

GREAT POWER AND CORPORATE RIVALRY IN KUWAIT 1912-1934

A STUDY IN INTERNATIONAL OIL POLITICS

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Abstract

This study analyses in full the history of the Kuwait oil concession, which has proved to be one of the most valuable in the world. Interest in Kuwait's oil deposits first arose more than twenty years before the oil concession was finally secured by an Anglo-American combine. Many parties were actively involved in the quest for oil in Kuwait during the long negotiations which spanned the years 1912-1934. Companies backed by the British and United States Governments were all bargaining for the concession while the Shaikh was determined to secure the best financial terms possible.

Moreover, events in Kuwait were inter-related with and parallel to negotiations in Bahrein and Saudi Arabia, where American interests succeeded in securing exclusive oil concessions. This commercial success, which eventually drew the United States Government deeper into the Persian Gulf, was achieved despite a relatively early British recognition of the political and strategic importance of the region's oil concessions.

This thesis discusses the formulation and application of the policies of the various participants. It also provides an account of the way in which the American oil companies competing against British companies established themselves firmly in a region which was under British influence.

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PREFACE

In today's world the importance of Middle East oil to the West is very much in evidence and needs no elaboration. The West is now deeply involved in the region as a result of a greater appreciation of its strategic importance, in particular the essential nature of its abundant oil supply for the free world and the recycling of petro-dollars in the West's economy to relieve growing unemployment and balance national deficits. It is no longer possible to understand the policies of the United States of America, the Common Market countries and Japan particularly in the Middle East without referring to oil diplomacy. All regard the maintenance of the Persian Gulf oil supply as a primary objective of foreign policy and are thus eager to ensure as great a political stability in the region as possible.

However oil diplomacy in the Persian Gulf is a phenomenon which has existed since the quest for the region's oil concessions commenced. During the inter-war period when the key oil concessions were being obtained mostly by American and British interests the oil issue influenced the parent governments and was reflected in their foreign policies, although on a much smaller scale than today. The British Government endeavoured to prevent the Americans entering the Persian Gulf while the United States Government rendered diplomatic assistance

to its nationals who were eager to gain a foothold in the region. Consequently the direct involvement of these two governments makes it important to examine the history of Persian Gulf oil in relation to both countries' aspirations in this area. Apart from facilitating a better understanding of the region's oil history this will provide an insight into the origins of both countries' policies in the Gulf and illustrate how and to what extent oil influenced their diplomacy during the inter-war period.

Corporate strategy and rivalry are additional factors which merit consideration when dealing with the Persian Gulf oil concessions.¹ In general a myth has been created around the relationships between parent governments and major oil companies and the latter's role in international relations. It has generally been accepted that the oil companies influenced their parent governments; however opinion as to the degree of this influence remains divided.² In the Persian Gulf in many instances the oil companies initiated government intervention and eventually it was they who determined the nationality of the holders of the region's oil concessions. The agreements reached between them as regards the division of these concessions were accepted by the parent governments and therefore their role was at least as important as that of their governments.

In addition to examining the global issues of oil

diplomacy and corporate conflict an emphasis is placed on the role of personalities particularly active in the Persian Gulf. The role of these individuals was more important than might have been thought despite their dependence on external authorities, and this is reflected in the mark they made on the political and commercial development of the region. Consequently the approach adopted in this thesis, which combines international diplomacy, corporate policy and local strategy, provides a comprehensive account of the history of the key oil concessions in the Persian Gulf which in general has been neglected.

The history of the Persian Gulf oil concessions has never been fully outlined nor analysed in any depth.³ Events in this area have tended to be neglected because they were overshadowed by apparently more dramatic ones in Persia and Iraq. Moreover, the unavailability of information has resulted in the publication of relatively few analyses of oil diplomacy in the Persian Gulf, whilst those that have been written lack substance and detail.⁴ The accounts provided by former employees of the various oil companies concerned render little assistance in this respect as they have been inclined to treat their publications merely as an exercise in public relations.⁵

This study centres on the negotiations for the Kuwait oil concession to illustrate the evolution of the

British Government's oil policy in the region and its confrontation with the Americans' 'open door' policy. Here negotiations were the longest and most complicated in the Persian Gulf. This provides a unique opportunity to study their inter-relationship with other oil negotiations taking place during the twenties and the early thirties particularly in Bahrein and Saudi Arabia where American control was eventually complete.

However, it was only in Kuwait that purely British and American interests supported by their respective governments collided head-on and were ultimately forced to share the concession on an equal basis. This was due to the fact that Kuwait was deliberately excluded by international agreement as early as 1914 from the scope of the Turkish Empire oil concessions. This enabled the major oil companies interested in Middle East oil and party to the agreement to compete for this particular concession independently.

Moreover, apart from presenting the history of the Kuwait oil concession and explaining why over twenty years elapsed before the concession was signed, a whole series of complex relationships which evolved between 1912 and 1934 with Britain as the central pivot are discussed. Events during this long period demonstrate and clarify the British Government's attitude towards Kuwait, whose ambiguous status as an independent Arab state under British protection caused considerable confusion as to its specific rights and ob-

ligations vis-a-vis Britain and other countries.

The negotiations for the Kuwait oil concession also reflect the British Government's exceptionally close relations with a major British oil company - the result of which was a controversy which raged for years as to whether the Government's controlling interest in the company was responsible for initiating the company's policies abroad. Conversely, events during this period indicate the extent to which this company in turn were involved in formulating the British Government's foreign policy. Thus a better understanding can be gained of government decision-making in Great Britain during the inter-war period when the country suddenly found itself under pressure from the Americans who wanted to enter the Persian Gulf.

Finally, the introduction of competition by government supported American companies broadens the scope of the subject and provides an insight into the United States' attitude and influence in the region in the early thirties. In particular, a clearer picture than hitherto available can be formed of the evolution of relations between the State Department and the American oil companies operating in the Middle East and thus of the origins of United States' policy in the Persian Gulf including Saudi Arabia.⁶

INTRODUCTION

In October 1934 Lord Lloyd, the future Secretary of State for the Colonies, outlined in public for the first time an alarming situation which had gradually evolved in the Persian Gulf. Speaking to the Royal Central Asian Society he enumerated recent American successes in securing a large proportion of the Persian Gulf oil concessions. Despite world-wide recognition of her political predominance in the Persian Gulf, particularly since the Great War when Britain's traditional rivals had been defeated, Britain was now faced with a situation in which American interests had obtained the Bahrein and Saudi Arabian oil concessions exclusively and were likely to obtain a fifty per cent share in the Kuwait oil concession in the near future.

Moreover, Lord Lloyd argued that there was a constant challenge to British oil interests in other parts of the region which also threatened to undermine Britain's established authority and supremacy. Although he admitted an incomplete knowledge of events leading to this serious state of affairs, he nevertheless bitterly attacked and criticised the British Government and the British oil companies for a lack of foresight and competence which had led to this unacceptable situation. In particular he referred to the Anglo-Persian Oil Company, now British Petroleum, which was known to

have established exceptionally close relations with the British Government as early as the beginning of the twentieth century and which had shown an interest in securing the region's oil concessions.

The situation outlined by Lord Lloyd was particularly surprising and inexplicable in view of Britain's long-standing control of the Persian Gulf's internal and external affairs. The British Government had been successful since the end of the nineteenth century in maintaining a supremacy in the area by committing the various Arab rulers to abiding by Britain's advice and also by preventing large scale foreign penetration, either commercial or strategic.

In addition, Britain's relatively early recognition of oil as more efficient than coal for fuelling the Royal Navy contributed immensely to the desire to prevent foreign interests gaining a foothold in the Gulf where indications of oil were in evidence. The use of oil in the Royal Navy since the beginning of the twentieth century meant abandoning Britain's national fuel - coal - in favour of a product to a large extent beyond her control as it was only found in distant foreign countries. As a result, the British Government had embarked on an oil policy aimed at securing future supplies, particularly from those sources over which Britain's control and influence could be exerted, i.e. the application of a kind of Monroe doctrine to the grant of Middle East oil concessions.

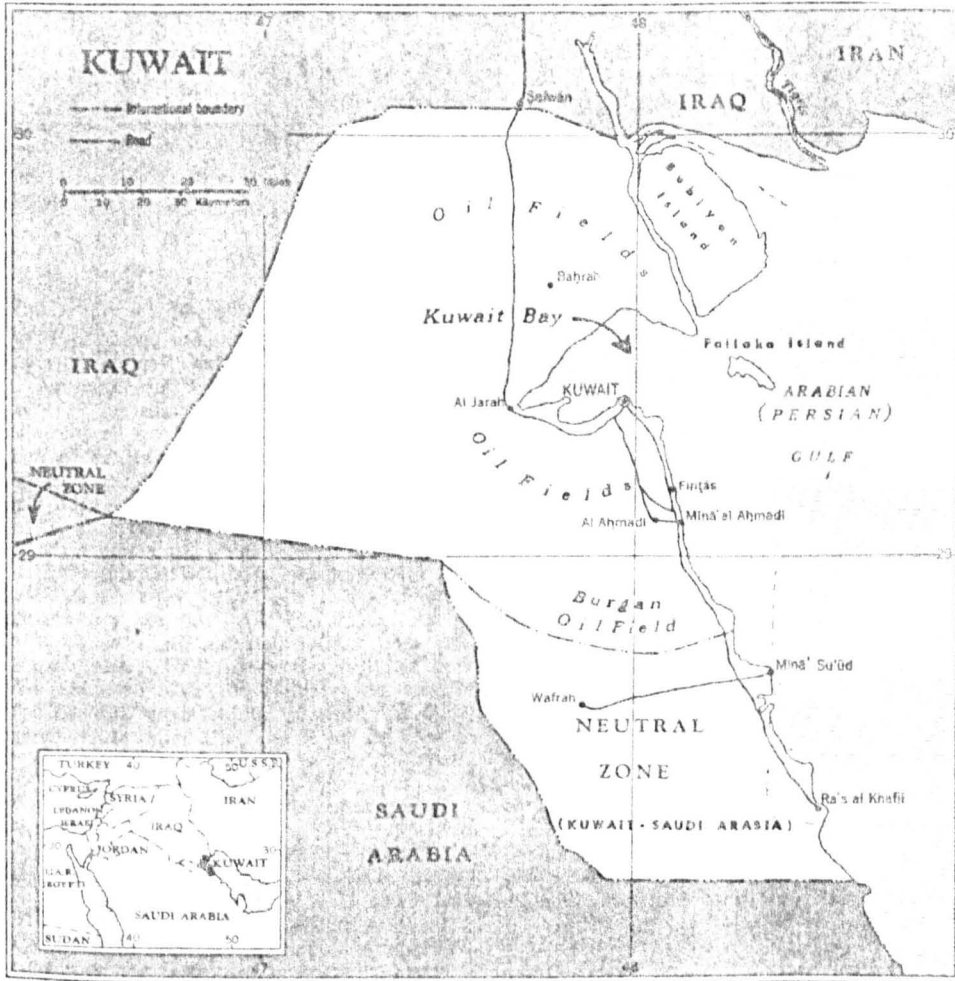
Therefore in the Persian Gulf in particular, where foreign penetration had already been resisted on political grounds, the British Government's desire to secure oil concessions for British companies before and after the Great War assumed an unprecedented scale and indeed, seemed to yield promising results. The various Arab rulers had been committed by special agreements to grant their oil concessions only to a company nominated by the British Government. This committed the government to a deep involvement as it had to ensure that its nominee would offer reasonable terms for these concessions, and was obliged to face criticism from other interested parties which were not given permission to enter the field.

The British Government's direct financial investment in the Anglo-Persian Oil Company (A.P.O.C.) in 1914 of £2.2 million to acquire a majority shareholding committed them to supporting the company in its endeavour to dominate the Arabian Gulf. The company, which was already operating successfully on the Persian side of the Gulf, ie. having secured an oil concession in Persia in 1901, considered the Arab side to fall within its natural sphere of influence. Consequently the company intended to prevent, with government support, any other interest British or otherwise from entering the Gulf and endangering its flank.

However, despite such solid and auspicious founda-

tions on which to build a secure 'oil empire' Britain failed in the twenties and thirties to secure some of the major oil concessions in the Persian Gulf. This gives special significance to Lord Lloyd's accusation and to the unprecedented scope of American success which was greater than in any other area of the Middle East. Eventually this American success changed the balance of oil concession ownership in the Arab world between British and American interests and established the United States of America as a major force in oil production and associated politics in the region.

However, as the Americans became involved in the Persian Gulf only after 1926 the initial chapters will examine in detail the evolution of Britain's oil policy, particularly in the Gulf, and Britain's early efforts to secure the region's oil concessions for its 'National champion'. Therefore the first chapter analyses the initial stages of Britain's policy in Kuwait, which has been chosen as a case study, from 1900 onwards and the early attitudes adopted by the principal British Government ministries responsible for the formation and implementation of government policy in the region - the Foreign Office, the Admiralty and the Government of India - towards oil and oil companies operating in and around the Persian Gulf.



PART I

GENESIS: BRITAIN IN SEARCH OF A FOREIGN OIL POLICY

1. Early Considerations

Britain's policy in Kuwait as in other parts of the Persian Gulf was in general influenced by imperial interests. The British Government's original interests in the region resulted from concern for India's security which was considered 'second only in importance to that of the British Isles.'¹ Consequently Britain's supremacy in the Persian Gulf was gradually established during the nineteenth century and her special interests in the area were widely recognised. In return for British protection of their hereditary and customary rights against Turkish harassment the Arab rulers along the Persian Gulf were committed by various agreements to accepting British hegemony and supremacy. They and their heirs were bound not to lease, dispose of or give concessions of land in their shaikhdoms to any individual power for any purpose without British permission nor to receive agents or representatives of foreign governments without British agreement.

In protecting her special interests and the shaikhs from foreign harassment Britain vigorously resisted attempts made by other powers at the beginning of the twentieth century to alter the status quo by which Britain's supremacy had been secured in the area.² Lansdowne, the Foreign Secretary, announced in 1903 that

.....without hesitation we should regard the establishment of a naval base.....in the Persian Gulf by any other power as a very grave menace to British interests and we should certainly resist it with all the means at our disposal. ³

Although Lansdowne's declaration only specified Britain's resistance to a foreign military base, in reality however Britain was also opposed to any major attempt by foreign commercial interests to gain a foothold in the Persian Gulf. It was obvious to Britain as to other powers who appreciated the strategic importance of the Persian Gulf that commercial enterprises could provide the means by which political influence could be introduced in an undeveloped Persian Gulf.⁴

This policy combining economic strength and political power had formed part of a broader British policy in Persia since 1890, ie. the creation of a buffer to limit expansion from the north.⁵ Curzon, who contributed immensely to the increase of British control in the Persian Gulf during his term as Viceroy of India and even before his appointment, feared that Britain's supremacy in the Gulf area was threatened by the increased commercial activities of other powers in the area. He was convinced that 'commercial interests are the familiar precursor to political claims' and therefore did his utmost during his term of office (1899-1905) to encourage Britain's commercial interests in the region.⁶ Thus Britain's opposition to the Wonckhaus Oxide concession, the Kapnist railway scheme and the Baghdad railway project highlighted her desire to exclude foreign commercial interests from the Persian Gulf.

