lekon, “Gentlemanly Capitalism and the Bagdad Railway.”

⁵⁷ Sir Thomas Sutherland, Peninsular and Oriental Steam Navigation Company (P&O), letter to The Times, 22 April 1903.

delivery were unfounded.⁵⁸ In each case, specific terms that had been negotiated as primarily as financial arrangements were reinterpreted as instruments of political subordination.

When Gwinner attempted to counter opposition by sending the actual contract text to *The Times* on 22 April, the editor turned it against him, interpreting its provisions as proof that the Germans had maintained the enterprise's German character, ignoring the fact that the ARC's lines would also be internationalised under the proposed agreement.⁵⁹ *The Spectator*, edited by John St Loe Strachey, called for Britain to reject the venture to preserve relations with Russia.⁶⁰ By mid-April, opposition had spread across the London press, with articles attacking the railway appearing in multiple publications. The press campaign did not merely reflect public opinion, rather it manufactured a political environment that constrained government action regardless of what the financial logic of the railway supported.

The third source stoking political opposition to the Baghdad Railway operated from outside Britain. Russian diplomats, for whom the railway threatened ambitions in Persia and the wider Near East, fed stories to sympathetic British journalists to encourage opposition. Sir Clinton Dawkins, one of the lead British negotiators, later claimed that Russian embassy instigation bore significant responsibility for the collapse.⁶¹ The historian Murat Özyüksel has since identified specific conduits for this influence, demonstrating that Taricheff, a correspondent for the Russian newspaper *Novoje Vremja*; Wesselitzki, who wrote for the *National Review*; and E.J. Dillon of

⁵⁸ Earle, *Turkey, the Great Powers, and the Bagdad Railway*, 182–83, 186; Lekon, “Gentlemanly Capitalism and the Bagdad Railway,” 126–27.

⁵⁹ *The Times* (London), April 22, 1903.

⁶⁰ *The Times* (London), April 22, 1903.

⁶¹ Dawkins to Gwinner, April 23, 1903, in *Die Grosse Politik der Europäischen Kabinette, 1871–1914*, vol. 17.

the Daily Telegraph and the Contemporary Review, served as a private adviser to the Russian premier, Count Witte.⁶²

What made these three sources of opposition so effective was not their individual force but their interaction. Incumbent commercial interests supplied the substantive arguments that the railway threatened British trade, navigation rights, and mail contracts and therefore defined the geopolitical significance of the railway. The press amplified those arguments, stripped them of their commercial particularity, and reframed them as matters of national interest. Russian diplomatic agents fed additional material into this cycle, ensuring that opposition appeared to spring from multiple independent sources rather than from a narrow coalition of threatened incumbents and foreign rivals. The result was a self-reinforcing cycle that converted what had been a negotiation over corporate shares and board seats into a question of national prestige, and in doing so, made the corporate architecture of the BRC itself the object of political contest.

Conclusion

On the evening of April 22nd, the British government rescinded its support. Balfour declared that Britain would in no way participate in the Baghdad Railway, claiming that satisfactory guarantees of internationalisation had not been forthcoming. Despite the government's decision, Lansdowne himself recognised the scale of the missed opportunity.⁶³ He wrote that Britain "had the game very much in our own hands" and that participation "might have done a great stroke by getting rid of the existing Anatolian Railway as a German enterprise, and substituting for it an international line from sea to sea." He wondered "whether we shall ever again have as good a chance of insisting

⁶² Özyüksel, *Berlin-Baghdad Railway and the Ottoman Empire*.

⁶³ Butterfield, *Diplomacy of the Bagdad Railway*, 78.

upon our own terms.” Lansdowne’s regret exposed how the politicisation of the railway had not only influenced but had also imposed itself on the ability of state and private actors to pursue their interests.

Reacting to the decision, Count Johann von Bernstorff, Germany’s chargé d’affaires in London, reported to Chancellor von Bülow “with great sadness” the jubilation of the British press.⁶⁴ Sir Clinton Dawkins also wrote an apology to Gwinner, attributing the outcome to “a meaningless anti-German frenzy whipped up by the press just as the financiers were about to attain their objective.”⁶⁵ Although Dawkins’s phrase was dismissive, the anti-German character of political opposition in Britain ensured that the collapse would fuel the German perception that Britain was an anxious incumbent power determined to obstruct German expansion.⁶⁶ The collapse therefore shows how the politicisation of the Baghdad railway increasingly tied the question over its internationalisation to rising nationalist politics in both Britain and Germany.

Overall, the collapse of negotiations in April 1903 revealed that the Baghdad Railway’s dependence on transnational capital had made its corporate architecture structurally vulnerable to politicisation. Since mobilising that capital required government support, the terms negotiated between Deutsche Bank and the British syndicate could be undone by actors whose interests lay in the preservation of their existing commercial positions, while the financial logic of the enterprise pointed toward cooperation. The consequences extended well beyond the immediate failure. The opposition mobilised in April 1903 entrenched a framing of the Baghdad Railway as a vehicle of

⁶⁴ Bernstorff to Bülow, in *Die Grosse Politik der Europäischen Kabinette, 1871–1914*, vol. 17.

⁶⁵ Dawkins to Gwinner, April 23, 1903, in *Die Grosse Politik der Europäischen Kabinette, 1871–1914*, vol. 17.

⁶⁶ Earle, *Turkey, the Great Powers, and the Bagdad Railway*, 186; Butterfield, *Diplomacy of the Bagdad Railway*, 78.

German strategic ambition that would constrain every subsequent attempt to negotiate British participation. More fundamentally, the episode had established that the capital structure and corporate governance of the BRC could function as proxies for geopolitical power, and that perception would shape future negotiation over the railway's internationalisation.

CHAPTER II

RAILWAY DIPLOMACY 1904 – 1911

The structural constraints that financial necessity and political pressure had imposed on the Baghdad Railway did not disappear with the collapse of British participation in April 1903. Construction proceeded on the first sections, however, the underlying problem that the enterprise could not be financed from German capital alone remained unresolved. By 1908, Helfferich, a senior Deutsche Bank official, considered the project effectively dead.⁶⁷ Yet within three years, the political conditions that had foreclosed the agreement began to shift, and an internationalised settlement appeared, for the first time since 1903, at least conceivable.

This chapter explains the impasse that confronted negotiations over the Baghdad Railway, and its partial resolution, through the evolution of the political structure that surrounded the project. The railway remained only partially financed, and Deutsche Bank therefore continued to depend on transnational capital to carry the enterprise forward. Yet the same financial dependence that made international cooperation necessary also preserved the leverage through which governments could subject the railway to political intervention. The Entente Cordiale of 1904 and the Anglo-Russian Convention of 1907 then restructured the diplomatic terrain within which the Baghdad Railway could be negotiated, multiplying the state actors with claims on the project, elevating the political constraints around the railway from national politics to alliance politics, and rendering any form of unilateral or bilateral resolution impossible. However, the Young Turk Revolution in 1908 disrupted both the concessionary framework on which the railway's legal standing depended and the diplomatic equilibrium within which internationalisation had been

⁶⁷ Earle, *Turkey, the Great Powers, and the Bagdad Railway*, 224.

previously negotiated. In rupturing the political and financial structures surrounding the railway simultaneously, the Young Turk revolution created the conditions to reorganise the BRC's corporate architecture through the March 1911 convention, thereby laying the foundations through which an eventual agreement appeared conceivable.

As the analysis necessarily expands beyond the Anglo-German bilateral frame that dominates the first and third chapters, this chapter draws more extensively on the secondary literature to compensate for the absence of French, Russian, and Ottoman archival sources. The argument that follows is nevertheless grounded in the same analytical framework developed throughout the thesis, tracing how the interplay between financial and political structures shaped the conditions under which cooperation could, or could not, be negotiated.