The Baghdad Railway scheme in particular significantly influenced the strengthening of relations between Britain

and Kuwait and marked the beginning of the special consideration given to Kuwait by Britain. Kuwait became exceptionally important to Britain since it was considered to be the most suitable outlet in the Persian Gulf for the planned Baghdad Railway. This German scheme to build a railway from Constantinople through the Turkish Empire to the Persian Gulf increasingly occupied and worried British officials from the beginning of the twentieth century.

The project was seen, especially by the Government of India which was represented in London by the India Office, as a direct threat to Britain's commercial and political supremacy in the Persian Gulf. The Government of India assiduously repeated its view that a German railway to the Persian Gulf would inevitably diminish Britain's prestige and commerce, disturb relations with the Arab chiefs and perhaps bring with it the establishment of foreign military bases. Indeed it went even further by stating that 'in time this process can have but one result, namely, the consolidation of German influence throughout this vast and important territory, and the eventual passing into German hands of all real power in this particular zone.'⁷ It seemed to British officials that the means of averting such a catastrophic outcome was to secure British domination over the southern part of the railway from Mesopotamia to the Persian Gulf. Thus the British Government concluded after considerable internal consultation that exclusive British

'control of the railway from a point north of Baghdad to the Persian Gulf' was essential for safeguarding Britain's special interests.⁸ In order to secure such control Britain's policy aimed during the early years of the twentieth century at securing special status and rights at the proposed terminus of the Baghdad Railway, ie. Kuwait. Eventually despite a certain degree of hesitancy by the British Government a political agent was appointed in 1904 and the Shaikh of Kuwait was asked to sign various agreements giving Britain the right to control both the internal development of Kuwait and its foreign policy. By 1914 therefore Kuwait had become a British Protectorate in all but name.⁹

The emerging importance of oil as the fuel for the British Navy also served to increase Britain's desire to prevent foreign interests penetrating Kuwait and other territories in the Persian Gulf where indications of oil were in evidence. Before the British and other governments recognised oil as the future fuel for warships, the international oil industry was almost entirely centred on kerosene, a lighting fuel, and British oil interests received the same attention and support as other British commercial enterprises operating abroad. However the conversion of Britain's warships from coal to oil from 1904 onwards gave rise to complex strategic and economic problems of a dimension which had not been encountered previously

by the British Government. The British Empire lacked oil, thus lending a new meaning and importance to oil as an element in national security in addition to that stemming from commercial viability. Consequently Britain's oil interests began to merit special consideration by the British Government.

In particular two purely British companies operating in the Persian Gulf and India attracted the British Government's attention and consequently received preferential treatment. These two oil companies, the Burmah Oil Company and the Anglo Persian Oil Company (A.P.O.C.), which developed special relations with the British Government, contributed immensely to the development of Britain's oil policy. A.P.O.C. in particular regarded the Persian Gulf as its natural sphere of influence since securing an oil concession in Persia in 1901 and eventually drew the British Government's attention to the region's oil potential. However before discussing the evolution of the special consideration given by the British Government to the Persian Gulf oil potential, there is a need to examine the initial attitudes of the ministries responsible for the formation and implementation of British Government policy in the region - Foreign Office, Admiralty and Government of India - towards these two oil companies; attitudes which reflect the main principles on which Britain based its emerging oil policy in the Persian Gulf.

At the turn of the nineteenth century Foreign Office

relations with oil interests did not differ from those with other British commercial interests seeking diplomatic support in the Middle East. The Foreign Office encouraged any British commercial enterprise, particularly in an area considered to be of great strategic importance, both for the general purpose of increasing British economic strength and for that of indirectly increasing political influence. A whole range of British commercial enterprises were supported in the Middle East as a means of preventing foreign interests, especially those of Russia and Germany, from penetrating into the area.¹⁰

In this light the Foreign Office rendered the usual support to a British national who endeavoured in 1901 to secure an oil concession in Persia. D'Arcy's agent, Marriot, went there to secure the oil concession equipped with a formal Foreign Office letter of introduction - one of the Foreign Office's devices employed to support British enterprises abroad. In Teheran the British Minister gave Marriot considerable assistance in obtaining an oil concession, which as it transpired later, proved to be one of the most important in the Middle East. D'Arcy was given the exclusive rights for the next sixty years to find, exploit and export petroleum in all of Persia except five northern provinces, and a monopoly in building pipelines to the south coast.

However, despite various accounts emphasising direct

intervention by the Foreign Office, in reality the Foreign Office was no more involved than usual in the process of securing the oil concession for D'Arcy and the whole matter was handled independently by the British Minister in Teheran who was given to understand by Marriott that a word from him might prove invaluable to D'Arcy's application.¹¹

Nevertheless, the following years saw deep Foreign Office involvement in the company's affairs in South West Persia and an exceptionally close relationship developed between the Foreign Office and the company. The Foreign Office recognised and appreciated the company's contribution to increasing British influence in Persia. Their oil concession in Persia became particularly important after the 1907 agreement between Britain and Russia which divided Persia into three zones of influence. The south and the north were respectively recognised as British and Russian spheres of domination while the centre remained an area in which both powers could operate.¹² In 1908 the Foreign Office encouraged the company to extend its operation to other parts of Persia. The Foreign Office wrote to D'Arcy that it was 'most desirable from the point of view of British interests both political and commercial' to do so otherwise 'business will be secured and worked by the subjects of a foreign power.'¹³ Evidently the Foreign Office kept a close watch on the company and even objected to the possibility that its Canadian drillers might be replaced by American ones. It

warned the company that '.....a change such as that almost inevitably leads to the most serious consequences.' The Foreign Office also allowed D'Arcy to 'enjoy the facility of cabling' to his employees in Persia 'through the medium of His Majesty's Consular officers'.¹⁴

However for political reasons the Foreign Office could not give the company a free hand in dealing with the local rulers and its intervention served to protect the interests of the latter as well as those of the company. As the friendship of the local rulers was important to Britain the Foreign Office could not agree to the company's proposed underhand methods of conducting business deals with them. In 1909 the company's representative in Persia, George Reynolds, took steps to buy land required by the company from the Shaikh of Mohammerah, not directly but through a third party. He believed that by so doing he would secure better financial terms for A.P.O.C.¹⁵ However Britain's officials in the area could not accept a situation which might create ill-feeling between Britain and the Shaikh if he became aware of this unorthodox method. The British Minister in Teheran told the Foreign Office that Lt.-Col. P. Cox would 'assist negotiations for land on Abadan Island if the syndicate drops the suggestion of their local manager.' Eventually the Foreign Office authorised the political resident in Bushire to conduct the negotiations on behalf of the company after D'Arcy had agreed to accept the British Government's decision. The agreement concluded was satisfactory to the British Government,

the company and the Shaikh. The British Government obliged the Shaikh with a loan of £16,500 of which £10,000 was contributed by the company without the Shaikh's knowledge. The company secured additional land for their operation and the Shaikh obtained a further British commitment to secure his successors' customary rights.¹⁶

That policy of intervening in the company affairs for the purposes of extending Britain's influence, promoting the company's interests and securing and defending the local rulers' rights drew the Foreign Office and the company closer and set the scene for future relations between the two. In South West Persia the Foreign Office and the oil company were in a sense mutually dependent and it was obvious that any change in the company's British character would alarm the Foreign Office.¹⁷ Eventually by 1912 it considered A.P.O.C.'s oil concession as 'the most important British concession in Persia' and was practically committed, as will be seen, to securing the company's integrity as a British concern.¹⁸

From the beginning of the twentieth century the Admiralty became increasingly interested in and was occupied by the possibility of the navy converting to oil fuel from coal. Admiralty officials were aware of the work done by other foreign navies on oil-burning warships and knew of their potential advantages. The advantages of oil fuel over coal were considerable even

when oil was simply burnt under ordinary boilers. To provide the same amount of power as coal less oil and fewer men were required. The use of oil made possible quick refuelling which could be performed at sea, thus giving oil-burning ships a wider radius of action.¹⁹

Therefore the Admiralty carried out a series of trials using oil in certain warships, and by 1905 the Royal Navy had made substantial progress in its experiments with oil fuel and had firmly established itself as a leader in this field among the navies of the world.²⁰

However, before the Navy could undertake to rely on oil instead of coal on a large scale, it wanted to solve the 'security' aspect of the supply problem. The Navy obtained its coal from South Wales and could regard this source of supply as politically completely reliable. There was no such security about oil. Oil was a commodity produced for the most part entirely beyond the borders of the British Empire; and almost all of the Admiralty sources of supply were foreign. In 1910 the British Empire and British controlled territories produced only 2% of the total world crude petroleum and Britain's main oil supplier was the United States of America.²¹ Thus the conversion of warships to use oil meant abandoning a national fuel in favour of a commodity produced and controlled by foreigners. Such a situation, whereby Britain's control over its oil supply in emergency was threatened, naturally alarmed Admiralty officials and thus influenced their policy.

In August 1903 a committee was set up to deal with the issue of oil fuel supply for naval use and laid down the principles on which supply policy should be based. Boverton Redwood, an oil expert, was asked by this committee to give his view. He recommended that

it would be better to furnish the Burmah Oil Company with such inducement as may be necessary to bring about an adequate extension of its operation than to seek to encourage competitive work by others who would necessarily lack the special knowledge and experience²² which the Burmah Oil Company has acquired.

This influenced the Admiralty in the first place to encourage British companies exploring and producing oil within the British Empire. Consequently, the Admiralty looked with interest at the Burmah Oil Company, a purely British concern operating within the British Empire, and one which had acquired specialist knowledge and experience in the oil industry. The Admiralty were anxious to buy fuel oil for testing purposes from the Burmah Oil Company and consequently made an approach. During these negotiations for a supply contract the company asked the Admiralty to back their representations to the Government of India. They wanted that government to increase the import duty on kerosene in order to drive their foreign competitors out of India and at the same time withdraw the current restriction on land concessions in India which was limiting the company's operations.²³

Anxious to establish a trustworthy source of supply

from British territory the Admiralty informed the India Office that the Burmah Oil Company should be encouraged as much as possible in the interests of the Navy and the British Empire. The principles of promoting British oil interests and of excluding foreign ones from exploiting oil in the British Empire guided, and were further developed by a special joint committee set up in 1904 to consider conditions in which oil leases might be granted in the British Empire. As a result of the joint Admiralty and Colonial Office Committee's consideration, the Admiralty put before the Government of India five basic guidelines for satisfying the Admiralty's desire to secure an increased oil supply from sources considered to be reliable, especially in time of emergency:-

1. That the company concerned should be and should remain a British company in organisation and control.
2. That refining should be conducted on British soil.
3. That the right should be reserved of requiring the concessionaire to advance development within a specified limit.
4. That the Navy should have a right of pre-emption of oils suitable for naval use.
5. That the concessionaire should when required produce a minimum quantity of suitable residual oils and place it at the disposal of the Navy.²⁴

These regulations, especially that regarding the British character of the oil concessionaire, remained in force for many years to come and later became known as the 'National Clause' in oil concessions granted within the British Empire and British zones of influence. They indicated the desire of the British Government, especially the Admiralty, to control an oil supply free from foreign interference.

Naturally the Admiralty did not limit itself to the British Empire in their efforts to secure an appropriate oil supply. In South-West Persia and the Persian Gulf, where Britain could exert a considerable degree of influence and which was an area to which strategic importance was attached, the Admiralty rescued British oil interests from possible control by foreign concerns. When it became known to the Admiralty that the Persian oil concessionaire - D'Arcy - was in financial difficulties and searching for additional financial support from foreign sources, they eagerly prevented the concession from falling into the hands of foreigners. The Admiralty brought pressure to bear on the Burmah Oil Company to come to an arrangement with D'Arcy and thus maintain the British character of the oil concession. As the Burmah Oil Company was also interested in D'Arcy's concession they successfully concluded in May 1905 their negotiations with him and formed a new company - the Concession Syndicate Limited - which assumed the assets of the

previous concessionaire - D'Arcy's First Exploitation Company.²⁵ After the discovery of oil in 1908 a new company was formed, ie. A.P.O.C., and the Commander-in-Chief, East Indies - Rear Admiral Slade - told the Foreign Office with Admiralty approval that from a naval point of view 'the security of the oil company is more important than anything else in the northern part of the Gulf.'²⁶

With the arrival of Churchill in 1911 the Admiralty became more deeply involved with oil affairs and was committed to using more oil as fuel. Churchill confirmed that when he was appointed First Lord the Admiralty had built or were in the process of building 56 destroyers and 74 submarines solely dependent on oil. At the end of 1911 a departmental committee of the Admiralty sat to consider the advisability of the further use of oil as a substitute for coal as fuel for the Navy and to make enquiries as to the sources of supply available. Its investigation was followed in April 1912 by the important decision to build four fast oil-fired battleships, thus committing Britain's elite battleships to a dependence on oil.²⁷ From now on there could be no way back from the Admiralty using increasing amounts of oil fuel and it became obvious that the Admiralty would be increasingly interested in securing an adequate oil supply and encouraging British oil interests, especially in areas under British influence.

The Government of India's special responsibility for and interest in the Persian Gulf were accepted and acknowledged by successive British Governments. It was reflected in the fact that the political residents and agents in the Persian Gulf - Britain's consuls - were representatives of the Government of India and reported directly to the Foreign Department of the Government of India. These political residents exerted considerable influence on both the local rulers and the home government and their role will be carefully explored throughout this thesis. The Government of India influenced decisions taken in London through the Secretary of State for India and therefore was also involved in determining oil policy in this area.

From 1904 onwards, as a direct result of the Admiralty campaign and influence, the India Office informed the Admiralty that the 'Secretary of State for India.....has approved the policy of the Government of India to confine the grant of future concessions in the oil fields to British companies.'²⁸ The Admiralty went further and intended to bring the Government of India to grant special privileges to its protege in India, the Burmah Oil Company; and it seems that the Government of India acceded to the Admiralty expert opinion that it was in the Empire's naval interests to support the Burmah Oil Company against its rivals and to grant it additional oil leases in Burma. In 1907 the Government of

India overruled a scheme proposed by the Burma Government to allocate certain blocks of land to other British companies in order to stimulate competition and instead leased them to the Burmah Oil Company. As for the Baluchistan oil concession, another area under India's control, the Government of India granted it to the Burmah Oil Company despite competition from a prominent British company offering better terms. Lord Cowdray, on behalf of Pearson & Son Company offered the Government of India partnership in exploring Baluchistan for oil deposits, which 'would lessen the net cost of the oil to the Government.'²⁹

However the support given to the Burmah Oil Company in order to secure additional oil leases in territories under Government of India control should not be seen as a company success in manipulating the Government of India and causing it to comply with its every demand. Other requests made by the company were rejected despite Admiralty support. The company appealed unsuccessfully in 1904 and again in 1911 for an increase in the duty on foreign oil; and in 1905 the agreement signed between the Burmah Oil Company and the Asiatic Company (Shell's subsidiary) aroused suspicion and was criticized by the Government of India.³⁰

Since the Government of India accepted responsibility for promoting to some extent the interests of a certain British oil company which had developed

special relations with the Admiralty in India, naturally the same practice was adopted in regard to another British oil company with similar relations and operating nearby in a strategically important area, ie. the Persian Gulf. In the Persian Gulf, where the Government of India conducted a policy of excluding foreign commercial enterprises as a means of maintaining Britain's paramount commercial and political status, similar policies were rigorously applied to oil enterprises. The Government of India was aware of the needs of A.P.O.C. operating in Southern Persia and in many instances assisted them in their operations. It seems that the Government of India, although realising that the British oil companies 'must be treated with caution', gave up to 1912 considerable help to the two oil companies which developed special relations with the Admiralty, the Burmah Oil Company and A.P.O.C.³¹

Thus by 1912 the three government ministries responsible for Britain's policy in the Persian Gulf had committed themselves in various ways to securing and promoting the interests of the oil company operating in this area - A.P.O.C. The support given to the company did not mean compliance with every request it made nor protection of its interests regardless of other considerations. British officials regarded the oil company with a certain amount of suspicion and were never willing to give it unconditional support. However, as a result

of the strategic importance of the Persian Gulf and the growing significance of and interest in oil by Britain and other great powers, the oil company received special consideration when applying for British Government support and assistance. As the various government ministries were in general agreement as to the importance of A.P.O.C. to Britain politically, commercially and strategically, the company was in a position from 1912 to increase its influence on the British Government, while the government for its part was ready to consider seriously the company's requests and suggestions.³² Thus a new era was dawning.

2. The New Era

The new era of 1912-1914 was marked by the emergence of a significant British oil policy in the Middle East. From 1914 onwards this foreign oil policy affected relations between the Great Powers, determined on a national basis the division of the region's oil concessions amongst the major oil companies and eventually influenced the rate at which the region's oil deposits were developed.

There were three main inter-related factors which made this oil policy unique. Firstly the government became actively involved in the Turkish Empire oil concessions which were being sought by British, German, Dutch and American interests. Eventually they succeeded in arranging the amalgamation of the European interests under British control and together with the German Government pressured the Turkish Government into promising the Mesopotamian concession to this combine company - the Turkish Petroleum Company (T.P.C.). Secondly the British Government invested directly in A.P.O.C. - today British Petroleum - acquiring a majority shareholding and thus associating themselves with the company's policy abroad. Thirdly the government took the unprecedented step of committing the rulers on the Arab side of the Persian Gulf, where indications of oil were in evidence, to granting the oil concessions only to a British company nominated by the government. By so

doing it ensured in advance its complete control over determining which British company would secure the region's oil concessions and on what terms. The first two developments have been dealt with in recent research in detail.¹ In this study, therefore, attention will be focused on the third development which prevented any but a British Government nominee from securing oil concessions in the Persian Gulf, the deposits of which proved to be some of the most abundant in the world.²

From 1912 onwards the oil issue increasingly occupied the various British Government ministries. In the Admiralty a policy was adopted which in Churchill's words meant that 'the supreme ships of the Navy, on which our life depended' soon 'could only be fed by oil.'³ As a result the First Lord of the Admiralty appointed in September 1912 a Royal Commission to study the problems involved in the increased use of oil fuel by the Navy. At the same time the Foreign Office intensified its efforts to prevent oil concessions falling into the hands of foreign companies in the Turkish Empire as a means of increasing Britain's influence. The ministry became involved in supporting British interests seeking to obtain the promising Mesopotamian oil concession against increased competition from various other interests, particularly German.

Nevertheless, despite a deep appreciation of the political and strategical importance of oil, an outsider

was needed to combine and formulate the objectives and interests of these two ministries into a defined and acceptable foreign oil policy. During the new era the man who greatly influenced the evolution of Britain's oil policy in general, and in particular Britain's drive to secure control over the Persian Gulf oil deposits, was Charles Greenway.

Greenway, A.P.O.C.'s Managing Director, was engaged from 1912 in a new campaign to persuade the various government ministries concerned with the political and commercial aspects of Middle East oil - the Foreign Office, Admiralty, India Office and Board of Trade - that it was essential for Britain's interests to preserve A.P.O.C.'s commercial independence, ie. to save the company from foreign absorption. He wished to prevent his company being taken over by Shell, which was controlled by Dutch interests, and therefore sought British Government support in three main areas.⁴ First, a large government contract for navy fuel; secondly, a great increase in the company's capital and thirdly, strong diplomatic support for exploitation of the oil deposits in Mesopotamia and the Persian Gulf.⁵ In his efforts to secure these special privileges Greenway indirectly introduced the British Government to the question of oil concessions in the Persian Gulf and bound this issue to the broader topic of preserving A.P.O.C.'s

commercial independence.

Greenway's campaign to persuade the Foreign Office to commit themselves to support his company's ambitions started in earnest in the middle of 1912 after the Foreign Office had informed him of the formation of a new company interested in the same oil concessions which A.P.O.C. had been unsuccessfully attempting to obtain for some time. In a letter dated 23 August the Foreign Office told Greenway that the new company - the Turkish Petroleum Company (T.P.C.), consisting of British, Dutch and German interests, was seeking to obtain the Mesopotamian oil concession. The Foreign Office, impressed by the substantial British capital represented in it - more than 50% - sought Greenway's comments on the possibility of amalgamation between A.P.O.C. and T.P.C. in order to obtain the Mesopotamian oil concession and secure Britain's control over it.⁶ These new developments narrowed A.P.O.C.'s prospects of independently securing this oil concession and placed the company in an undesirable position vis-à-vis its sponsor, the Foreign Office.

A.P.O.C. realised that the danger of the Foreign Office switching its political support to T.P.C. lay in two areas. First, A.P.O.C.'s unsuccessful attempts during the previous ten years to obtain the concession exclusively, despite Foreign Office support, and secondly, increasing German Government pressure on the Turkish Government on behalf of German interests, which

might complicate relations between Britain, Germany and Turkey. It was feared that T.P.C. might appear to the Foreign Office to have a better prospect both commercially and politically, of securing the Mesopotamian oil concession for Britain because the new company, although dominated by British capital, was supported by the German Government and was sponsored by sound commercial companies.⁷ Consequently the Foreign Office suggestion of amalgamation between A.P.O.C. and T.P.C. threatened the former as it meant secure British national control over this new united company but not necessarily A.P.O.C. control.

Greenway, aware of the danger posed by the situation, rapidly set out to persuade the Foreign Office that it was in the British Government's interests for A.P.O.C. to secure control over any company obtaining the Mesopotamian oil concession. In his reply to the Foreign Office Greenway emphasised that A.P.O.C. could not accept their suggestion of entering into some sort of association with T.P.C. sponsors - The Deutsche Bank, The National Bank of Turkey and the Shell Group - unless this company, T.P.C., were prepared to concede A.P.O.C. at least one half share in their syndicate. The reason given for this extraordinary demand was that if this were not done the new united company would be under foreign control and acting contrary to British Government interests.⁸

Shortly thereafter Greenway was able to present personally and in great detail A.P.O.C.'s point of view to Sir Louis Mallett, Assistant Under-Secretary in the Foreign Office. In their meeting Greenway stated clearly and apparently convincingly that although, on the face of it, it appeared that the British character of T.P.C. was safeguarded by the right reserved to the English group to appoint the chairman of the company, who would have a casting vote, it seemed probable that T.P.C. would in reality be managed and controlled by a foreign company - Royal Dutch Shell.⁹ Greenway quickly and effectively emphasised to the Foreign Office the objects of the Shell company which according to him was controlled by the German Government - to absorb A.P.O.C., minimise world competition and impose higher oil prices. A.P.O.C.'s Managing Director drew a bleak picture for the Foreign Office in which he stated that unless A.P.O.C. were supported in attempts to exploit the Mesopotamian oil concession, his company's oil concession in Persia would be liable to come under foreign control - absorption by Shell. This would decrease Britain's political influence in Persia and the Persian Gulf whilst making concessions to a foreign combine closely associated with Germany.¹⁰

After influencing the Foreign Office to change its attitude towards T.P.C. Greenway went on to discuss

the new situation with the Admiralty. In his meeting with Admiralty officials Greenway was able to pursue his case further by producing a new argument which greatly influenced the development of Britain's attitude towards oil concessions in the Persian Gulf. He stated categorically that A.P.O.C. would fall and lose its commercial independence to any company which succeeded in establishing itself on the borders of his company's current oilfields in Persia.¹¹ This additional argument, introduced to the Admiralty and the Foreign Office for the first time, meant that the Persian Gulf area, like Mesopotamia, had to be controlled by A.P.O.C. in order to safeguard British Empire interests. The Admiralty and the Foreign Office accepted Greenway's argument and immediately translated it into practical policy by notifying C. Marling, the British Councillor of Embassy in Turkey, and refusing to assist T.P.C.¹²

The next step taken by the Admiralty and the Foreign Office was to enlist support from the Government of India in their efforts to secure A.P.O.C.'s commercial independence. The Admiralty proposed, with Foreign Office concurrence, that the issue should be fully discussed by representatives of the Government of India, the Foreign Office and themselves. At the inter-departmental conference held on 20 November 1912 these representatives admitted the importance of supporting diplomatically A.P.O.C.'s interests in

Mesopotamia and the Persian Gulf. However, Greenway's demands, apart from that for diplomatic assistance, created India Office and Admiralty opposition and the meeting failed to produce the results he had hoped for - financial aid and a large fuel contract. The Admiralty and the India Office approved Foreign Office diplomatic support for A.P.O.C. but could not go as far as complying with the company's financial proposals, ie. two alternative schemes involving British Government financial assistance for the company. Both ministries disapproved of suggestions to provide financial assistance to a private company and to become deeply involved in protecting the company's property and interests in Persia. It was obvious that in the event of military protection being needed the burden would be theirs.¹³

However the Foreign Office, which was the first ministry to be convinced that diplomatic assistance alone would be useless in preserving the independence of A.P.O.C., was still determined to assist the company. For their part they felt that exceptional measures should be taken due to the political and strategic importance of the region, the result of which would be to maintain A.P.O.C.'s commercial independence.¹⁴ Therefore they continued their efforts to persuade the Admiralty and the India Office of the validity of their attitude. Little success was achieved in persuading the India Office to take part in financing A.P.O.C.; but the impor-

tance of securing the company's special interests - domination of the Persian Gulf oil concessions - was acknowledged and had considerable influence on later developments, especially after the war.

However, it seems that the Foreign Office were more successful with the Admiralty which since the beginning of 1913 gradually attributed increasing importance to A.P.O.C.'s oilfields which were reported by the company as being abundant. Consequently the Admiralty opened negotiations with A.P.O.C. for a special supply contract and decided to send a commission of experts, headed by Rear-Admiral Slade, to examine A.P.O.C.'s oilfields in Persia. Eventually after further negotiations, (discussion of which is beyond the scope of this thesis), and in view of Slade's positive report the British Government in 1914 provided A.P.O.C. with financial assistance and acquired the majority shareholding in the company.¹⁵

The description of the means employed by Greenway to influence the attitudes adopted by the various government ministries towards oil concessions in the Persian Gulf has been given to illustrate the evolution of Britain's new approach regarding oil deposits in this area. Greenway's experience in dealing with officials and his knowledge of oil politics, which was superior to that of his counterparts in the government, assisted him in convincing the Foreign Office, the

Admiralty and the India Office of the political importance that should be attached to Persian Gulf oil concessions. In fact, he laid the foundations for a new and positive attitude to be taken shortly after by the British Government which meant an even deeper government involvement in the quest for the region's oil.

3. The Making of a 'National Champion'

As has been hinted before the British political residents in the Persian Gulf were active in securing Britain's special interests in the area. They had been deeply involved for many years in promoting Britain's commercial and political interests and exercised considerable influence locally and in London.¹ Lt.-Col.P.Cox, the senior political resident in the Persian Gulf, for instance, admitted that he 'saw his ambition to make the Persian Gulf an exclusively English sea.'²

In June 1912 Cox, influenced by rumours of the existence of oil deposits in Kuwait and eager to strengthen Britain's influence there, (a policy which had been in operation since 1900 in connection with the importance attached to the Baghdad railway), suggested to the Government of India the necessity of securing an option or concession for these oil deposits from the Shaikh of Kuwait before the British Government concluded its various agreements with the Turkish Government. Nevertheless the Government of India and the Foreign Office in June 1912 were still not prepared for such action.³

However, between June and November 1912 unrelated developments influenced Cox to reintroduce the issue of oil concessions in Kuwait. The first was the commence-

ment of Greenway's campaign to enlist government support to prevent the T.P.C. from obtaining oil concessions in the Turkish Empire, especially in Mesopotamia and the Persian Gulf. The second was the formation of the Royal Commission, headed by Lord Fisher, to investigate and solve among other things the security aspect of oil supply to the British Navy, before which many experts were invited to present evidence.⁴

The correspondence which then ensued between the various government ministries and the evidence given by experts on oil matters before the Royal Commission was regularly distributed among British officials in the Middle East. Cox's opinion was strengthened by Greenway's arguments and he believed that Britain should obtain the first option on oil rights in Kuwait. By so doing, according to Cox, Britain would secure the oil concession for a chosen British company and prevent any attempt by the Turkish Government to include the Kuwait oilfields in concessions they might grant to foreign interests.⁵

The third development however provided a unique opportunity for Britain to search for oil deposits in Kuwait without raising foreign and local interest and expectation. In November the Shaikh of Kuwait asked Britain to assist him in furnishing the town of Kuwait with an adequate water supply. Cox, having received the Shaikh's request from Shakespear, the political

agent in Kuwait, urged the Government of India to send a geologist to examine ostensibly the water potential and secretly the oil potential. Cox, the political resident in Bushire, and Shakespear, well-acquainted with local conditions, insisted upon keeping the search for oil deposits secret from the Shaikh of Kuwait and his subjects for political reasons. Shakespear assumed, and it appears correctly, that after Britain had assisted the Shaikh in his quest for water supplies 'he will be prepared to agree to almost anything we[Britain] like to ask.'⁶

The Government of India, after receiving Foreign Office approval, consented to send a geologist to Kuwait to search for water and oil, choosing a member of the Geological Survey of India to conduct the search. His oil report - the first geological survey of Kuwait's oil potential - was kept separate from the water report and was published in May 1913 only for British officials. It indicated

that the chances are not unfavourable and that an oil company would not require much inducement to test it, if protection and permanency of concessions were guaranteed.⁷

This promising report was known to the Foreign Office when Captain A. Wilson, Cox's deputy, suggested to them in the middle of Greenway's campaign that Britain should obtain a concession for the Kuwait oil deposits 'that are not unpromising and which are well suited from a strategic point of view.'⁸