Money and Mountains

Despite the collapse of negotiations in April 1903, the BRC secured sufficient funding to begin construction on the first phase of the railway line. Within 19 months, the first 200km section from Konya to Bulgurlu was completed below its expected cost. The company saved nearly 3.7 million francs of the 54 million originally allocated by the Ottoman government, with banking commissions raising the total surplus to almost 6 million francs.⁶⁸ However, the BRC remained financially vulnerable for two reasons, each stemming from the financial and political vulnerability enshrined in the March 1903 convention.

The convention had set out that Ottoman government bonds would be issued in series, each corresponding to a phase of construction. The convention had released only the first series of

⁶⁸ Earle, *Turkey, the Great Powers, and the Bagdad Railway*, 94.

Baghdad Railway bonds and subsequent issuance depended on the Ottoman government's capacity to pledge additional revenues to supply the kilometric guarantee, which could not be raised without international consent.⁶⁹ The annual cost of servicing the first bond issue through interest payments had already strained the Ottoman treasury, and the additional 50 to 60 million francs required to fund the second section demanded an increase in customs duties from 8 to 11 per cent.⁷⁰ As the introduction established, Ottoman state finances operated under the control of the Public Debt Administration which included foreign representatives with authority over the assessment, collection, and expenditure of designated revenues.

Beyond this structural dependency, the BRC's access to foreign capital markets was progressively restricted. Mirroring the domestic political dynamics that had thwarted early British participation, the French government was under pressure from government officials and the French press, who denounced the railway as a threat to French prestige, to exclude all Baghdad Railway bonds from the privileges of the exchange.⁷¹ In late 1903, the French government closed the Paris Bourse to Baghdad Railway bonds, compounding the railway's financial difficulties into outright isolation. The prohibition did not strip French investors of their existing 40 per cent ownership stake, but it did sever the BRC's access to the second-largest capital market in Europe when it mattered most.⁷² The Bourse closure demonstrated, on the French side, the same dynamic that the British withdrawal had revealed. The financial architecture of the 1903 convention continued to

⁶⁹ *Société impériale ottomane du chemin de fer de Bagdad: convention additionnelle* (Constantinople, 1905).

⁷⁰ Earle, *Turkey, the Great Powers, and the Bagdad Railway*, 95–96.

⁷¹ Earle, *Turkey, the Great Powers, and the Bagdad Railway*, 157; Butterfield, *Diplomacy of the Bagdad Railway*, 38.

⁷² The Imperial Ottoman Bank and its associates still preserved their seats on the board and their claim to a portion of the company's future earnings. Lekon, "Gentlemanly Capitalism and the Bagdad Railway," 122.

render the BRC permanently vulnerable to politicisation through the instruments on which its financing depended.

Despite the continued financial challenges the BRC faced, Arthur von Gwinner remained hopeful that each kilometre of completed track would strengthen the case for international participation by confronting the other powers with the possibility that the railway would advance regardless of their objections. Gwinner's calculation was itself a product of political and financial interaction governing the railway, which meant that its capital structure could be used as leverage to pursue political imperatives. If the financial obstacles could be overcome and the railway's commercial viability demonstrated, the leverage that had been vested in foreign governments would progressively dissolve, escaping the structural trap imposed by the BRC's financial vulnerability. In taking this view, Gwinner grasped what British officials also understood, if from the opposite direction. British FO officials continued to interpret the BRC's financial state as leverage, although they did not believe that the Baghdad Railway would be able to advance beyond the Taurus and Amanus mountain range without the support of a British syndicate and government consent. In 1905, Sir George Clarke, the first Secretary of the Committee of Imperial Defence (1904–1907), released a memorandum to the Committee which framed “German anxiety” as the predictable consequence of the kilometric guarantee's structural limits, arguing that the funds remaining from earlier financing were insufficient for the engineering costs associated with the Taurus section.⁷³

⁷³ Sir George Clarke, memorandum to the Committee, 1905, in *British Documents on the Origins of the War, 1898–1914*, vol. 6, *Anglo-German Tension: Armaments and Negotiation, 1907–12*, ed. G. P. Gooch and Harold Temperley (London: His Majesty's Stationery Office, 1926).

However, the political logic that had shaped the railway question since 1903 was about to be overtaken by a wider transformation. Between 1904 and 1907, the formation of the Entente Cordiale and the conclusion of the Anglo-Russian Convention would multiply the number of political actors with claims on the railway's corporate structure, shifting the dynamics of negotiation from a bilateral financial contest into a multilateral diplomatic problem of an altogether different order.

Recasting the Baghdad Railway Question as a Multilateral Issue

The diplomatic transformations between 1904 and 1907 fundamentally altered the political conditions within which the BRC's corporate structure could be negotiated. The Entente Cordiale in 1904 drew France and Britain into diplomatic alignment, and the Liberal victory in the 1906 British general election, which replaced the Unionist government that had initially entertained cooperation in the Baghdad Railway, brought Sir Edward Grey into the FO with a conception of the Baghdad Railway question shaped by Britain's new diplomatic alignment.⁷⁴ The Anglo-Russian Convention in 1907 then layered Russian strategic interests on top of British and French claims. As a result, the politicisation of the Baghdad Railway, which in the preceding period had operated primarily through national political dynamics such as press campaigns, parliamentary opposition, and commercial lobbying, was now increasingly shaped and constrained at the level of multilateral diplomacy.

The shift became visible from the moment Grey took over British foreign policy toward the railway. In December 1905 he formally adopted the principle that any cooperation on the Baghdad Railway should proceed only with simultaneous British, French, Russian, and German

⁷⁴ Lekon, "Gentlemanly Capitalism and the Baghdad Railway," 122.

agreement.⁷⁵ Any proposed agreement over the BRC now had to satisfy four governments. As a result, private actors pursuing commercial interests, whether for or against cooperation, could no longer operate within their own national context. Instead, they had to operate within the constraints imposed by this new diplomatic geometry.

France's position within this new structure shows how diplomatic realignment restricted the ability of Deutsche Bank and French financiers to negotiate over the Baghdad Railway. In November 1906, Crédit Lyonnais indicated its willingness to provide funds to the BRC, but George Clemenceau, the French Prime Minister (1906-1909, 1917-1920), pressured the bankers into withdrawing.⁷⁶ A despatch Grey sent to Sir Francis Bertie in December 1906 relayed an exchange between Jean-Antoine-Ernest Constans, the French ambassador in Constantinople, and Stéphane Pichon, the French foreign minister, which exposed the tension this produced within French policy. Constans argued that the railway would be built regardless of French or British obstruction and that France was making a grave error in supporting British attempts to block the railway. Meanwhile, Pichon insisted that French diplomatic interests required combined participation with Britain and Russia.⁷⁷ Thus, both cooperative and antagonistic impulses continued to coexist within French policy, however after 1904 they could no longer be acted upon unilaterally as the diplomatic structure of the Entente ensured that its policy towards the railway was increasingly conditioned by British and Russian positions.

If the Entente's diplomatic structure constrained how private actors could pursue commercial interests in the railway within the spectre of Anglo-French diplomacy, then Russian

⁷⁵ *British Documents on the Origins of the War, 1898–1914*, 6, no. 216, FO 371/125.

⁷⁶ Butterfield, *Diplomacy of the Bagdad Railway*, 41.