By then, in August 1913, as has been seen above, the Foreign Office and other government ministries were aware of the political importance of oil concessions in the Persian Gulf and knew of the importance attached to these by A.P.O.C. The Foreign Office suggested to the other government ministries involved in oil matters - the Admiralty, the Government of India and the Board of Trade - 'that there may be an advantage in securing an option to these wells, in favour of a nominee of His Majesty's Government from the Shaikh of Kuwait.'⁹

The Government of India, in view of their general desire to tighten control of the area, quickly gave their consent to the Foreign Office proposal.¹⁰ The Admiralty, which was at the time conducting the negotiations with A.P.O.C. for financial assistance and a fuel contract, indicated the importance they attached to oil in the Persian Gulf. The Admiralty proposed immediately to the Foreign Office that Rear Admiral Slade's Commission, which had already gone to examine the Persian oilfields, be allowed to visit Kuwait and Bahrein to prospect for oil deposits. In addition they advised the Foreign Office that after the Commission had seen the oilfields in Kuwait and Bahrein the political resident should secure options for the oil concessions.¹¹

After the decision was reached quickly and unanimously in London the Government of India instructed

Cox that he should commit the Shaikh of Kuwait to grant oil concessions only to a British Government nominee. Shortly thereafter Cox himself visited Kuwait and persuaded the Shaikh to permit for the first time British officials - the Admiralty Commission - to search for oil in his territory and to promise to grant the oil concession only to a British company nominated by the British Government.¹² (Needless to say, the previous geological survey for oil had been conducted without the Shaikh's knowledge and permission and its conclusions were kept secret from him.)¹³

As the Shaikh was ready to comply with all that the political resident, Cox, regarded as advantageous, he promised 'to show the place of bitumen in Burgan and elsewhere' and promised 'never to give a concession in this matter to anyone except a person appointed by the British Government.'¹⁴ That obligation became an exemplary commitment which the British Government secured later from other Arab rulers in the Persian Gulf. In 1914 the ruler of Bahrein gave the same promise after considerable pressure had been exerted and after the Great War other rulers in the Persian Gulf followed suit.¹⁵

This restrictive agreement, which the British Government interpreted as giving them the right both to appoint a nominee to obtain Kuwait's oil concession

and to participate in the negotiations and determine the concession terms, characterised the new British Government approach to oil concessions in the Persian Gulf. Previously the Shaikh of Kuwait had been bound (as had other rulers) by a convention not to cede, sell, lease, mortgage or give for occupation or for any purpose, any portion of his territory to the government or subjects of any other power without previous consent of His Majesty's Government.¹⁶ However, regarding the oil concession this commitment was not satisfactory to the British Government because it did not confer the right to decide which British company would obtain the concession. To use a British official's words - 'the exclusion from possessing concessions not only of foreigners, but also of unsuitable British subjects is desirable.'¹⁷

The Admiralty fully supported the new Foreign Office policy in Kuwait. Slade's Commission, which was sent to examine A.P.O.C.'s prospects in Persia, also visited Kuwait and made enquiries about its oil potential. The Admiralty, aware of Kuwait's strategic importance and the ease with which oil installations could be defended due to the proximity of the sea, wished to secure British control over the oil deposits. In the oil conference held at Delhi immediately after Slade's visit to the Gulf, he assured the Government

of India that 'steps are being taken to ensure that any development in Kuwait is British.' ¹⁸

This new British Government oil policy emerging in the Persian Gulf was different in aim and implementation from the previous policy as the Foreign Office and the Admiralty now insisted on having the right to choose amongst the British companies the future oil concessionaire. That fundamental change obviously produced also a change in Foreign Office practice when asked to support British interests competing for oil concessions in the Persian Gulf.

The Foreign Office was involved generally in supporting various British oil interests in their competition against those of other powers in the Middle East. Any British company which wanted to secure Foreign Office diplomatic support for their claim had to be the first company in the field and the first company applying for diplomatic support regarding a specific oil concession. That criterion of 'first come, first served' was the simple, justifiable means of handling delicate situations where the Foreign Office had to decide which British company to support against others in the case of more than one competing for the same concession. ¹⁹

However, this principle did not guarantee Foreign Office diplomatic support to British interests in their drive to secure oil concessions in the Persian

Gulf because the Foreign Office wanted to secure these concessions for its own special nominee in this part of the world. The Foreign Office could no longer support the first application from a British national interested in oil concessions in the Persian Gulf, and therefore the first applicants to approach the Foreign Office were denied diplomatic assistance.

The first two Britons to be interested in oil concessions in the Persian Gulf and to apply to the Foreign Office for assistance were R.H. Silley and Lord Cowdray. However both were denied British Government assistance and were discouraged from further activity as A.P.O.C. was being promoted to dominate the region's oil concessions. The company, as seen above, was able to relate successfully the matter of their commercial independence to their need to control oil concessions near their Persian oilfields and to influence the British Government to act accordingly.²⁰

However for political reasons total support in some cases had to be modified. In March 1914 the Foreign Office decided, and consequently convinced the other government ministries, that A.P.O.C. should not be backed in its attempts to obtain exclusively the Turkish oil concessions in Asia, i.e. Mesopotamia, the Persian Gulf and Arabia. Instead the Foreign Office suggested that the new T.P.C. which they had

helped to form, of which 47.5% was controlled by A.P.O.C., 25% by the Deutsche Bank and 22.5% by the Royal Dutch Shell Company, (5% by Calouste Gulbenkian), was the best choice through which to secure Britain's control of the entire Ottoman concession in Asia.²¹

This decision, whereby T.P.C. from March 1914 was chosen to succeed A.P.O.C. in safeguarding Britain's oil interests in the Persian Gulf, except Kuwait, was rooted in the development of detente between Britain and Germany regarding their rivalry over commercial enterprises in the Turkish Empire. From 1910-1914 Britain and Germany came to recognise each other's special interests in the Turkish Empire and were able to conclude a series of agreements between themselves and the Turkish Government.²² By October 1913 Alwyn Parker and R. von Kuhlmann, the Counsellor at the German Embassy in London, agreed 'that it would be very undesirable to leave the oil question unsettled when so much in regard to other questions between England and Germany has been settled.'²³

The Foreign Office, in its efforts to come to an understanding with Germany and to secure Britain's interests in Mesopotamia, accepted the Turkish proposal of an amalgamation between British and German interests competing for oil concessions in Mesopotamia. By forcing A.P.O.C. to modify its former demands and accept German participation in the Mesopotamian oil concession,

the Foreign Office was encouraging a satisfactory compromise. After prolonged negotiations, already well described, an agreement was reached between British and German interests regarding oil concessions in the Turkish Empire. The new T.P.C. was accepted by the British and German Governments as their nominee for oil concessions in the Turkish Empire including the Persian Gulf, thus obviously guaranteeing the company's success. Article 10 of the so called Foreign Office Agreement signed on 19 March by the companies and the governments' representatives restricted the companies comprising T.P.C. 'not to be interested directly or indirectly in the production or manufacture of crude oil in the Ottoman Empire in Europe and Asia', except in Egypt, Kuwait and the 'transferred territories' on the Turko-Persian frontier, 'otherwise than through T.P.C.'²⁴

As a result of this important article the Kuwait oil concession was excluded from any concessions which might later be granted to T.P.C. in the Turkish Empire. It meant, therefore, that the Kuwait oil concession could be applied for by A.P.O.C. independently of its partners in T.P.C. However this clause, which during the twenties was the basis for the famous Red Line Agreement, prevented on the other hand A.P.O.C. and the other participants in T.P.C. from securing independently oil concessions in this vast area; Mesopotamia,

the Persian Gulf and Arabia. The Foreign Office supported that commitment, which meant that only T.P.C. would be nominated by the British Government to obtain oil concessions in the Turkish Empire because in their political judgement this company would be the most expedient. In this way Britain's domination over the oil concessions in the Middle East would be secured.

However, A.P.O.C. had some second thoughts, a fact not mentioned in the major research already done into T.P.C.²⁵ Immediately after signing the 19 March agreement the company attempted to file for 'permis de recherche' for oil in Nejd and secure the concession independently, (ironically the Nejd area proved during the thirties to be the richest area in oil deposits in the whole of Saudi Arabia). After receiving a Foreign Office ultimatum to cancel this application, Greenway complained to the Foreign Office that 'the retention of the article in question was only agreed to by us tentatively, subject to further discussion.' Greenway added another point which Parker, who dealt with the oil issue, described as a lie

.....the foreign members of T.P.C. insisted very strongly on the inclusion of this article.....and we were not in a position to resist their contentions on this point without a definite expression of the views of His Majesty's Government which had not been obtained.' 26

The Foreign Office, in its desire to avoid future confrontation between British and German interests

supported by their relative governments, brought pressure to bear on A.P.O.C. to comply with Article 10 of the 19 March agreement.²⁷

Meanwhile, another development strengthened the Foreign Office decision to support T.P.C.'s and not A.P.O.C.'s drive for oil concessions in the Turkish Empire. The British Government's intention of becoming the major shareholder in A.P.O.C. and of furnishing the company with financial assistance posed a new problem for the Foreign Office. It feared that A.P.O.C. in its new form with the British Government as a major shareholder might endanger the integrity of the Turkish Empire. Parker was convinced that

there would in all probability be strong objections of foreign policy to His Majesty's Government becoming interested as a shareholder directly or indirectly in the Mesopotamian oil concession. 1) The Turks would not like a foreign government to participate and 2) that if His Majesty's Government participated in the Mesopotamian oil concession the French Government might wish to participate in a similar concession in Syria, and the Russian Government in Armenia. 28

Those arguments lay behind the Foreign Office wish to distinguish between A.P.O.C. and the D'Arcy Group, (a subsidiary of A.P.O.C. and holding the biggest share in T.P.C.), and they influenced the Foreign Office in deciding that politically T.P.C. was more advantageous than A.P.O.C. for securing Britain's oil interests in Asiatic Turkey. T.P.C. was predominantly British and this arrangement thus had the effect of securing the whole of this area for interests which were

predominantly British. Therefore the Foreign Office discouraged A.P.O.C.'s efforts in Nejd and Basra and encouraged T.P.C. to file independently for 'permis de recherche' for oil in Nejd and Basra.

However, as regards the 'transferred territories' and Kuwait, both were secured for future exploitation by A.P.O.C. The Foreign Office succeeded in promoting the company's interests by inducing Turkey and Persia to agree to recognise concessions granted by the other near the border between the two countries. This meant that regardless of the outcome of the border dispute A.P.O.C.'s concession territory would not be reduced.²⁹ As Kuwait had been excluded from the scope of the Asiatic/Turkey oil concessions because Britain had refused to admit the territory was part of the Turkish Empire, A.P.O.C. were given special privileges.

A company geologist who had accompanied Slade's Commission in the Persian Gulf was allowed to carry out a geological survey for oil in Kuwait and Bahrein. It seems that in general it was accepted that eventually the company would extend its operation into Kuwait.³⁰

Nevertheless, although the British Government granted A.P.O.C. special privileges, they declined for some years to meet the company's request to open negotiations for the Kuwait and Bahrein oil concessions. On 24 February 1914 the company informed the Foreign Office that the report of their geologist was encouraging

as to the prospects of oil being found in Kuwait and Bahrein and asked the Foreign Office for diplomatic assistance in obtaining concessions there. The Foreign Office immediately sought the comments of other government ministries - the Admiralty, the Board of Trade and the India Office - and it seems that all agreed that the present moment was not appropriate for granting the company further oil concessions.

The primary reason for A.P.O.C.'s failure to obtain these concessions in the Persian Gulf before the Great War, despite their willingness and their advantageous position vis-à-vis other British interests, could be explained by their prolonged negotiations with the British Government for 'special relations'. Up to the beginning of the First World War the company was engaged in trying to conclude an agreement with the British Government in order to secure its commercial independence. Therefore the various government ministries in London conducting the negotiations with the company preferred not to take steps to grant A.P.O.C. oil concessions in the Persian Gulf and declined to comply with the company's request to start negotiations for the Kuwait oil concession until the agreement with it was satisfactorily concluded.³¹

T.P.C.'s concession in Mesopotamia did not materialise either. Although the British and German

Governments exercised considerable diplomatic pressure on the Turkish Government with the result that the Grand Vizir promised to grant the company the Mesopotamian oil concession, the Great War was soon to start and with it the destruction of the Ottoman Empire and the beginning of a new order in the Middle East.

In the period leading up to the Great War the British Government promoted two companies for oil concessions in the Persian Gulf area. A.P.O.C. was encouraged and was granted special privileges to search for oil in Kuwait, where the British Government had secured in advance the right to choose the oil concessionaire and had excluded the territory from any concessions which the Turkish Government might grant. In other parts of the Persian Gulf, where the Turkish Government was recognised as having the right to grant the oil concessions, as in Nejd and Basra, the British Government for political reasons chose T.P.C. to be its nominee. Nevertheless A.P.O.C.'s interests were safeguarded as the company was given the largest share in T.P.C., ie. 47.5%, and in fact dominated the company.

The promotion of these two companies by the British Government for oil concessions and the commitment of the local authorities to abide by such a choice indicated government intention to become deeply involved in the quest for oil in the Persian Gulf. The government was

obliged to support its nominees vis-à-vis other governments and to prevent other oil interests, whether British or foreign, from entering the field. However, as the oil issue could not be isolated from diplomatic considerations it became subordinate to Britain's foreign policy. Therefore to avoid tension with Germany in the Middle East a combine including foreign interests - T.P.C. - was also nominated to obtain a foothold in the Persian Gulf instead of securing the region exclusively for a purely British company - A.P.O.C. Furthermore as the British Government appreciated the potential political danger in becoming closely tied to A.P.O.C., which operated abroad, it was decided that control should be exercised over company decisions on matters which might affect government foreign, naval and military policy.

Nevertheless, despite foreign policy considerations, Britain succeeded after a short while in securing domination over the Middle East oil deposits and securing its special oil interests as a naval power. The evolution of a successful oil policy in the Persian Gulf was partly due to the broad understanding existing between the government ministries as to the importance of securing A.P.O.C.'s special interests in the area and exploiting the oil deposits for Britain. That conviction which suited the particular interests

of the Foreign Office, Admiralty and India Office at the time, characterised Britain's oil policy in the Persian Gulf. During the war this common understanding disintegrated. This caused considerable confusion in deciding Britain's oil policy, and thus affected A.P.O.C.'s prospects of securing control during the war of the oil deposits in Kuwait as in other parts of the Middle East.

4. The War Years

Though the outbreak of war between Britain, Germany and Turkey obviously meant that the quest for oil concessions in the Middle East had to be postponed, A.P.O.C. continued its efforts to secure control over the oil deposits in areas situated near its Persian oilfields. As the company's status vis-a-vis the British Government had improved considerably since 1914, the company's directors were led to believe that despite conditions affected by the war their plans would soon come to fruition.

By the beginning of the war the government and company's close relations finally became legally recognised in the form of a unique agreement signed by the two. The agreement, concluded on 17 May and approved by Parliament on 10 August, made the British Government the major shareholder in the company in exchange for £2.2 million. This agreement comprised several sections which secured the Admiralty and Foreign Office's objectives and reflected Britain's original oil policy.