⁷⁷ *British Documents on the Origins of the War, 1898–1914*, 6, no. 225, FO 371/148.

involvement further restricted how Britain and France themselves could formulate policy at the state level. In June 1906, Grey warned Sir Arthur Nicolson that German efforts to induce British proposals for exclusive control of the southern terminus risked creating difficulties with Russia, and that autumn he urged the Entente powers to formulate their demands jointly so that they could act as a unit.⁷⁸ In March 1907, when Grey communicated a memorandum to the French and Russian governments stating that Britain would only consider participation if it secured construction and control of the railway from a point north of Baghdad to the Persian Gulf, the proposal immediately strained the multilateral structure he himself had insisted upon.⁷⁹ Alexander Isvolsky, the Russian foreign minister, found it difficult to reconcile this demand with Grey's earlier insistence on internationalisation of the whole line, concluding that Britain intended to secure only its own interests.⁸⁰ Therefore, the framework that Grey had created to align Britain's negotiating position repeatedly narrowed the scope for possible British cooperation on the Baghdad Railway as Russia's inclusion in the alliance meant that Britain's claims could not be advanced without satisfying Russian foreign policy towards Persia and Mesopotamia.

The same constraint operated again when private negotiations between French and German investors sought to find a solution to the railway's commercial viability. In April 1907, Hugo Zander, the Deutsche Bank representative in Constantinople, proposed that France join the railway by linking its Syrian lines to the Baghdad route, thereby giving Germany a Mediterranean outlet and France an entrance into the Mesopotamian valley. However, Auboyneau again refused unless England could also be brought into the agreement, which Zander in turn rejected.⁸¹ These episodes

⁷⁸ DBHA, Br. Doc. vol. 6, 347–48.

⁷⁹ Mustafa Sıtkı Bilgin, "The Construction of the Bagdad Railway and Its Impact on Anglo-Turkish Relations, 1902–1913," *Osmanlı Tarihi Araştırma ve Uygulama Merkezi Dergisi* 16 (2004): 121.

⁸⁰ DBHA, Br. Doc. vol. 6, 330–37.

⁸¹ Butterfield, *Diplomacy of the Bagdad Railway*, 41.

reveal that the Entente did not produce a coherent collective policy so much as a structure of mutual constraint. Each power's claims limited the freedom of the others not because they were aligned on opposing the Baghdad Railway outright, but because the alignment required that any agreement satisfy a web of interests oriented toward different sections of the route, different strategic theatres, and different domestic political pressures simultaneously.

The same diplomatic transformations that constrained the Entente powers also narrowed the field within which Germany and Deutsche Bank could operate. Where Britain, France, and Russia found themselves unable to act bilaterally because the Entente required multilateral alignment, Deutsche Bank found itself increasingly unable to internationalise the railway even though commercial logic demanded it. Facing mounting construction costs and continued exclusion from foreign capital markets, the bank remained willing to explore workable compromises with foreign investors, yet the German government, responding to a domestic political environment in which the railway had become a symbol of national prestige and imperial reach, insisted on preserving its "German character".⁸² Germany's growing diplomatic isolation after 1907 did not loosen this constraint, the more excluded Germany became from the Entente alignment, the more the railway's symbolic function as a marker of independent German power intensified domestically, and the harder it became for Deutsche Bank to make the concessions that internationalisation required.

Grey's memorandum of November 1907, prepared for the Kaiser's visit to Windsor, registered the paradox that these accumulated constraints had produced. Britain remained willing to consider proposals that preserved the company's German character if the management of the

⁸² Earle, *Turkey, the Great Powers, and the Bagdad Railway*, 120–22.

line were international.⁸³ However, international cooperation could not coexist with a recognisably German company in any form that would satisfy both Berlin's domestic requirements and the Entente's diplomatic expectations. The diplomatic realignment had therefore not merely added external obstacles to German railway policy, it had sharpened the internal contradiction between the German state's insistence on prestige and Deutsche Bank's continuing need for foreign capital, producing a contradictory situation in which the very isolation that made internationalisation financially necessary also made it politically impossible.

By 1908, then, the Baghdad Railway negotiations had been fully absorbed into the structures of multilateral Great Power diplomacy. The railway's capital structure and corporate governance no longer represented financial arrangements with implications for domestic politics within the Great Powers, rather they had become claims that each power assessed for their implications within the wider balance of power. Although the corporate entity constituted by the BRC remained the medium through which cooperation or antagonism could be pursued, that same structure could no longer absorb the diplomatic pressures now bearing upon it. By the eve of the Young Turk Revolution, negotiations had not collapsed outright, but they had reached an impasse that no settlement put forward by Deutsche Bank, or prospective French and British investors for that matter, seemed capable of overcoming.

⁸³ *British Documents on the Origins of the War, 1898–1914*, 6, no. 355.

The Young Turk Revolution

In July 1908, the Young Turk Revolution destabilised the entire concessionary framework on which the BRC's position rested, and with it the accumulated diplomatic conditions that had been imposed on the Baghdad Railway negotiations. The revolution was driven by the Committee of Union and Progress (CUP), formed through the merger of an exile-based dissident organisation and the Ottoman Freedom Society, a network of officers and bureaucrats in Salonica.⁸⁴ When the CUP launched an armed insurrection in early July 1908, the troops dispatched by Sultan Abdülhamid to suppress it refused to fire on their comrades, prompting the Sultan to capitulate by 24 July, issuing an imperial decree restoring the 1876 constitution.⁸⁵ CUP leaders viewed themselves primarily as saviours of the empire, and their aims were to reinstate the constitution, reconvene a Chamber of Deputies that had not sat for thirty years, and forestall foreign interventions that they regarded as threatening the dismemberment of Ottoman territory.⁸⁶

The CUP governed through existing institutions, retaining the Sultan while reducing his political authority.⁸⁷ Thereafter, the reconvened parliament became a venue for direct attacks on foreign economic privileges that the Sultan had granted, including the Baghdad Railway concession. In the autumn of 1908, Ismail Hakki Bey, an Ottoman politician and bureaucrat denounced the Baghdad Railway before parliament as “a political and economic monstrosity, which could be executed only under an authoritarian and corrupted government,” proposing the

⁸⁴ Salonica, now Thessaloniki in northern Greece, was then one of the Ottoman Empire's principal port cities in the Balkans. Hanioglu, *A Brief History of the Late Ottoman Empire*, 147–48.

⁸⁵ Feroz Ahmad, *The Young Turks: The Committee of Union and Progress in Turkish Politics, 1908–1914* (Oxford: Clarendon Press, 1969), 5–14.

⁸⁶ Hanioglu, *A Brief History of the Late Ottoman Empire*, 150–51.

⁸⁷ Hanioglu, *A Brief History of the Late Ottoman Empire*, 151; Erik J. Zürcher, *Turkey: A Modern History* (I.B. Tauris, 2017), 95–99.

complete repudiation of contracts with Deutsche Bank.⁸⁸ The threat to the concession framework placed the BRC's entire existing corporate structure at risk as its railway bonds depended on the Ottoman state guarantees that parliament now challenged. Karl Helfferich grasped the gravity of the crisis facing the future of the railway in a letter to Gwinner in early 1908, proclaiming that "the dream of a Bagdad Railway... is over."⁸⁹ Helfferich believed the revolution had undone Germany's privileged diplomatic position in Constantinople, which had rested on the Kaiser's personal relationship with the Sultan and on Deutsche Bank's role as the Porte's preferred financial partner.

The deposition of Abdülhamid on 27 April 1909 completed the rupture with the old concessionary framework while, paradoxically, creating conditions for a renewed push toward negotiation. The early months of the revolution had favoured the Entente powers. British advisers were placed in the Ottoman navy, finance ministry, and justice ministry, while Ernest Cassel established the National Bank of Turkey, and the CUP's nationalist programme included tangible measures favouring the Entente powers.⁹⁰ Overall, this meant that the new Ottoman government proved more receptive to proposals for internationalising the Baghdad Railway that might balance German influence with that of other European powers, and it began to pressure Deutsche Bank to renegotiate the concession's terms.⁹¹ The Young Turks directly pressured Gwinner to reopen negotiations with Cassel regarding British participation, as well as pressuring Deutsche Bank's

⁸⁸ Ediger and Bowlus, "Greasing the Wheels," 214.

⁸⁹ Earle, *Turkey, the Great Powers, and the Bagdad Railway*, 224.

⁹⁰ Lekon, "Gentlemanly Capitalism and the Bagdad Railway," 131.

⁹¹ Bilgin, "Construction of the Bagdad Railway," 122; Ediger and Bowlus, "Greasing the Wheels," 214.

consent to a rearrangement of the 1903 concession's terms.⁹² Gwinner responded by visiting London in May 1909, renewing the attempt to achieve cooperation on the Baghdad Railway.⁹³

In November 1909, Gwinner proposed a new agreement which would give 50 per cent ownership of the Baghdad–Gulf section to Britain.⁹⁴ Hardinge, however, rejected the proposal outright, insisting that 50 per cent was insufficient to guarantee British control.⁹⁵ Grey went even further, demanding that Turkey and Germany renounce all rights south of Baghdad in return for British consent to an increase in Ottoman customs duties.⁹⁶

In December 1909, Cassel and Gwinner met in Berlin in a renewed attempt to reach an agreement. The two agreed in principle on six points: a separate company, English or Ottoman, for the Baghdad–Gulf section; an initial capital investment of £300,000; a Swiss-based construction company; and a share allocation in which the German group would hold 50 per cent, with the remaining 50 per cent reserved for British investors.⁹⁷ However, Wilhelm von Schoen, the German State Secretary for Foreign Affairs, told Sir Edward Goschen, the British ambassador in Berlin, that even if Cassel and Gwinner reached agreement, the German government might refuse to ratify it as German public opinion would demand compensation for what amounted to a renunciation of the Gulf section.⁹⁸ While Grey and Hardinge dismissed the demand, countering that British consent to the customs increase already constituted sufficient compensation and that

⁹² Earle, *Turkey, the Great Powers, and the Bagdad Railway*, 221–22.

⁹³ Lekon, “Gentlemanly Capitalism and the Baghdad Railway,” 131; Butterfield, *Diplomacy of the Bagdad Railway*, 69.

⁹⁴ Butterfield, *Diplomacy of the Bagdad Railway*, 69.

⁹⁵ *British Documents on the Origins of the War, 1898–1914*, 6, “Hardinge to Babington Smith,” March 12, 1910, FO 5227/100/10/44.

⁹⁶ *British Documents on the Origins of the War, 1898–1914*, 6, no. 377, FO 18636/100/10/44.

⁹⁷ *British Documents on the Origins of the War, 1898–1914*, 6, no. 309, “Cassel to Hardinge,” December 20, 1909, FO 46237/2074/09/44; Butterfield, *Diplomacy of the Bagdad Railway*, 69–70; *Die Grosse Politik der Europäischen Kabinette, 1871–1914*, vol. 27, pt. 2, 605–607.

⁹⁸ *British Documents on the Origins of the War, 1898–1914*, 6, no. 308, “Goschen to Hardinge,” December 15, 1909, FO 46381/2074/09/44; *Die Grosse Politik der Europäischen Kabinette, 1871–1914*, vol. 27.

the FO would continue to insist that any final agreement would also need to satisfy France and Russia.⁹⁹ The brief renewal of negotiations between Cassel–Gwinner thus reveal how despite the fact that the Young Turk revolution had begun to partially destabilise the constraints placed on negotiations, creating an opening for the renewed push towards cooperation between British and German investors, the political structures constraining their agency reasserted themselves.

Ultimately, the negotiations in 1909 stalled on the same structural fault that had produced the pre-revolutionary impasse. Critically, however, the reorganisation of the Baghdad Railway's corporate structure that the revolution had set in motion continued to advance beneath the diplomatic deadlock. In the first week of March 1911, Gwinner and Karl Helfferich informed the Ottoman government that the BRC was willing to abandon its right to construct the sections south of Baghdad, including the concessions for port and terminal facilities at Basrah, on the single condition that Deutsche Bank receive a share in any new enterprise equal to that granted to any non-Ottoman group.¹⁰⁰ On 7 March 1911, Gwinner and Helfferich signed a formal declaration to this effect and on 21 March, Alfred Huguenin, the BRC's representative in Constantinople, confirmed that the section to be surrendered encompassed the entire line between Baghdad and the Persian Gulf.¹⁰¹ The concession was then finally incorporated into a formal agreement by which the BRC surrendered its rights for the Baghdad–Basrah–Gulf sections to an Ottoman company that would be internationally owned and controlled.¹⁰²

⁹⁹ *British Documents on the Origins of the War, 1898–1914*, 6; Lekon, “Gentlemanly Capitalism and the Baghdad Railway,” 131.

¹⁰⁰ Earle, *Turkey, the Great Powers, and the Bagdad Railway*, 228–29.

¹⁰¹ *British Documents on the Origins of the War, 1898–1914*, vol. 10, pt. 2, *The Last Years of Peace*, ed. G. P. Gooch and Harold Temperley (London: His Majesty's Stationery Office, 1938), no. 67, FO 21347/6463/13/44; Earle, *Turkey, the Great Powers, and the Bagdad Railway*, 228–29.

¹⁰² Bagdad Railway convention, March 1911

Conclusion

By 1908, the Baghdad Railway negotiations had reached an impasse that no proposal put forward by Deutsche Bank, the FO, or prospective French investors seemed capable of overcoming. The railway's financial requirements still demanded transnational capital, and Deutsche Bank still sought partners willing to provide it, but every route to cooperation now passed through a diplomatic structure that converted commercial propositions into geopolitical claims. The Entente alignment had not produced a coherent collective policy toward the railway; it had produced a structure of mutual constraint in which each power's conditions for participation limited the freedom of the others to act independently, while Germany's growing isolation simultaneously made internationalisation financially necessary and politically impossible. As a result, the corporate structure of the BRC, which had served since 1903 as the medium through which both cooperative and antagonistic pressures were expressed, could no longer absorb the accumulated diplomatic weight now bearing upon it.

The Young Turk Revolution partially resolved the impasse, however it did not dissolve the underlying diplomatic constraints immediately. As the Cassel–Gwinner negotiations of 1909 demonstrated, private actors could converge on commercially viable terms yet the political conditions under which those terms required ratification remained as constrained as before the revolution. What the revolution did produce, was a corporate reorganisation whose impact extended beyond the immediate diplomatic context. In creating a separate corporate entity for the Baghdad–Gulf section, the terms on which future negotiation could proceed had been altered. Under the 1903 concession, the entire line from Constantinople to the Gulf had been held within a single corporate structure. In separating the southern section into a distinct entity with its own corporate governance and capital structure, the March 1911 convention made it possible to

redistribute control, and therefore also diplomatic claims across different corporate vehicles. The separate company did not resolve Great Power rivalry itself, disputes over precise share percentages and the customs increase continued unresolved into 1911, but it did provide the institutional flexibility to mediate and eventually resolve how that rivalry was contested with regards to the Baghdad Railway.

CHAPTER III THE ARCHITECTURE OF AGREEMENT 1912 – 1914

By breaking up the single corporate framework that had governed the entire concession since 1903, the March 1911 convention created a separate corporate structure alongside the Baghdad Railway project, increasing the flexibility with which Deutsche Bank and prospective British investors could negotiate. This allowed the company's capital structure and corporate governance to be adjusted without reopening the whole concession at once and thus supplied the institutional basis on which later bilateral bargains could be built.