Admiralty interests were safeguarded by the supply contract committing the company to supply the Navy with six million tons of oil fuel at a specially reduced price over the next twenty years. In addition, the agreement provided the Admiralty with preemptive rights

to purchase any oil fuel produced by the company; and in time of war the 'entire stock and production' of the company's oil fuel was to be held 'at the disposal of the Admiralty.'¹ Foreign Office interests were safeguarded by ensuring the company's British character and by the British Government's right to exercise a veto on company decisions in matters of foreign and military policy.² These two main principles, i.e. to maintain the company's British character and to grant the Admiralty the right of pre-emption of oil fuel produced, emerged as the core of British oil policy.

However, the British Government's new formal relationship with A.P.O.C., criticised by foreign powers and other oil companies,³ did not benefit the company as its directors hoped. During the war Greenway and his colleagues sensed a change in the Foreign Office attitude towards A.P.O.C. and very quickly realised that Foreign Office support particularly for the company's oil claims in the Persian Gulf and Asiatic Turkey was declining. Indeed, a new Foreign Office attitude towards A.P.O.C.'s oil claims evolved during the war thus determining in particular A.P.O.C.'s prospects of securing Kuwait's and other oil concessions in the Middle East.

The first indication of a possible conflict of interests between the Foreign Office and the oil company came to light when the Foreign Office decided to

consider the 19 March agreement signed between the British and German interests concerning the Mesopotamian oil concession no longer legally valid. As a result of the war the Foreign Office believed this course of action would be the best method of eliminating German interests from 'regions which in all probability will eventually fall within a British sphere of influence.'⁴ A.P.O.C. for its part favoured the agreement which gave them control over the Mesopotamian oil concession and they feared the Foreign Office decision might prejudice their position. Therefore the company urged the Foreign Office to uphold the agreement and to allow the company to obtain its proper share in T.P.C.⁵ Consequently the Foreign Office succeeded in obtaining the company's and other government ministries' concurrence after promising that 'the necessity of safeguarding so far as possible the interests of the British parties to that agreement will not be lost sight of.'⁶

This slight incident revealed a far more serious development with far greater consequences - a growing division between the Foreign Office and Admiralty attitudes towards A.P.O.C. Admiralty officials appreciated to a greater extent the importance of A.P.O.C.'s oil supply contract and believed that the company could in future reduce the navy's heavy dependence on foreign oil. Therefore the promotion of the British

Government-controlled company - A.P.O.C.- became of great importance to the Admiralty and resulted in a joint stand with the company on some oil issues, particularly in support of claims for additional oil concessions. As a result the Foreign Office had to assure the Admiralty that provision would be made in the peace terms to secure the company's interests.⁷

The anticipated conflict between the Foreign Office and the company and its ally, the Admiralty, was postponed during 1915 because the Foreign Office still considered it advantageous and important for Britain to promote A.P.O.C.'s interests.

Nevertheless, soon afterwards the Foreign Office adopted a new attitude, thus initiating a period of tension with the Admiralty with serious consequences for A.P.O.C. This new attitude adopted by the Foreign Office became prominent in March 1916 after A.P.O.C. suddenly requested Foreign Office support in obtaining 'complete oil rights over any portion of the Turkish Empire which may come under British influence.' The oil company had very carefully timed its approach to the Foreign Office for promises of the oil concessions in Mesopotamia and the Persian Gulf. Greenway, the company's chairman, was aware of negotiations between the Shell Company and Foreign Office officials during January 1916 which were intended to explore ways of bringing Shell under British control. He was afraid that the Foreign Office might promise to support Shell's

oil claims in Asiatic Turkey as an inducement to bring Shell under British control.

The Foreign Office, surprised by this sudden demand and with Shell's proposals still under review, suggested to the other government ministries that the government's attitude on the oil issue should be reassessed. In addition, the Foreign Office's answer to A.P.O.C.'s oil request was that 'the whole question' of oil concessions in Asiatic Turkey 'will be considered at a later date.'⁸ A.P.O.C., already suspecting a growing affinity between the Foreign Office and Shell's directors, immediately asked the Foreign Office for assurances that this postponement of a decision did not indicate any intention 'to grant oil concessions in the territory in question to any other group.' The company reminded the Foreign Office that the British Government had

acquired a two thirds interest in this company and therefore that it is not in the interest of the nation that any other rival group - whether British or foreign - should be allowed to acquire concessions in the territory in question.⁹

Meanwhile, the Foreign Office informed various ministries - the Admiralty, the India Office, the Board of Trade and the Treasury - of its revised attitude. It suggested constituting a really powerful and efficient oil combine, ie. that the Royal Dutch Shell Group should be brought 'under British control by an amalgamation with the Burmah and Anglo Persian companies, or otherwise,' and entrusted with the oil concessions of

Asiatic Turkey.¹⁰ To understand this turn-about in Foreign Office opinion, criticised by the Admiralty 'as in direct conflict with those previously held by the Foreign Office', it is necessary to refer once again to the motives behind the Foreign Office's support for A.P.O.C.¹¹

As seen above, the original reason for the Foreign Office's involvement in oil matters was in order to increase Britain's influence abroad, and the support given to A.P.O.C. was not without regard to other diplomatic considerations. According to the Foreign Office, the war 'strikingly demonstrated the power which H.M.G. have on neutral countries by their existing control of bunker coal.' Hence with the substitution of oil for coal as a navy fuel, the Foreign Office feared that 'this influence may largely pass to foreign countries' most dangerously to the enemy, Germany. Foreign Office officials believed Germany to have a far greater control than Britain of oil supplies. This remarkable conviction which was far from true was partly the result of Greenway's campaign against Shell's association with Germany and partly due to the fact that German capital had participated in oil production in Central and Eastern Europe, particularly in Rumania.¹² The war presented a golden opportunity for bringing under British control a giant concern believed by the Foreign Office to be 'an avenue.....for German economic

penetration' in the Middle East and which apart from the American companies was Britain's main oil supplier after the outbreak of war.¹³

Evidently during the first eighteen months of the war the Royal Dutch Shell Group, which was in fact 40% British, rendered valuable services to Britain's war effort and its directors expressed their readiness 'to make sacrifices in order to enter into closer relations with H.M.G.'¹⁴ Therefore the Foreign Office considered it to be more advantageous to wean the Shell Group away from German influence rather than to support A.P.O.C.'s monopolistic oil claims in Asiatic Turkey, a move which would definitely alienate the Shell Group. Thus the Foreign Office stated its strong opposition to giving A.P.O.C. preferential rights for the Asiatic Turkey oil concessions.¹⁵

Naturally the Foreign Office's revised policy drew immediate protest from the Admiralty. Six days after being notified of the new Foreign Office view the Admiralty succeeded in holding an interdepartmental conference, without Foreign Office representatives being present, to make decisions reflecting the Admiralty's point of view. On 8 March delegates from the Admiralty, India Office and the Board of Trade decided unanimously to reject Shell's proposals, which had been submitted previously to the Foreign Office, and to 'retain the existing all-British interests.....

and trust to their developing at a future time sufficient resources to supply a large proportion of our requirements.'¹⁶

Foreign Office officials were understandably angry when they learnt of the conference and its decisions. As they had already suggested holding a conference to discuss the oil issue and had informed the other ministries of their different view, they felt 'deliberately excluded' and raised opposition to A.P.O.C.'s extensive surveys at the instance of the Admiralty in the Persian Gulf area.¹⁷

The Admiralty's view also needs clarification. Admiralty officials did not oppose the idea of bringing the Shell Group under British control because they were aware, as many other British officials, of the group's contribution to Britain's war effort. The Admiralty directors of contract and stores fully agreed that 'Shell have been a great asset to us' and considered it desirable 'to secure British control of the group.'¹⁸ In its reply to the Foreign Office suggestion to bring the Shell Group under British control the Admiralty clearly stated its readiness 'to consider any means for securing British control' over the group.¹⁹ In fact the Admiralty's only criticism was of the Foreign Office's hostile attitude towards A.P.O.C., and they were opposed to schemes which involved the sacrifice of the interests and independence of A.P.O.C.

Careful examination of the actual views and positions held by these two ministries, the Foreign Office and the Admiralty, is necessary in order to understand in general the fluctuations in Britain's oil policy and in particular the reasons underlying A.P.O.C.'s failure to secure British Government support for their oil claim in Kuwait during the war. The company continued their efforts, begun before the war, to secure a formal commitment from the British Government for their future exploitation of Kuwait oil deposits.

A.P.O.C.'s directors in London and the Persian Gulf conducted parallel negotiations with British officials in order to strengthen the company's claim and position in Kuwait. In October 1915 it pressed for permission to carry out a geological survey of Kuwait's territory. Having received Government of India permission, Cox, the senior political resident in the Gulf, passed a message to the company that 'there is now no objection on the part of government' to the company examining Kuwait's territory for oil.²⁰ Acting on his own initiative, the political agent in Kuwait offered to give every possible assistance to the company's geological staff. However, according to the company, their geological employees were fully occupied in Persia; and they informed the British officials in the Gulf that the work would have to be delayed.²¹

It was a year before the company again approached the political resident in the Gulf to ascertain whether their geologist could survey Kuwait and other territories in the Persian Gulf for oil deposits. As regards Kuwait, Arnold Wilson, who had now replaced Cox, answered that the work could be carried out at once.²² Again the company remained inactive for six months until Wilson informed them that the political agent in Kuwait 'has discovered an extensive bitumen deposit.' Even then the company reply was that 'none of our geologists are available' and a request was made for more details and a sample of the bitumen discovered. Only after receiving and examining the samples did the company send a geologist to Kuwait who confirmed previous reports indicating oil deposits in Burgan.²³

The company's peculiar behaviour whereby on the one hand they pressed for permission to survey Kuwait's territory for oil and on the other hand delayed in sending their geologist, despite official British permission and encouragement, was the first indication of their policy in Kuwait, a policy which continued after the war. Originally the company wished to secure domination over Kuwait's territory so as to prevent any other company from penetrating the area and endangering their flank.

However other priorities and financial considerations compelled the company to postpone any substantial

expenditure in Kuwait. Their priorities led them to develop their rich Persian oilfields, develop distribution and refinery facilities, construct a tanker fleet and make strenuous efforts to control the oil concession of Mesopotamia where rival interests were competing. These targets, striven for by the company during and after the war, were considered to be essential to safeguarding its commercial survival. The company was still small and relatively insignificant in the world petroleum industry and their financial resources were not sufficient to meet the rate of development planned, especially as they were restricted by the British Government in raising extra capital on the stock market.²⁴ In addition, the company's government contract for supplying the navy with cheap oil fuel and the long-term agreement with the Shell Group limited its profitability.²⁵ It was only in 1917 that it started to pay a dividend to its shareholders and in 1918 that it obtained British Government consent to raising part of the extra capital required on the stock market.

Therefore it seemed that the only way open to the company to secure their special interest in Kuwait lay in trying to strengthen their position in relation to the British Government so as to deter any other group from entering the field, and in postponing any costly activity until such time as their financial situation improved. This the company did;

and on 10 October 1917 they formally requested the India Office, the ministry responsible for the Gulf, to grant them the 'petroleum rights in Kuwait'. The company explained to the ministry that they had 'carried out at the instance of the Admiralty' a thorough geological examination in Kuwait and wished to secure their claim 'before incurring the large amount of additional expenditure' needed.²⁶

After considering the application and obtaining the views of the Viceroy and Cox, the India Office generally favoured the idea of supporting the company in securing Kuwait's oil concession. According to the ministry, local considerations indicated that 'the balance of advantage would appear to lie in supporting the company's application.'²⁷ The Foreign Office, upon receiving the India Office's verdict, referred the application together with their opinion to the Petroleum Executive, a new organisation formed to advise the British Government on oil affairs during the war. The Foreign Secretary, in accordance with the Foreign Office's revised policy concerning additional oil concessions for A.P.O.C. as described above, also linked the Kuwait oil concession to 'the general question of oil and of various concessions in the newly occupied territories at the head of the Gulf.'²⁸ This decision diminished A.P.O.C.'s prospects of obtaining British Government support during the war for their oil claim in Kuwait because from

now on the concession became part of a broader issue facing the British Government - that of to whom and on what terms the Asiatic Turkey oil concessions would be entrusted.

It seems, therefore, that the Foreign Office not only changed its attitude towards A.P.O.C.'s oil claims in the Gulf but also towards the question of the Kuwait oil concession. If before the war the Foreign Office successfully separated the Kuwait oil concession from those in Mesopotamia - the Foreign Office agreement of 1914, Article 10 - it had now reversed its attitude and considered that granting the Kuwait oil concession should be delayed until such a time as the government had definitely decided upon their oil policy in Mesopotamia. The Petroleum Executive, a new organisation which was later reconstituted and renamed the Petroleum Department, echoed the Foreign Office view and reached the obvious conclusion that 'the granting of petroleum rights in the newly occupied territories' including Kuwait, 'should be withheld until such time as some definite policy has been agreed upon as to the manner in which our future supplies of petroleum products can be secured.'²⁹ The Admiralty, although supporting the company's claim, also agreed that the application should be dealt with as part of a wider question facing British oil policy.

As a result, the India Office informed A.P.O.C.

that the government could not support their application at present, as the issue came under the broader heading of the Asiatic Turkey oil concessions.³⁰ Nevertheless, undaunted, the company again pressed the Foreign Office soon after for some kind of British Government recognition and support for their Kuwait oil claim. But this time, in accordance with the new Foreign Office definition, they requested an extension of their claim for the Mesopotamian concession 'so as to cover the territory of Kuwait.'³¹ However, from May 1918 the British Government and A.P.O.C. were occupied in other more pressing matters. The British Government was engaged in the final stages of the War and the peace settlement, and on the question of oil they found themselves in fierce competition with their allies for a share in the Asiatic Turkey oil deposits. France and the United States of America became more determined than ever to secure a share in the estimated oil reserves of the world³²

In the United States of America the outcry that America's oil deposits were fast declining grew louder and affected United States' foreign policy. The intense desire to gain a foothold in the oil deposits in former Turkish territory was initially justified on the grounds that the Allies had relied heavily on oil supplies from America and 'floated to victory on a wave of [this] oil.'³³ The

State Department considered that the territories taken from Turkey were spoils of the common victory to which the United States had so largely contributed, and therefore American commercial interests should be accorded equal opportunities.