This chapter argues that, between 1911 and 1914, the multilateral political constraints that had blocked settlement were gradually dismantled. As those constraints loosened, Britain, Germany, and the Ottoman Empire were able to move from a diplomatic deadlock structured by multilateral constraints to a series of bilateral agreements. Yet these agreements did not resolve the tension between cooperation and rivalry that had shaped the Baghdad Railway question since 1903. Instead, they reorganised that tension into a new institutional form. Through terminus restrictions, navigation companies, tariff guarantees, board representation, cross-shareholdings, port companies, railway-zone demarcations, and mutual non-competition clauses, strategic and commercial rivalries were embedded within a framework that also made cooperation possible. The chapter proceeds in three stages. It first shows how the multilateral constraints over the Bagdad Railway Company were lifted; it then examines the Anglo-Ottoman convention as the settlement through which British strategic claims in Mesopotamia and the Persian Gulf were secured; and finally, it analyses the Anglo-German agreements as the corporate accommodation through which political and commercial rivalry was simultaneously managed.

Dismantling Multilateral Constraints

The Russo-German agreement, signed on 19 August 1911, removed the single most consequential obstacle to the railway's progress. Since the Anglo-Russian Convention of 1907, Russian opposition had layered its strategic claims onto the Baghdad Railway negotiations. Sustaining the Franco-Russian alignment against the railway, provided the principal justification for Grey's insistence on maintaining the multilateral diplomatic constraints on negotiations.¹⁰³ In August, Russia agreed to withdraw all diplomatic opposition to the construction of the Baghdad Railway and to the participation of foreign capital therein in exchange for German recognition of the Russian sphere of interest in northern Persia and a commitment to link the Baghdad system to a future Russian railway from Teheran to Khanikin.¹⁰⁴ The agreement, however, did not extinguish Russian strategic interests in Mesopotamia or Persia, it compartmentalised them, trading formal obstruction for a defined sphere of railway and commercial influence. Critically, in reaching an agreement with the German government, Sasanov, the Russian Foreign Minister, had acted without adequately consulting his Entente partners, resulting in the fracture of the entente's coordinated position allowing France and Britain to pursue their own accommodations on separate terms.¹⁰⁵

The Franco-German settlement, concluded on 15 February 1914 between the Banque Impériale Ottomane and Deutsche Bank, dissolved the French stake in the BRC through a similar arrangement. Since 1903, France had exercised leverage over the railway through two instruments. Access to the Paris Bourse for the BRC to issue its bonds, and the IOB's approximately 30 per

¹⁰³ Earle, *Turkey, the Great Powers, and the Bagdad Railway*, 239–41; Lekon, "Gentlemanly Capitalism and the Bagdad Railway," 132.

¹⁰⁴ *British Documents on the Origins of the War, 1898–1914*, vol. 10, pt. 1, *The Near and Middle East on the Eve of War*, ed. G. P. Gooch and Harold Temperley (London: His Majesty's Stationery Office, 1936), no. 741.

¹⁰⁵ *British Documents on the Origins of the War, 1898–1914*, 10, pt. 1, no. 655; Earle, *Turkey, the Great Powers, and the Bagdad Railway*, 242–43.

cent equity stake, which embedded French claims within the company's corporate structure itself. While Paul Cambon communicated to the FO in July 1913, that the French government would not consent to reopening the Bourse to the BRC, which the French public and parliamentary opinion regarded as a rivalrous German enterprise, the agreement reached between the two powers circumvented this impasse by trading capital ownership.¹⁰⁶ Deutsche Bank agreed to repurchase the French group's shares and associated debentures, valued at approximately 60 million francs, while the BRC renounced several branch-line concessions in Syria and the Black Sea coast that fell within a French sphere of railway influence.¹⁰⁷ French obstruction was thereby eliminated from the railway's capital structure, through the reallocation of equity in exchange for concession rights elsewhere.

Finally, the Balkan Wars in 1912–13 transformed the Ottoman stance towards international cooperation over Baghdad Railway. The empire's catastrophic territorial losses in Europe of its remaining Balkan provinces drained its treasury, while exposing the deficiencies of Ottoman communications and military organisation, reorienting CUP policy around the urgent need for revenue, foreign loans, and the accelerated modernisation of Anatolian and Mesopotamian infrastructure.¹⁰⁸ The customs increase that Britain had withheld as leverage since 1903 now became a fiscal necessity that the Ottoman government could no longer afford to leave unresolved. Equally, the CUP's post-war determination to resolve all outstanding disputes with Britain, including navigation rights on the Tigris and Euphrates and the status of Kuwait, represented a broader strategic recalculation that the settlement of international disputes was worth securing the

¹⁰⁶ *British Documents on the Origins of the War, 1898–1914*, 10, pt. 2, no. 116.

¹⁰⁷ *British Documents on the Origins of the War, 1898–1914*, 10, pt. 2, nos. 138

¹⁰⁸ Hanioglu, *A Brief History of the Late Ottoman Empire*, 171–73; Zürcher, *Turkey: A Modern History*, 115–17; Earle, *Turkey, the Great Powers, and the Bagdad Railway*, 246–47.

financial and military support required to consolidate what remained of its empire.¹⁰⁹ Ottoman willingness to concede on points that had previously blocked Anglo-Ottoman negotiations therefore expanded the field for an agreement. Taken together, these three developments dismantled the multilateral veto structure within which the BRC had been embedded since 1907, allowing the constrictive structure of interlocking constraints to give way to negotiations, and eventually, settlement.

The Anglo-Ottoman Agreement

The Anglo-Ottoman convention of July 1913 did not resolve the Baghdad Railway question by replacing rivalry with agreement. It reorganised that rivalry within its corporate framework. By 1913 the central issue was no longer whether the railway would be completed in principle, but the terms on which Britain would cease obstructing its extension to Basrah while preserving its own strategic, commercial, and financial position in Mesopotamia and the Persian Gulf. The settlement therefore did not rest on diplomatic assurances alone. It translated British claims into the corporate governance, financial conditions, and competitive environment surrounding the BRC itself. In doing so, it showed with clarity that the railway was becoming the institutional medium through which Great Power relations could be managed.

The convention's most immediate function was to translate British strategic claims into enforceable limits on the railway's corporate rights. It fixed Basrah as the southern terminus of the Baghdad Railway and stipulated that no extension to the Persian Gulf could be undertaken without British consent. The Ottoman government also recognised Britain's predominant position in the

¹⁰⁹ Lekon, "Gentlemanly Capitalism and the Baghdad Railway," 133; Özyüksel, *The Berlin-Baghdad Railway and the Ottoman Empire*, 180–86; Hanioglu, *A Brief History of the Late Ottoman Empire*, 176–77.

Gulf and Kuwait, even though the sheikhdom formally remained within the Ottoman sphere of influence.¹¹⁰ As well as imposing a geographical limit, the terminus clause also converted Britain's long-standing diplomatic demand that the railway be excluded from the Gulf into a legal restriction embedded in the company's legal framework. Grey himself described the arrangement in negative terms. According to Grey, Britain had not acquired the right to build the Baghdad–Gulf section; it had only obtained the assurance that no one else could build it without British consent.¹¹¹ At the same time, the convention admitted two British citizens to the Board of Directors of the BRC.¹¹² These seats did not give Britain control over the company, but they registered a formal British presence within its corporate governance. What had once been a geopolitical demand for influence at the railway's terminus was thus translated into two institutional forms at once. On the one hand, a restriction on the company's southward reach, and on the other hand, a minimum British foothold within the company itself.