In addition, Britain's policy of excluding foreign oil interests from the Empire and British zones of influence - the nationality clause - caused criticism in the United States. This policy obviously applied especially to American oil interests and was answered accordingly by America. In mid-1919 the State Department ordered its diplomatic officers to give assistance to all legitimate American interests seeking oil concessions abroad. Moreover, in May 1920 Congress passed the Mineral Leasing Act which provided for ^{retaliation} reciprocity against foreign exclusivity. According to its provisions no leases on public lands could be given to nationals of countries that did not grant similar privileges to American interests. Consequently the State Department campaign after the war was centred on facilitating the admission of American oil interests into Mesopotamia, i.e. a share in T.P.C.³⁴

In Britain oil policy seemed more confused and muddled than ever before despite the long awareness of the contribution of oil to national security and diplomatic influence abroad. By this time the old difference of opinion between the Foreign Office and

the Admiralty had broadened to include a greater number of ministries involved in the decision-making process regarding oil policy. From 1918 not only were the Cabinet, the Foreign Office, the Admiralty, the War Office, the Petroleum Executive, the India Office, the Petroleum Department of the Board of Trade, the Treasury and various committees all deeply involved in the question of oil, but the Prime Minister himself also concluded a secret agreement with Clemenceau regarding oil matters. Co-ordination between the various ministries, obviously holding differing views and with varying interests to promote, seemed impossible and resulted in this fluctuating oil policy. The Lloyd George- Clemenceau agreement, the Long-Berenger agreement, the ministerial decision of 23 January 1920 and the San Remo oil agreement, (all of which are beyond the scope of this work and are comprehensively described by others), illustrate the sharp changes in Britain's oil policy at this time.³⁵

In this situation it is not surprising that A.P.O.C. preferred not to reintroduce the issue of the Kuwait oil concession and made no representations. In any case, the company was deeply involved in securing its share of the Mesopotamian oil concession against various competitors, and in making efforts to win back British Government support. Gradually it became obvious to the British Government and the company that the only way of securing Britain's oil

interests in Mesopotamia was to regard T.P.C. and its promised concession as a valid entity and to accord the American oil companies a share. The French were allotted the German share in T.P.C. and A.P.O.C., with British Government blessing, opened negotiations with a group of American oil companies interested in exploiting Mesopotamian oil with a view to transferring to them a part of their share.

The revival of the concession promised to T.P.C. had two very important by-products which determined the history of Middle Eastern oil concessions. The American, British, French and Dutch interests of T.P.C. which later secured the Iraq oil concession agreed not to become independently involved in oil exploitation in the former Turkish Empire, in accordance with clause 10 of the 1914 agreement. As regards the Kuwait oil concession it was once again excluded from consideration under the umbrella of the former Turkish Empire oil concessions and therefore A.P.O.C.'s claim for it was strengthened. As no other company but A.P.O.C. had made constant requests for the oil concession they emerged as the only company which was likely to be supported by the British Government and therefore to be successful in obtaining the concession. This anticipated success was due to the oil convention signed in 1913 between Britain and Kuwait giving the former the right to choose the oil concessionaire, and to the fact that after the War Kuwait was recognised

and treated as being firmly and entirely under British control.

Although from the beginning of the war Kuwait had lost its vital importance to Britain as regards the Baghdad railway, via which it had been believed German influence would penetrate the area, nevertheless British-Kuwait relations had grown stronger. The Shaikh, who had been officially informed on 8 August 1914 of the outbreak of war between Britain and Germany, made a declaration of loyalty on 21 August and placed his 'efforts, his men and his ships' at the disposal of Britain. In return for his co-operation against the Turks, the Shaikh, in a letter from the political resident in the Gulf dated 3 November 1914, was given amongst other things an assurance that 'Kuwait shall be recognised as an independent principality under British protection.' Shaikh Mubarak, who had ruled Kuwait since 1896 and who had promoted exceptionally close relations with Britain, died on 28 November 1915. The Shaikh, who was described by Curzon as being the most energetic personality with whom he dealt in the Gulf, had delicately and ably developed good relations with Britain thus gaining considerable political and financial benefits for Kuwait and himself.

He was succeeded by his elder son Shaikh Jabir who was informed in March 1916 that 'so long as you act up to existing arrangements with the British Go-

vernment you may expect the same support as was enjoyed by your father.' On 5 February 1917 Shaikh Jabir died and his brother Shaikh Salim succeeded him. Britain approved the succession and in March 1917 gave him an assurance similar to that given to his predecessor. The new Shaikh, who was described by British officials as 'narrow in outlook' and 'tactless in his personal relations', was soon at odds with Britain. Difficulties with his Majesty's Government arose over the strict maintenance in Kuwait's territory and ports of the blockade imposed by Britain to prevent supplies reaching the enemy in the Arabian Peninsula. The blockade was naturally unpopular in Kuwait and the new Shaikh adopted an obstructive attitude towards it. As a result, Britain considered occupying Kuwait and in July 1918 the Shaikh was warned that he would be held personally responsible if he continued to act contrary to the interests of Britain. Victory in Palestine made the removal of the blockade possible and eased the situation. During the remainder of the war the Shaikh adopted an attitude regarded as satisfactory towards His Majesty's Government, and his co-operation was rewarded at the end of 1918 with a subsidy and the cancellation of a loan of £12,500 made in 1914 in connection with Kuwait's water supply.

The end of the war necessitated a decision as to the status of Kuwait which the British Government had promised to recognise as an independent principality under British protection. Because of political, military and financial considerations Kuwait was not declared a British Protectorate, but was regarded as 'an independent Arab state under British protection'. Nevertheless responsibility for it was transferred in 1921 to the Colonial Office marking Kuwait's new status.³⁶ This reallocation of responsibilities indicated that every attempt was being made to return the administration to a normal course, and for A.P.O.C. this meant it was a propitious time to reopen the question of the Kuwait oil concession.

The War years were characterised by the emergence of a diversity of opinion within the British Government which later became more noticeable. Each ministry, particularly the Foreign Office and the Admiralty, considered that its particular view best suited the State's interests and therefore each was determined to achieve its objective. This in turn was reflected in the Government's inability to promote a coherent oil policy and in A.P.O.C.'s failure to secure a definite government promise to the Kuwait oil concession.

The company for its part, although unwilling to take on oil exploration in the Persian Gulf for several years to come, was eager nevertheless to secure government acknowledgement at least of its priority right.

Therefore the adoption of A.P.O.C. as its nominee contained a potential danger for the government which would have to assume the role of a biased referee and face criticism from any party wanting Kuwait's oil deposits to be developed forthwith.

PART II

THE BRITISH GOVERNMENT - A BIASED REFEREE

1. The Concession Terms

The allocation of responsibility for Kuwait's affairs to the Colonial Office considerably increased A.P.O.C.'s prospects of securing the oil concession. As seen above, the Colonial Office had participated in the evolution of Britain's nationalistic oil policy since 1904 and the new Colonial Secretary was none other than Winston Churchill, a long standing supporter of the company, who particularly appreciated its financial and strategic importance to Britain.¹

Therefore as soon as the Colonial Office had settled its internal organisation regarding the Middle East at the Cairo Conference, the company reintroduced its claim for the Kuwait and other oil concessions in the Persian Gulf.² On 12 May 1921 it requested the British Government for assistance in opening negotiations with Arab rulers of the Persian Gulf - the Sultan of Muscat, the Trucial Chiefs of Oman, the Shaikhs of Kuwait and Bahrein and the Emir of Nejd - for 'an exclusive prospecting licence' for oil in their territories.³ In order to strengthen their claims, especially those relating to Kuwait, the company first turned to the Foreign Office and asked it to transmit their application to the Colonial Office (now the ministry responsible) together with 'copies of any necessary previous papers.'⁴ Characteristically the company once again warned British officials of the danger

threatened by foreign penetration into the Persian Gulf, and on political grounds suggested that 'all oil concessions in these territories should be in the hands of a single British company.'⁵

Furthermore, when making this initial approach the company even proposed financial terms for the concession which were designed to exempt it from paying prospecting fees. The company stated very firmly that

as very heavy expenditure must necessarily be incurred in prospectingfor oil, no payment would become due to the Chiefs in respect of such prospecting licence

and demanded to be 'permitted to import all requirements.....free of duty.'⁶

Churchill, the chief government architect in bringing together the British Government and A.P.O.C. in the 1914 agreement, reacted favourably to the company's request for all the Persian Gulf oil concessions. Initiating consultations on the subject, the Colonial Secretary sought advice from the two local senior British officials responsible for Persian Gulf affairs - Sir Percy Cox, the High Commissioner of Mesopotamia and Colonel A.P. Trevor, the political resident at Bushire - the India Office and the Petroleum Department of the Board of Trade.⁷ The Admiralty and the Foreign Office, which previously had been deeply involved in oil concessions in the Persian Gulf, took no active part because the issue was considered to be internal. They re-entered the

field only in the late twenties when foreign policy considerations were involved.

The advice given by Cox and Trevor was in general accepted by the Colonial Office. They suggested that negotiations for the Kuwait and Bahrein oil concessions could be opened as soon as desired because Britain's position was safeguarded by the oil conventions signed in 1913 and 1914 respectively, which committed the Shaikhs to grant concessions only to a British Government nominee. However, for political and tactical reasons they advised that negotiations for the rest of the Persian Gulf oil concessions should be delayed.⁸

The India Office, in accordance with support given earlier to A.P.O.C. in the Persian Gulf, agreed that negotiations for the Kuwait oil concession could be opened immediately. Furthermore, it adopted an idea put forward by Trevor and suggested to the Colonial Office that Britain should take the earliest opportunity of safeguarding A.P.O.C.'s special oil rights in the Persian Gulf by negotiating 'with the Shaikhs of the Trucial Coast conventions similar to those already obtained from the Shaikhs of Kuwait and Bahrein.' By so doing, the India Office argued, Britain would secure A.P.O.C.'s right 'at some future date to prospect for oil in this area also.'⁹ Having received Colonial Office clarification on some points

the Petroleum Department advised that the company was 'entitled to enter an application for a prospecting licence' for Kuwait and to receive British Government support.¹⁰

While these consultations were in progress and while still awaiting the Colonial Office's reply to their 12 May letter, the company opened a new line of direct communication with British officials in the Persian Gulf in order to strengthen their claim for the Kuwait oil concession. Sir Arnold Wilson, the company's manager for the Gulf who had retired from government service, contacted his old friends Cox and Trevor and asked permission and support to open negotiations with Kuwait's ruler for the oil concession. He reminded Cox that Kuwait territory had been specifically excluded from the scope of the 1914 Foreign Office agreement and requested Trevor's assistance in the negotiations with Shaikh Ahmad.¹¹

The draft concession proposed, offering the Shaikh a royalty payment of 10% of the net profit (compared with 16% accepted by the Persian Government twenty years before), was also sent for Cox's approval. However, although Cox and Trevor could not permit Wilson to open negotiations with the Shaikh until the Colonial Office sanctioned it, they aided A.P.O.C.'s case considerably by providing useful information as to the time and way in which the company should approach the Arab ruler, and again presented

the company's case to the Colonial Office in a favourable light.¹²

As a result of the broad understanding existing among the various ministries and individuals concerned regarding A.P.O.C.'s entitlement to special consideration in the Persian Gulf, (in contrast to the war years when conflicting opinions prevented a decision), the Colonial Office decided to take positive steps to secure A.P.O.C.'s supremacy in the region. A.P.O.C. was informed that as a result of their request the political resident had been instructed to persuade the Arab rulers to sign oil conventions similar to those signed by Kuwait and Bahrein and was promised that 'when such an undertaking has been secured' the Colonial Secretary

will be prepared to consider the propriety of recommending.....to grant to the D'Arcy Exploration Co. prospecting licences for these territories.

Consequently during 1922 the rest of the Arab chiefs, except Ibn Saud, signed oil conventions with Britain similar to that signed by the Shaikh of Kuwait in 1913.¹³

As regards Kuwait, the Colonial Office stated that in accordance with its interpretation of the 1913 oil convention the negotiations should be conducted through the political resident and not before political and financial terms had been agreed with the company, ie. the British Government should approve the terms to be proposed. The political conditions

accorded with Britain's nationalistic oil policy and Arab and British sensitivity to Persian claims on the Arab side of the Gulf. The Colonial Office indicated that the securing of an oil concession was conditional 'upon the maintenance of the strictly British character of the Lessees' (the nationality clause), and that the application for the oil concession should be made in the name of the D'Arcy Exploration Company and not in the name of A.P.O.C. Although the D'Arcy Exploration Company was a subsidiary totally controlled by A.P.O.C. the British Government insisted on using its name 'in order not to give colour to Persian claims in the Arab Gulf' and not because of Arab hostility to A.P.O.C. as was claimed by others.¹⁴

The financial terms were designed to safeguard the Shaikh's interests and shortly became the topic of lengthy negotiations between the Colonial Office and the company. Generally the Shaikh was to receive Rs.10,000 (£750) for a two-year exploring licence and would grant the company an exemption from customs dues only on machinery used for oil prospecting. A.P.O.C. accepted the terms in general and informed the Colonial Office of their willingness to open the negotiations for the Kuwait oil concession 'through the appropriate channels', i.e. the political resident.¹⁵ However, the company requested some modifications of the terms, especially an extension of the period for the prospecting licence from two to four years and the inclusion in it

of the whole territory of Kuwait.¹⁶

By now the Colonial Office had become deeply involved in the negotiations for the Kuwait oil concession and was engaged in considerable consultations with the other ministries concerned, namely the India Office and the Petroleum Department of the Board of Trade. On 21 January 1922 the Colonial Office called for an interdepartmental conference to discuss matters relating to the Kuwait oil concession and to consider A.P.O.C.'s requests. At the conference it was agreed to modify the initial terms and to fix the royalties payment for the oil lease.¹⁷

Several more months of negotiation were required to bring agreement between the Colonial Office and A.P.O.C. on the terms to be offered to the Shaikh of Kuwait for the oil concession. The exploration licence was to include all Kuwait's territory for a period of two years, extendable for a further two years, for a payment of Rs.1,000 (£75). The prospecting licence was to cover not more than 400,000 acres divided into not more than five blocks for a period of two years and a payment of Rs.10,000 (£750). The exploitation lease would cover not more than 100,000 acres in not more than three blocks, with a royalty payment of Rs.3.8as. (5s 3d) per ton of net crude oil with a guaranteed royalty of Rs.30,000 (£2,250) per annum. In addition, the company would be permitted to take up to 100 tons of oil free of royalty

during the period of the prospecting licence and would be exempt for ten years from paying import dues on any machinery needed for the developing of the oil industry.¹⁸ Accordingly after the company accepted the terms, the Colonial Office instructed the political resident in the Persian Gulf 'to assist the representatives of' the company 'to negotiate an agreement' with the Shaikh of Kuwait.¹⁹

These negotiations between the British Government and A.P.O.C. for the Kuwait oil concession illustrate the special role assumed by the government. The Colonial Office interpretation of the 1913 oil convention meant that the British Government was not only entitled to choose the candidate for the oil concession, as was agreed in 1913, but also become a party to the negotiations, even without the Shaikh's knowledge or consent for a time, which was not specified in the agreement.²⁰ In fact the British Government was to initiate a model concession which became the basis for other oil concessions in the Persian Gulf.

This emphatically marked the continuation of Britain's policy in the region and emphasised the extent to which the revival of a pre-war attitude lay behind policy during the twenties. This policy, as seen above, had been aimed since before the war at assuring A.P.O.C.'s domination over any oil deposits in areas situated near their Persian oilfields, either through T.P.C. (the 1914 agreement) in the Turkish

Empire or independently in the transferred territories and Kuwait, while also being politically committed to safeguarding the Persian Gulf rulers' interests. The ultimate step in that policy was to persuade the other Arab rulers of the Persian Gulf to sign oil conventions, to negotiate with A.P.O.C. in order to improve its proposed terms for the oil concessions and to assist A.P.O.C. in negotiating with the Shaikh of Kuwait for the concession.

Although A.P.O.C. expressed 'great satisfaction' that Trevor had been instructed by the Colonial Office to render assistance to Wilson, the company's local manager, they failed to send the latter to Kuwait to open negotiations.²¹ It seems that the company had second thoughts. It considered that some of the conditions which the British Government was seeking to incorporate in the concession would be difficult to reconcile with the conditions of its existing concession in Persia and were therefore not acceptable.

However, Wilson's absence did not deter the political agent in Kuwait, when he received instructions to assist the company, from approaching the Shaikh and initiating negotiations for the oil concession. He presented the Shaikh with a single agreement to include the prospecting, exploration and exploitation licences based on the financial terms agreed between the Colonial Office and the company, as he considered this format to be more convenient and acceptable to the Shaikh.²²

Evidently within only two months of negotiations commencing the Shaikh, according to the political agent 'was ready enough to enter into a binding lease with the A.P.O.C.,'²³

The Shaikh accepted most of the terms offered by the company except the royalty payments. Nevertheless the company's directors in London, despite Wilson's advice that it would not be difficult to secure the concession, ordered him to take no further action to conclude an agreement. The reason given to him was that

the opening of the negotiations should be delayed, owing to the company's heavy programme of engagements and developments in progress elsewhere. ²⁴

Instead they preferred the political agent to continue the negotiations which were in no way binding upon the company.²⁵

This attitude, although surprising, was in accordance with the company's basic policy regarding the Kuwait oil concession since before the Great War - that of securing British Government support and commitment so as to deter other interested parties without becoming involved in financial expenditure. The company, although somewhat sceptical about the existence of oil in Kuwait, wanted to preserve the territory for later operations and to bind the Shaikh with a concession which would allow them to start oil exploitation when convenient. The first indication of this policy after the war was the company's insistence on an extension

period of another two years for the exploration licence and the inclusion of the whole territory of Kuwait within the scope of the agreement. Although the company was aware that the prospecting field of Kuwait was more easily accessible than other oilfields on either side of the Gulf, they explained to the Colonial Office that an extension of time was needed because of the extent of the territory, the unsettled political situation and the climate.²⁶ In fact the main reason for the company's behaviour, which later also became apparent to British officials, was its wish to delay oil exploitation in Kuwait as in other parts of the Persian Gulf for some years, after it had secured the option on favourable financial terms.²⁷

Soon the company's attitude and the state of negotiations between the three parties - the Colonial Office, A.P.O.C. and the Shaikh - were to change when a new British company entered the Persian Gulf area, approaching the rulers directly for oil concessions. The appearance of the Eastern & General Syndicate (E&GS) in Kuwait had serious consequences for Britain and determined the development of the oil industry of the whole region. It is therefore important to examine thoroughly the particular case which paved the way for the Syndicate's success in the Persian Gulf and consequently the arrival of the Americans in the area - the El-Hasa case.

2. Ibn Saud's Lead: the El-Hasa Case 1923

The Eastern & General Syndiate (E. & G.S.) was incorporated in London on 6 August 1920 for the purpose of obtaining concessions and investigating business opportunities in Arabia. The Syndicate was a purely British company and its principal shareholders were Sir Edmund Davis, Percy Tarbutt and Edmund Janson who were all engaged in mining enterprises worldwide. Major Holmes, a company employee whom the Arabs later called 'the father of oil' (Abu el-Naft), was sent to the Persian Gulf to secure concessions.

The Major's first attempt to achieve this end resulted in failure when the Colonial Office, after being consulted by the Syndicate, raised objections to the Syndicate securing an oil concession from Shaikh Idrisi of Asir. Having consulted the Foreign Office, the India Office and the Petroleum Department, the Colonial Secretary informed the Syndicate that 'he does not at present see his way to accord..... the desired permission.'²

Nevertheless the Syndicate was not discouraged by the Colonial Office's attitude and when Dr. Mann, the Sultan of Nejd's agent in London, stimulated their interest and offered his assistance in securing an oil concession from Ibn Saud, it was decided to make the necessary overtures. Dr. Mann, who in anticipation of his retirement from his post as

a medical officer in the employ of the Iraqi Government had persuaded Ibn Saud to appoint him as his agent in London, advised the Syndicate to approach Ibn Saud directly.³

The Syndicate, acting upon Dr. Mann's advice that Ibn Saud 'was a completely independent sovereign, in a position to do as he pleased in such a matter', decided not to consult the Colonial Office this time and sent Holmes to meet Ibn Saud.⁴ Holmes, accompanied by Dr. Mann, met Ibn Saud at Hofuf, capital of the mainland province of El-Hasa, in October 1922 and immediately opened negotiations for an oil concession. At their meeting at Hofuf, Dr. Mann assured Ibn Saud that the terms being offered by the Syndicate were very generous and urged him to grant E.&G.S. the El-Hasa oil concession.⁵ Ibn Saud became dissatisfied with Mann's pressure, especially after realising that the British draft of the concession was different 'in some particulars from what Dr. Mann had given him to understand they were', and refused to sign the concession.⁶ Instead he decided to revise the draft along the lines he wanted and to seek Cox's advice at their scheduled meeting on 22 November at Ojair.

Meanwhile British officials, aware of Holmes' activities, informed him on Cox's orders that

his application to Ibn Saud for the oil concession for Nejd was premature and could not be supported by H.M.G. who in any case had received prior requests from other parties

namely A.P.O.C.⁷ Holmes, determined to secure the concession and encouraged by his preliminary talks with Ibn Saud, decided to accompany Ibn Saud to Ojair without Dr. Mann, who left for London, to conduct the negotiations and meet Cox.

At Ojair, while Cox and Ibn Saud conducted political negotiations about resolving the problem of borders between Nejd and Iraq and Nejd and Kuwait, Holmes had the opportunity of presenting in person his company's case to Cox and of continuing his negotiations with Ibn Saud.⁸ Interviewing Holmes on 1 December 1922 Cox gained the impression that Holmes behaved 'straight-forwardly' and was pleased that Holmes had not only accepted his advice to show 'the result of his discussion with Ibn Saud to Sir Arnold Wilson' but agreed to try and draft with him a 'joint proposal' for the oil concession to be put to the British Government for approval.⁹ Cox was also satisfied with the attitude adopted by Ibn Saud who, although he did not sign an oil convention with Britain, promised not to sign anything until he had obtained British Government advice.¹⁰ Therefore Cox reported to the Duke of Devonshire, who had replaced Churchill as Colonial Secretary, that he did not feel 'justified in humiliating His Highness or otherwise disturbing the atmosphere by objecting to further intercourse between them.'¹¹ (Cox was accused later by A.P.O.C. of having assisted Holmes

to secure the oil concession which obviously was not the case.)

After the conference was over Holmes immediately went to Basra to see Wilson, as promised, to try to bring A.P.O.C. in so that the El-Hasa concession could be secured jointly. The Syndicate wanted to enter into partnership with A.P.O.C., not only because Holmes had promised this to Cox but chiefly because they lacked the means to develop an oil industry in the Persian Gulf. Only later did it become clear that the Syndicate's policy in the Persian Gulf was to secure oil concessions in order to sell them to the highest bidder and not to produce oil.

However, A.P.O.C. rejected the E.&G.S.'s offer to share the oil concession and informed the Colonial Office and the Syndicate accordingly. Instead A.P.O.C. requested the Colonial Office to instruct Cox 'with the least possible delay either to veto the concession to E.&G.S. or to get Ibn Saud to cancel it.'¹² The decision taken by A.P.O.C. not to associate themselves with the Syndicate, which proved very damaging to the Company's interests and prospects in the Persian Gulf and consequently to Britain generally, was justifiable at the time. The E.&G.S. was a relatively small company lacking capital and technical experience in oil exploration, without staff and material in the Persian Gulf and

without knowledge of local conditions. In addition, the company considered the Syndicate offer to Ibn Saud to be too generous and was confident that ultimately they would, with British Government support, secure the El-Hasa and other oil concessions in the Persian Gulf on terms more favourable to themselves.

On receiving A.P.O.C.'s demand, the Colonial Office slowly became aware of its awkward and embarrassing position vis-à-vis A.P.O.C., the E.&G.S. and Ibn Saud. Colonial Office officials became more and more uneasy at the extent of its involvement in 'intrigues between these rival oil companies.'¹³ On the one hand they felt that A.P.O.C. could not be allowed to be penalised for obeying the Colonial Office's instruction in December 1921 to hold back and not pursue their application for Ibn Saud's oil concession, (a point emphasised persistently by A.P.O.C.). On the other hand, however, they could not press Ibn Saud to give the concession to A.P.O.C. instead of to the E.&G.S. which had made a very attractive offer and was a purely British company, because they feared that if they did the Syndicate 'would be in a position to indulge in a very unpleasant newspaper campaign on the subject of government partiality in industry and the hidden hand etc. etc.'¹⁴ The situation became more complicated and embarrassing as it became clear to the Colonial Office that Ibn Saud favoured the E.&G.S.

offer and was aware of the close links between the British Government and A.P.O.C.

At the consultations between government ministries that followed, it appeared that the Petroleum Department, which was an advisory body without executive power, was the first department to change its attitude towards A.P.O.C. Now the department considered that 'the entry of some competition for oil rights in the Persian Gulf littoral would not in itself be unwelcome', as A.P.O.C. might be unable to develop with reasonable rapidity for financial reasons the large areas about which they were currently negotiating in the Middle East - Iraq, Kuwait, Bahrain, the Trucial Coast etc. The Petroleum Department of the Board of Trade advised the Colonial Office, and it seems with some success, that A.P.O.C. should be reminded that they had already obtained or were negotiating options for large areas in the Persian Gulf and as they were not prepared to co-operate with the E.&G.S. they could not be given a monopoly.¹⁵

Shortly afterwards the Colonial Office informed A.P.O.C. that politically it would be very difficult and disadvantageous to Britain's interests to veto the concession promised to the E.&G.S. or to persuade Ibn Saud to cancel it. Explaining the complicated situation the Colonial Office informed A.P.O.C. that they could not press Ibn Saud to wait until a conve-

nient time for a British Government supported company to explore any oil potential in Nejd when another British company had indicated a desire to start forthwith.¹⁶ Although Ibn Saud had been barred since 1915 from granting a concession to foreigners, unlike the other Arab rulers he did not sign an oil convention with Britain and was thus in a position to grant the British Syndicate a concession.

Nevertheless, still recognising A.P.O.C.'s claim to priority in opportunity, the Colonial Office was ready to influence Ibn Saud to accept A.P.O.C.'s offer provided Ibn Saud found it at least as favourable as the E. & G.S. one. Therefore after A.P.O.C. informed the Colonial Office of their intention to open direct negotiations with Ibn Saud (permission having already been granted by the Colonial Office), and of offering better terms, the Colonial Secretary urged Cox to ask Ibn Saud not to accept the E. & G.S. offer 'until he has had the opportunity of considering offer' from A.P.O.C.¹⁷ Cox immediately informed Ibn Saud of the Colonial Secretary's wishes and advised him to accept A.P.O.C.'s offer as the company was prepared to give better terms and was 'the stronger and more expert organisation.'¹⁸

Wilson, upon receiving his instructions from A.P.O.C.'s London office, sent his deputy, who was also formerly in the civil administration of Mesopotamia, to open preliminary negotiations with Ibn Saud.

During their meetings in April 1923, Ibn Saud explained that for political reasons he could not accept terms inferior to those offered by the E. & G.S. He suggested commencing negotiations based on the terms offered by Holmes.¹⁹ Instead, Wilson's deputy presented A.P.O.C.'s terms, which Ibn Saud rejected as he considered them less advantageous than those already offered by Holmes.²⁰

He was instructed to break off the negotiations after informing Wilson that Ibn Saud insisted on receiving his royalty payments only by share participation, on the payment of 1% export duty and on the payment of import duty on all goods imported for the personal use of the company's employees (all conditions which had been accepted by the E. & G.S.). He informed Ibn Saud that Wilson 'saw no use in his proceeding in person to meet you and that I should not prolong my stay here' because the sultan did not agree to open negotiations on the basis of the terms offered.²¹

By now Ibn Saud had become confused and suspicious of British Government and A.P.O.C. motives and activities. On the one hand he was assured officially by the British Government that A.P.O.C. had expressed their willingness to give terms at least as favourable as those offered by the E. & G.S. and therefore he was advised not to accept the Syndicate's offer. On the other hand, however, A.P.O.C.'s rep-

representative refused to accept Holmes' terms and instead offered terms which were completely unacceptable and broke off negotiations when these terms were rejected. Therefore, shortly afterwards, when granting E.& G.S. the El-Hasa oil concession, Ibn Saud inserted a special clause preventing A.P.O.C. from ever becoming involved in oil exploration in El-Hasa, such was his fear of being dominated by so powerful a concern. (Chisholm's conclusion, based on this clause, was that Ibn Saud did not wish to grant A.P.O.C. the concession from the beginning, a conclusion which material presented above does not support.)²²

The signing of the El-Hasa oil concession on 6 May 1923 with the E.& G.S. and the inclusion of Ibn Saud's special insistence upon binding the Syndicate 'not to sell the whole or part of the Hasa concession to the A.P.O.C.' caused some British officials to feel that Britain's authority in the Persian Gulf was being undermined.²³ Others like Harry St. John Philby, a British official who thought Ibn Saud to be 'the best material we have in all the Arab lands' and later played an important role in the development of Saudi Arabia, had other reasons for wanting the agreement cancelled. Philby wrote to Wilson saying

The Holmes' concession is after all not worth the paper it is inscribed on and nothing would give me greater pleasure than to wreck it in favour of a scheme better calculated to secure solid advantages for I.S. ²⁴

Ironically it was Philby who, after leaving government service to become Ibn Saud's personal adviser, assisted the Americans in securing this oil concession in the thirties after it had been cancelled because of the Syndicate's failure to comply with the conditions. Consequently the political resident was instructed by the Colonial Office on 13 July to take any steps considered advisable to 'secure cancellation of Nejd concession' granted to the Syndicate.²⁵

However, shortly afterwards when assessing the situation, ie. Ibn Saud's currently strong opposition to A.P.O.C., the breakdown of negotiations between Ibn Saud and A.P.O.C. and the E. & G.S.'s demand for British Government approval as they were a purely British and reputable firm - the Colonial Office reconsidered its policy. In addition, the British Government's position as the principal shareholder in A.P.O.C. also influenced the Colonial Office. It had no desire to see its activities viewed as championing A.P.O.C. because of direct financial interest in a region where Britain's declared and long-standing policy was to protect the shaikhdoms' interests.²⁶

After considerable consultation which resulted in the conviction that Britain should not maintain so strong a line of resistance to the El-Hasa agreement because it 'would not promote the general interests of Britain and might have undesirable effects in other

ways' the Colonial Office modified its policy towards A.P.O.C. and the E. & G.S. in regard to the El-Hasa case.²⁷ It was decided to approve the E. & G.S. entry into the Persian Gulf and to accept the El-Hasa agreement; but not without encouraging A.P.O.C. and the Syndicate to co-operate in El-Hasa and induce Ibn Saud to allow such co-operation, as it was in his interest to benefit from the combined experience of both organisations.²⁸ By adopting this compromise policy the Colonial Office hoped to continue and maintain two main but not always compatible objectives of its policy in the Persian Gulf - to secure A.P.O.C.'s domination over the oil concessions and to safeguard the Arab rulers' interests.