The commercial side of the settlement was organised through a parallel set of institutions designed to prevent the railway from monopolising transport in Mesopotamia. The convention created a new Ottoman River Navigation Company, headed by Lord Inchcape and jointly controlled by British and Ottoman interests, with a sixty-year concession for steam navigation on the Tigris and Euphrates and wide powers over the improvement and regulation of navigable streams.¹¹³ The significance of this arrangement lay not only in the concession itself but in the way it absorbed competing British interests into the settlement. A supplementary report to the FO made explicit that the Board of Trade and the India Office preferred an amalgamation of Turkish and

¹¹⁰ Lekon, "Gentlemanly Capitalism and the Baghdad Railway," 133; Earle, *Turkey, the Great Powers, and the Bagdad Railway*, 255–56.

¹¹¹ *British Documents on the Origins of the War, 1898–1914*, 10, pt. 2, no. 77.

¹¹² *British Documents on the Origins of the War, 1898–1914*, 10, pt. 2, no. 77; no. 118, encl. 2.

¹¹³ *British Documents on the Origins of the War, 1898–1914*, 10, pt. 2, no. 55, encl.

British shipping interests under British control to the mere expansion of Lynch Brothers' fleet, since the aim was to secure effective competition between river traffic and the railway.¹¹⁴ The navigation company was therefore conceived as a commercial counterweight to the BRC. If the railway carried goods to Basrah, British-controlled river transport would ensure that it did not dominate Mesopotamian communications unchallenged. The existing rights of Lynch Brothers were reaffirmed, and the firm was allowed to expand its fleet.¹¹⁵ More important, a commercial interest that had long been a source of political obstruction was incorporated into the settlement's design. The same was true of the Shatt al-Arab arrangements, which placed navigation under an Anglo-Ottoman commission committed to maintaining access for ships on equal terms, irrespective of nationality.¹¹⁶ The result was the deliberate division of Mesopotamian transport between rival corporate entities whose coexistence preserved both competition and mutual restraint.

The financial and regulatory provisions completed this structure by tying British diplomatic consent to the railway's continued viability under defined conditions. Britain agreed to release the customs increase from 11 to 15 per cent, which it had long withheld as leverage over the railway question.¹¹⁷ This was not a secondary concession. The increased customs revenue was essential to sustaining the kilometric guarantees on which the railway's bond-financed expansion depended. British consent therefore operated as a financial instrument, by helping secure the revenue basis on which construction could continue at all. In return, the convention guaranteed that neither the BRC nor the new navigation company could discriminate in rates, facilities, or charges based on

¹¹⁴ *British Documents on the Origins of the War, 1898–1914*, 10, pt. 2, FO 24522/6463/13/44

¹¹⁵ Earle, *Turkey, the Great Powers, and the Bagdad Railway*, 256–57.

¹¹⁶ *British Documents on the Origins of the War, 1898–1914*, 10, pt. 2, no. 89, encl. 3.

¹¹⁷ *British Documents on the Origins of the War, 1898–1914*, 10, pt. 2, no. 55, encl.

the ownership, origin, or destination of goods.¹¹⁸ These clauses mattered because they regulated the commercial behaviour of the institutions through which the settlement was to function. Grey had long feared that contractual equality could be undermined by discriminatory rates in practice; however, the non-discrimination provisions, together with British board representation, were intended to guard against precisely that outcome.¹¹⁹ The convention therefore bound financial release, corporate oversight, and commercial regulation together in a single arrangement.

Taken together, the Anglo-Ottoman convention did not settle the Baghdad Railway by eliminating antagonism. It reorganised political, commercial, and financial pressures within an interlocking institutional structure. The terminus restriction limited the railway's geographic reach; the board seats inserted Britain into the company's governance; the navigation company preserved a rival transport system under British influence; the customs increase restored the financial conditions of continued construction; and the non-discrimination clauses regulated the commercial conduct of both railway and river transport. Britain's position in Mesopotamia and the Gulf was thus secured not by excluding the railway, but by reshaping the institutional environment in which it would operate. The convention was therefore the clearest instance yet of how cooperation and rivalry fused within the corporate and regulatory forms through which the Baghdad Railway was made politically manageable. Yet for that very reason, the July 1913 settlement remained incomplete. It defined the terms on which Britain and the Ottoman Empire could coexist around the railway, while leaving open how Germany's rights, expectations, and claims to compensation were to be accommodated within the same architecture.

¹¹⁸ *British Documents on the Origins of the War, 1898–1914*, 10, pt. 2, no. 190, art. 2(a)(ii), art. 5(a).

¹¹⁹ *British Documents on the Origins of the War, 1898–1914*, 10, pt. 2, no. 77.

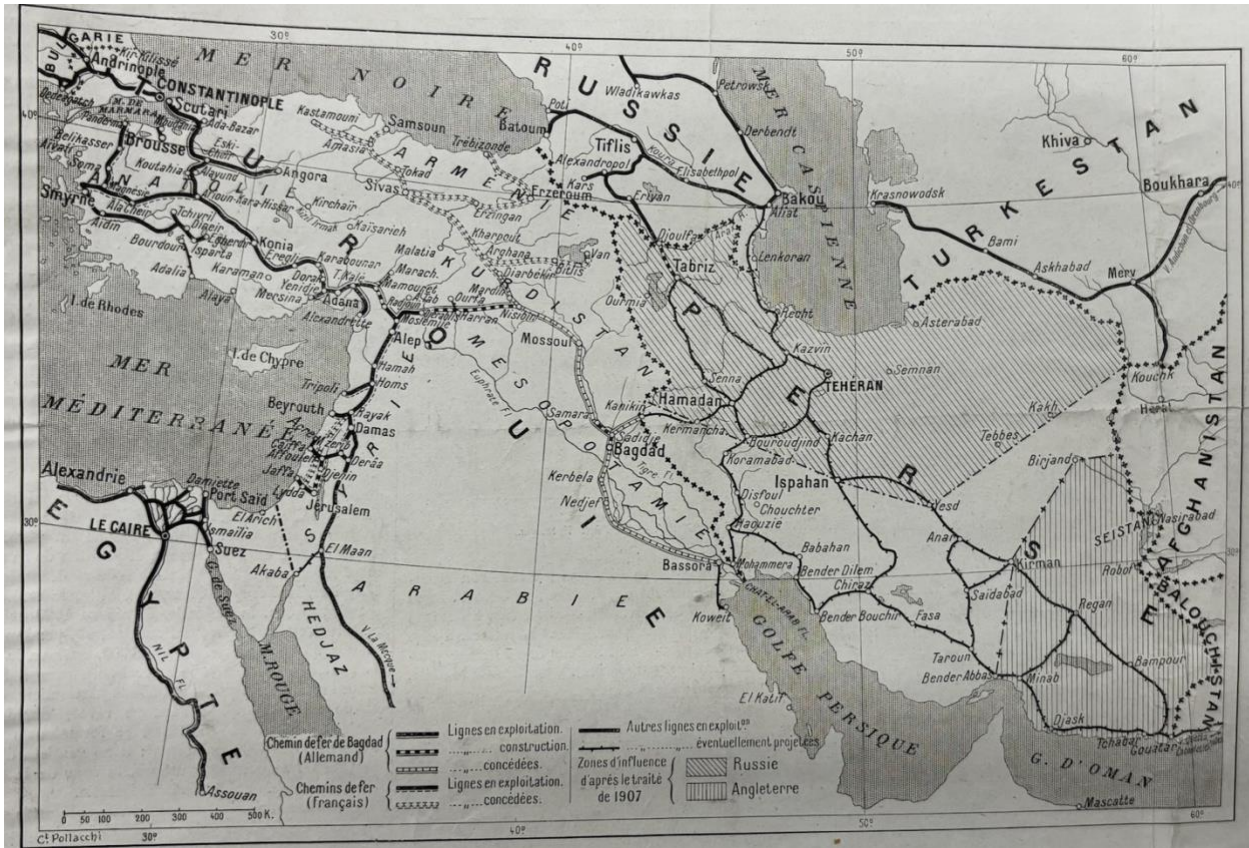


Figure 2 – Map of the Railway System in Asia and Ownership c., 1913

The Anglo-German Agreement

The convention that Grey and the German ambassador Lichnowsky initialled on 15 June 1914 reorganised the structural tension between cooperation and rivalry that had defined the Baghdad Railway question since 1903 within the corporate structure through which the railway had always been financed, governed, and contested.¹²⁰ Read in those terms, the agreement should be considered a settlement among a wider field of actors whose interests only partially overlapped.

That architecture became possible only because, by 1913–14, the costs of continued obstruction had risen across this field of actors. For Deutsche Bank and the BRC, British acquiescence remained necessary if the line were to be completed and financed on viable terms. Conversely, for British officials, the Anglo-Ottoman convention of July 1913 had secured the essential strategic preconditions, but these remained precarious unless Germany also accepted a settlement that would bind the railway company itself to respect them.¹²¹ At the same time, British commercial incumbents were unwilling to accept any arrangement that would permit German-controlled rail infrastructure to extend unchecked into the Gulf and river system, while German negotiators continued to seek compensation for surrendering that possibility. The final convention should therefore be read less as diplomatic reconciliation than as a corporate settlement of incompatible pressures that neither side, nor any of the major interest groups behind them, could resolve by unilateral advance.

The BRC itself stood at the centre of that process. Under Article 1, Germany undertook to secure the election of two British directors, agreeable to the British government, to the board of

¹²⁰*British Documents on the Origins of the War, 1898–1914*, 10, pt. 2, no. 225, encl., revised draft of Anglo-German Convention, March 31, 1914.

¹²¹ Lekon, “Gentlemanly Capitalism and the Baghdad Railway,” 133.

the BRC, while Deutsche Bank separately committed itself to support the British nominees.¹²² In return, Britain undertook not to take or encourage measures likely to impede the construction or management of the railway or the participation of capital in it.¹²³ These concessions made the company's governing structure the medium through which political restraint would now operate. British representation on the board did not threaten Deutsche Bank's predominance, but it inserted British oversight into the institution in which financial management, commercial policy, and geopolitical suspicion converged. Britain's abandonment of obstruction, meanwhile, was a commitment to cease using political leverage against the corporate vehicle on which the railway's completion depended.

The same logic governed the settlement south of Basrah. The most consequential provisions of the convention did not partition geographic territory but differentiated functions along the Baghdad Railway line. Basrah was fixed as the southern terminus of the railway, and the BRC renounced its claims to extend the line to the Persian Gulf or to construct port and terminal facilities there under the rights conceded in 1903.¹²⁴ No extension to the Gulf could therefore proceed without the prior agreement of Britain, Germany, and the Ottoman Empire.¹²⁵ At the same time, the construction and exploitation of the ports of Baghdad and Basrah were assigned to a separate Ottoman company in which British and German interests would both participate, while construction contracts were to be divided between British and German firms.¹²⁶ British strategic and commercial priorities were thus secured not by excluding German participation altogether,

¹²² *British Documents on the Origins of the War, 1898–1914*, 10, pt. 2, no. 225, encl., art. 1(b); *British Documents on the Origins of the War, 1898–1914*, 10, pt. 2, no. 118, encl. 2, draft note from Deutsche Bank.

¹²³ *British Documents on the Origins of the War, 1898–1914*, 10, pt. 2, no. 225, encl., art. 1(a).

¹²⁴ *British Documents on the Origins of the War, 1898–1914*, 10, pt. 2, no. 225, encl., art. 2(a), art. 3; Earle, *Turkey, the Great Powers, and the Bagdad Railway*, 263.

¹²⁵ *British Documents on the Origins of the War, 1898–1914*, 10, pt. 2, no. 225, encl., art. 3.

¹²⁶ *British Documents on the Origins of the War, 1898–1914*, 10, pt. 2, no. 225, encl.; *British Documents on the Origins of the War, 1898–1914*, 10, pt. 2, no. 98, encl., annex.

rather by forcing it into differentiated corporate entities where it could be recognised, limited, and offset.

This process was completed by reciprocal minority participation across the connected companies that were to govern transport in Mesopotamia. The private agreement of 27 March 1914 between Lord Inchcape, John F. Lynch, and the BRC gave Inchcape and Lynch a 40 per cent stake in the Ottoman Ports Company, while the BRC received a 20 per cent participation in the British-dominated Ottoman Navigation Company, into which Lynch Brothers were also incorporated.¹²⁷ These cross-holdings were the mechanism through which competing commercial and strategic interests were fused without being merged. British shipping interests preserved their predominance on the rivers, German railway interests preserved their predominance on the line, and each acquired a formalised position within the other's sphere. The non-discrimination provisions of the convention reinforced that structure from the regulatory side, forbidding differential treatment in railway facilities or rates according to the ownership, origin, or destination of goods.¹²⁸ What mattered was less the abstract principle of equal treatment than non-discrimination's role as another corporate instrument for managing the conflict between two rival commercial systems – German-controlled rail transport and British-dominated maritime and river navigation.

Taken together, these arrangements made explicit the structural process traced across this chapter. The multilateral constraints that had blocked settlement between 1903 and 1911 were not dismantled because rivalry between the powers disappeared, but because rivalry and cooperation were redistributed across a set of interlocking corporate forms through railway company, ports company, navigation company, board representation, cross-shareholdings, and regulatory

¹²⁷ Earle, *Turkey, the Great Powers, and the Bagdad Railway*, 259–60.

¹²⁸ *British Documents on the Origins of the War, 1898–1914*, 10, pt. 2, no. 225, encl., art. 2(b).

guarantees. By 1914, the BRC had not ceased to be a railway enterprise; rather, it had become, more clearly than ever, the institutional medium through which Great Power relations were organised, and within which financial necessity, political strategy, and commercial rivalry were temporarily stabilised.

Conclusion

The chapter has shown that the Baghdad Railway became negotiable between 1911 and 1914 because the multilateral constraints that had blocked agreement were progressively dismantled and then reorganised in bilateral form. Russian opposition was loosened, French leverage was reduced through corporate withdrawal, and British policy shifted from preventing the railway's advance to regulating the conditions under which it would reach Basrah.

By the summer of 1914, the Baghdad Railway question had reached its most advanced point of accommodation since the concession of 1903. The political and financial pressure that had repeatedly shaped the failure of negotiations had not disappeared so much as been redistributed into a set of interlocking arrangements that defined where each party would participate, where each would abstain, and by what corporate mechanisms their coexistence would be managed. At the state level, Britain had secured the strategic limitations it regarded as essential in the Gulf and Mesopotamia; Germany had preserved its predominance over the railway line itself and obtained British acquiescence to its completion; and Ottoman ministers had brought the railway and the wider financial settlement closer to ratifiable form. Just as importantly, the financiers and commercial interests that had long supported the railway had, at last, achieved the essential object that had eluded them since 1903: the creation of a political and corporate framework within which the railway could finally move forward. What existed by June 1914, then, was not a resolution of

the conflict that had surrounded the railway. It was the most complete institutional settlement yet devised for containing it. The July Crisis did not invalidate that achievement so much as reveal that the agreements could stabilise these contradictory pressures within a shared corporate framework – at least for as long as the wider international order endured.

CONCLUSION

This thesis has argued that the Baghdad Railway is best understood not as a simple cause of Great Power antagonism, nor as straightforward evidence that imperial rivalry could be dissolved into cooperation, but as the institutional medium through which both were made to coexist. From the moment the 1899 concession was transformed into the convention of 1903, the enterprise took the form of a corporate entity whose financial viability depended on transnational capital and whose political viability depended on governmental consent. That dependence ensured that the company's capital structure and corporate governance could never remain merely commercial arrangements. Share distributions, board representation, sectional rights, customs guarantees, port concessions, and navigation agreements became the instruments through which rival powers, financiers, ministers, and commercial interests sought to secure their positions. The BRC was therefore not simply the object of Great Power politics. It was the institutional site within which those politics were mediated.

Seen from this perspective, the fifteen years traced in this thesis form a coherent pattern. The railway's scale and cost made international cooperation structurally necessary. No single national market could comfortably absorb the bond issuance required to carry the line through the Taurus and Amanus mountains and on toward Mesopotamia. Yet the measures required to secure that cooperation exposed the company to politicisation. Because bond finance depended on Ottoman guarantees, and those guarantees depended on customs revenues and diplomatic assent, every attempt to solve the railway's financial problems opened the enterprise to intervention by states and by private interests acting through state structures. In Britain, incumbent shipping and transport interests exploited this vulnerability to wreck the 1903 negotiations. After 1904, the

transformation of the diplomatic landscape compounded the problem. The Entente Cordiale and the Anglo-Russian Convention multiplied the number of powers with claims on the company's internal arrangements, so that percentages of capital and seats on boards were no longer merely financial devices, but diplomatic currency assessed for their strategic weight. The Young Turk Revolution then destabilised the concessionary framework itself, thereby opening the way for corporate reorganisation and, eventually, for the bilateral settlements of 1911-1914. What emerges across these phases is not an oscillation between two incompatible stories of rivalry and cooperation, but a single history in which both were generated by the same structural conditions.

That argument also clarifies this thesis's historiographical intervention. Older scholarship, from Earle onward, was right to insist that the railway became deeply entangled in imperial rivalry and that its history cannot be detached from the tensions that shaped the pre-war international order. Later historians, from Butterfield to Chapman and Bukaty, were equally right to stress that meaningful Anglo-German accommodation remained possible and was, by 1913–1914, in important respects achieved. The difficulty lies not in choosing between these interpretations, but in the binary through which the question has so often been framed. The evidence examined here suggests that the Baghdad Railway generated both antagonism and cooperation at once because different coalitions of actors operated within, and struggled over, the same corporate structure. Once the company itself is placed at the centre of analysis, the contradiction between these historiographical traditions becomes less a problem to be solved than a feature of the historical process to be explained. The railway intensified rivalry because its corporate form gave strategic questions a concrete institutional shape. Yet it also enabled compromise because that same form remained adaptable enough to absorb and redistribute competing claims.

The final settlements of 1913–1914 represented the fullest expression of that adaptability. By then, years of negotiation had produced an extraordinarily intricate attempt to reconcile competing British, German, Ottoman, and wider financial interests through interlocking arrangements over the Gulf section, ports, navigation, reciprocal participations, and oil. The agreements initialled in June 1914 did not amount to the disappearance of rivalry. Rather, they showed that rivalry could, under certain conditions, be regulated and contained within a shared commercial framework. Read through the prism of the railway, Anglo-German relations before 1914 therefore appear more complex than the older antagonism paradigm allows. They were neither a simple march toward collision nor a story of easy accommodation. The settlements of 1913–14 showed that compromise across imperial rivalries was still possible – and how dependent such compromise was on a wider political order stable enough to sustain it. The significance of the railway, in other words, is that it reveals both the reality of pre-war accommodation and the fragility of the conditions on which that accommodation rested.

The July Crisis did not invalidate that achievement so much as reveal its limits. After the assassination of Archduke Franz Ferdinand on 28 June, the railway settlements were overtaken by a diplomatic crisis moving at a faster velocity than the commercial and legal instruments assembled in 1913–1914. As late as 19–21 July, Grey was still pressing for the early conclusion of the Turco-German negotiations because of their bearing on the Anglo-Turkish settlement, while Beaumont, a British diplomatic official in Constantinople, reported that the Baghdad Railway negotiations were merely “progressing slowly” and that Cavid, the Ottoman finance minister, still envisaged further discussions in Paris and possibly Berlin in August.¹²⁹ On 23 July Buchanan, a

¹²⁹ *British Documents on the Origins of the War, 1898–1914*, 10, pt. 2, nos. 260–261; Earle, *Turkey, the Great Powers, and the Bagdad Railway*, 265.

British diplomat in St. Petersburg could still report that Sazonov and Poincaré hoped to settle outstanding questions over Persia and the Trans-Persian lines before the Bagdad Railway neared completion, even as he stressed how deeply both were already alarmed by Austro-Servian relations.¹³⁰ Once that crisis widened into general war, the wider international order on which the railway settlement depended collapsed with startling speed. Grey and Lichnowsky had initialled the Anglo-German convention on 15 June, and the Kaiser had authorised its signature by late July, but the treaty was never ratified.¹³¹

This abrupt collapse highlights the temporal problem at the centre of the thesis. The structural forces traced here did not move at the same speed. Financial structures moved slowly. Capital had to be assembled, guarantees negotiated, markets opened, and corporate forms adjusted through prolonged and technical bargaining. Commercial interests, too, tended to operate through gradual pressure, whether in pursuit of participation or in defence of existing transport positions. Political structures could also move slowly, as the gradual expansion of the railway question into a multilateral diplomatic problem between 1903 and 1911 demonstrates. In moments of crisis, however, they could shift with explosive speed. In 1908, the Young Turk Revolution destabilised the old concessionary order and thereby created new room for agency, allowing figures such as Gwinner and Ottoman ministers to refashion the company in ways that made later agreement possible. In July 1914, by contrast, a political crisis in the Balkans moved so rapidly that it overtook the much slower commercial and legal architecture that had only just been assembled. The

¹³⁰ *British Documents on the Origins of the War, 1898–1914*, vol. 11, *The Outbreak of War: Foreign Office Documents, June 28th–August 4th, 1914*, ed. G. P. Gooch and Harold Temperley (London: His Majesty's Stationery Office, 1926), no. 164.

¹³¹ Earle, *Turkey, the Great Powers, and the Bagdad Railway*, 262, 265.

historical irony is sharp. The same instability that, in some circumstances, opened the way to settlement could, under others, destroy the order on which settlement depended.

The railway itself did not disappear. Yet its function was transformed. Instead of serving as the institutional medium through which rival powers regulated cooperation, it became a strategic asset of the German-Ottoman war effort, and wartime construction proceeded under military imperatives rather than under the commercial logic of the pre-war settlements.¹³² In that transformation lies the wider significance of the Baghdad Railway's history. It illuminates both the possibilities and the fragility of late imperial globalisation. It shows how far transnational finance, corporate law, and diplomatic bargaining could go in organising cooperation across rival empires – and how dependent those arrangements were on a political order whose collapse could come faster than the institutions built within it were able to adapt. The history of the Baghdad Railway thus ends not by proving that imperial rivalry made war inevitable, nor by demonstrating that commercial interdependence rendered war irrational or unlikely. It shows instead that the pre-war world was capable of producing remarkably elaborate compromises, and that those compromises could still be shattered when political crises outran the slower moving structures through which that world had tried to manage its own contradictions.

¹³² Earle, *Turkey, the Great Powers, and the Bagdad Railway*, 289–90.

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