The El-Hasa case is hardly referred to in existing literature on Middle East oil and its importance for and influence on the course of negotiations for Persian Gulf and Arabian oil concessions has in general been overlooked.²⁹ There has been a lack of accurate and detailed description of the negotiations for the oil concession, the evolution of Britain's attitude towards A.P.O.C. and the E. & G.S. and the consequences of this case as they were reflected in other later oil negotiations in Arabia and the Persian Gulf. The Kuwait and Bahrein oil concessions apart, Ibn Saud's suspicion about A.P.O.C. and its government connections which had developed during the negotiations was bound to have repercussions on the company's prospects in his kingdom. However, in the immediate future both the

British Government and the Shaikh of Kuwait were influenced by the outcome of the El-Hasa case and therefore its influence and consequences will now be examined.

3. Competition for British Government Support

The signing of the El-Hasa oil concession on 6 May 1923 had an immediate effect on the oil negotiations being carried on in Kuwait between the Shaikh and Major More, the political agent. Holmes, whilst in Bahrein negotiating with the ruler for an oil concession, sent a telegram on 9 May to Shaikh Ahmad of Kuwait requesting him not to grant oil concessions without first considering an offer from the E.& G.S. Holmes emphasised the fact that his company had outbid all other companies who had negotiated with Ibn Saud for the El-Hasa concession and informed the Shaikh that his emissary, Mohammed Yatin, would visit Kuwait in the near future to present the Syndicate's terms.¹

Meanwhile Major J.C. More, aware of Holmes' action, immediately approached the Shaikh and informed him that Holmes was 'in no way a person appointed from the British Government.' He also reminded him of the oil convention signed by his grandfather which bound him to give the oil concession only to a British Government nominee.² Soon after, Holmes, having concluded an initial oil agreement in Bahrein (which the British Government opposed until 1925), went to see the Shaikh of Kuwait and personally opened negotiations for the oil concession.

The monetary terms offered by the E.& G.S. were

much more favourable than those offered by A.P.O.C. and naturally created considerable interest on the part of the Shaikh. The initial payment was to be £2,500 in gold against A.P.O.C.'s Rs. 10,000 (£750), with an annual minimum thereafter of £3,000 in gold against A.P.O.C.'s Rs. 30,000 (£2,250). In addition, the Shaikh was to receive 20% of the profits and to have the right to subscribe up to 20% of the capital required against A.P.O.C.'s royalty offer of Rs.3.8 annas per ton of net crude oil. The E. & G.S. also offered to pay 1% export duty on everything extracted from the ground and import duty on all imports except machinery needed for the development of the oil industry; whereas A.P.O.C. were not willing to pay export duty at all and requested ten years exemption from any import duty.³ Impressed by the E. & G.S.'s success in El-Hasa and Bahrein and by the terms being offered, and having been assured by Holmes that the Syndicate's principals in London would make the necessary arrangements with the Colonial Office, the Shaikh gave Holmes a period of six months in which to obtain British Government approval of the proposed agreement.⁴

By now A.P.O.C.'s rather dilatory attitude had changed considerably and immediate steps were taken to secure the company's interests in Kuwait. The company urged the Colonial Office to instruct the political resident by cable to get their concession 'signed at once' by the Shaikh of Kuwait, and instructed Wilson

to visit Kuwait and to make every effort to induce the Shaikh to sign the oil concession.⁵ Upon receiving A.P.O.C.'s request the Colonial Office instructed the political resident to inform the Shaikh that the British Government 'think it is not desirable to bring in any competing interest' and to try and persuade the Shaikh 'to give a definite undertaking' to grant the concession to A.P.O.C.⁶

Shortly thereafter, only a few days after Holmes departed for London, Wilson and the political resident met the Shaikh. At this meeting, on 2 June, Wilson strove unsuccessfully to coerce the Shaikh into signing the oil agreement or at least into giving a written undertaking not to conclude any contract with any other company. By now the Shaikh was exceedingly anxious not to commit himself in any way (as he had given Holmes time to approach the British Government) and said that he considered the matter to be a commercial affair which required considerable deliberation in order that 'full justice may be done to both parties.'⁷ He was ready only to promise Wilson verbally, as a personal favour, that he would not conclude any contract without informing him of the terms suggested by the other company.

On the following day the political resident and the political agent met the Shaikh and renewed their efforts to persuade him to sign the agreement with Wilson, although they knew by then that 'A.P.O.C. are in

no hurry to exploit the Shaikh's territory' and that the company's 'chief anxiety was to be certain that no other party would be able to obtain a footing' in Kuwait, a policy considered by British officials who read the political resident's report to be 'unfair to the Shaikh who presumably wanted revenue.'⁸ Wilson's admission of A.P.O.C.'s policy in Kuwait which, as seen above had already been reflected in the company's previous activities, gradually attracted the Colonial Office's attention and later influenced the department into modifying its policy towards A.P.O.C. and the E. & G.S.

Although Wilson and the political resident expressed optimism that the Shaikh would ultimately grant A.P.O.C. the concession, the Shaikh after three weeks of consideration informed Major More, the political agent, that Holmes' offer seemed 'beneficient and profitable' and said he was 'most anxious' to grant the oil concession to the E. & G.S.⁹ This attitude surprised and embarrassed the Colonial Office, especially as the Shaikh had stated that he particularly liked Holmes' offer because the Syndicate was a British company and had promised 'not to sell the concession to any but British companies.'¹⁰ Furthermore, as the Shaikh knew 'that Ibn Saud has turned down A.P.O.C. offer and is dealing with Holmes', he hoped that the British Government would raise no objection to his choice of concessionaire as it seemed

to have done with Ibn Saud.¹¹

However as the Colonial Office was still opposed to the E.& G.S. entering the Gulf for oil concessions, their change of opinion coming only a few months later, the ministry raised strong opposition to the Shaikh's preference and the political resident was instructed to stress this and again remind him of the oil convention. The Shaikh's reaction was that his acceptance of the offer from the E.& G.S., which was a British firm, was 'in no way contrary' to the 1913 oil convention; and he asked More why the Colonial Office objected to the E.& G.S.'s offer.¹²

Faced with a growing determination on the part of the Shaikh, the political agent made clear Britain's disappointment with his behaviour, especially after his 'personal assurances' to Wilson and the political resident. More informed the Shaikh on 9 July that 'any oil concession granted to Holmes will not be confirmed by H.M.G.'¹³ (The same attitude was adopted regarding the oil concession which the Shaikh of Bahrein granted to Holmes). A.P. Trevor, the political resident, maintained the pressure on the Shaikh as he was advised by More that the Shaikh was 'a man of no strength of character' who probably would not defy the British Government's advice for long.¹⁴ Eventually, although the Shaikh gave way to Colonial Office pressure and informed the political agent that he would not grant the concession to the E.& G.S., he also gave

the lie to More's assessment of his character by resolutely rejecting A.P.O.C.'s offer saying it was not 'acceptable either to him or his people.'¹⁵

By now, competition between A.P.O.C. and the E. & G.S. for the Kuwait oil concession and especially for Colonial Office support had intensified in London. A.P.O.C. continued to urge the Colonial Office to support their prior right and to press the Shaikh to accept their terms although they had already been rejected by him. The E. & G.S. for their part, having been informed of the correct procedure for applying for oil concessions in the Persian Gulf, submitted their draft concession for Colonial Office approval. The Syndicate also expressed their willingness to make such modification as the Colonial Office might direct, and asked for the ministry's support for Holmes in any further negotiations with the Shaikh of Kuwait.¹⁶ Furthermore, the Syndicate complained of the behaviour of British officials in the Gulf who had given the Shaikh of Kuwait the impression that not only did the British Government disapprove of their application but also of their company, whereas the Colonial Office clearly stated in its 22 June letter that only the application was not approved.¹⁷

The Colonial Office was by now confronted with the same situation in Kuwait as had occurred in the case of the El-Hasa concession and also that of Bahrain where the Shaikh signed the concession with the

Syndicate six days after Ibn Saud. On the one hand the Shaikh of Kuwait wanted to grant the oil concession to the E. & G.S., a reputable British firm offering by far the more favourable terms, while on the other hand he was being pressed by the Colonial Office to grant the concession to A.P.O.C. in which the British Government 'have and are known to have a controlling interest.'¹⁸ Consequently just as the Colonial Office modified its attitude towards A.P.O.C. and the E. & G.S. in the case of El-Hasa, so now it did likewise.

Having received consent from the India Office and the Petroleum Department, the Colonial Office informed the E. & G.S. that their application could not be approved until Kuwait's ruler satisfactorily explained why he had rejected A.P.O.C.'s offer. Only if A.P.O.C. genuinely failed to satisfy the Shaikh would the Colonial Office be prepared to withdraw its objection to the E. & G.S. draft, provided it was modified in certain particulars and its terms were more favourable than those of A.P.O.C. The Syndicate was also informed that it had now been made clear to British officials in the Gulf that the British Government regarded the Syndicate as a firm of substance and repute.¹⁹ At the same time A.P.O.C. was instructed to re-open negotiations with the Shaikh for the concession and was promised Colonial Office support provided that they were prepared to offer

the Shaikh terms at least as favourable as those offered by the E.& G.S.²⁰

The Colonial Office considered the situation in Kuwait to differ from that in El-Hasa in that Ibn Saud had not signed an oil convention; thus Colonial Office support for A.P.O.C. had continued but on a reduced scale. Now British Government support for A.P.O.C. became conditional upon the company offering terms at least as favourable as those of the Syndicate, while at the same time opposition to the Syndicate entering the Gulf for oil concessions was gradually decreasing.

Naturally A.P.O.C. were most disappointed with the Colonial Office's modified view. The company complained that the Colonial Office had not been entirely consistent in its support. They referred to the Colonial Office letter of 22 June and to a meeting held on 25 June, when it was explicitly stated that 'the Sheikh of Kuwait would not be permitted to grant a concession to the E.& G.S.' The company now felt that their application had been placed upon an equal footing with that of the Syndicate and that the Colonial Office would permit the Shaikh to accept the better offer.²¹

As in the case of El-Hasa the Colonial Office replied to the company saying that the government could not support it to the extent of categorically refusing to allow the Shaikh of Kuwait to consider

an application for the oil concession from a reputable British company if he felt it to be more profitable than the offer made by A.P.O.C.²² The Colonial Office felt it could no longer continue to oppose the E. & G.S. entering the Gulf for oil concessions and still maintain Britain's policy of protecting the Shaikh's interests; therefore the political agent was informed of the revised attitude and was instructed to approach the Shaikh and to request him to state his objections, if any, to A.P.O.C.'s revised draft.

However, despite a gradual change in the Colonial Office's hostile attitude towards the E. & G.S., the political resident and the political agent continued to do their utmost to influence the Shaikh not to deal with Holmes and to grant the concession to A.P.O.C., because they considered Holmes' actions to be selfishly motivated and 'without any consideration of general British interests.'²³ Therefore they agreed not to inform the Shaikh of the modified Colonial Office attitude and delayed giving him any information they thought might strengthen the E. & G.S.'s prospects in Kuwait. In one instance they delayed for several months informing the Shaikh that the British Government had agreed to his granting jointly with Ibn Saud the Neutral Zone oil concession to the E. & G.S. (The British Government had had no choice but to agree to this as Ibn Saud threatened

to grant the concession to Holmes whether or not the Shaikh of Kuwait agreed.) Only after the Shaikh raised the matter was he told of the British Government's permission, and as was feared it enhanced the Syndicate's status in Kuwait.²⁴ (In 1924 the Neutral Zone oil concession was granted to the E. & G.S. jointly by the Shaikh and Ibn Saud.)

On 6 December 1923 the Shaikh was requested by the political agent to consider A.P.O.C.'s revised draft again. The draft now included some modifications made by the Colonial Office, which the British Government recommended as a 'fair basis for discussion with the company.'²⁵ After being pursued for an answer by the political agent, the Shaikh replied that he was going into every clause in great detail and consulting his advisors, and therefore he would not be in a position to reply for six months.²⁶ Since he was dependent on Britain, the Shaikh realised that the only way open to him to achieve his aim was to adopt a policy of delaying the negotiations with A.P.O.C. in the hope that eventually the Colonial Office would permit him to deal with the E. & G.S.²⁷

The Shaikh's policy and his definite wish to grant the E. & G.S. and not A.P.O.C. the oil concession soon bore fruit. While visiting Kuwait during the last week of March 1924, the political resident discovered a very determined opposition to granting the concession to A.P.O.C. He realised that the Shaikh 'has not the

least idea of giving them [A.P.O.C.] the concession for his principality' because he now believed that he could no longer rely on British Government impartiality when the interests of A.P.O.C. were contrary to his own.²⁸ This belief had been reinforced by Colonial Office policy and the fact that many of the company's employees were ex-political officers.

The political resident therefore expressed doubts as to whether Britain should not limit its support for A.P.O.C., especially as he knew that the current situation, whereby the negotiations had been postponed and the Colonial Office was not allowing the Shaikh to accept other offers, only furthered A.P.O.C.'s interests in that they wanted 'to prevent other companies from coming in.' He suggested in the interests of both Britain and the Shaikh that A.P.O.C. should be limited to a certain specified time in which to conclude an agreement with the Shaikh, and that if their offer were definitely refused then the E. & G.S. should be authorised to conclude their agreement with him.²⁹

J.H. Thomas, the Colonial Secretary who had now replaced the Duke of Devonshire, accepted Trevor's suggestion as it was in accordance with the ministry's revised policy regarding A.P.O.C. and the E. & G.S. After consulting the India Office and the Petroleum Department he informed A.P.O.C. on 27 May that their claim to priority for the Kuwait oil concession would be recognised only up to 31 March 1925 and that if the

company failed to conclude an agreement with the Shaikh by that time the E. & G.S. would be permitted to proceed with their negotiations for the concession.³⁰

Alarmed by the situation, A.P.O.C. immediately requested an extension of the time limit beyond 31 March and invited the Shaikh to view the company's operation in Persia. The company hoped to impress him by their extensive development of the oil industry there and thus persuade him to grant them the oil concession in Kuwait. As the Shaikh had previously expressed a wish to see the Persian oilfields, he accepted the company's offer and visited the oilfields from 25-29 June and the Abadan refinery on 14 August. The company provided the 'maximum of comfort' for the Shaikh and he was duly impressed and grateful.³¹

However despite A.P.O.C.'s pressure to re-open the oil negotiations immediately, with the explanation that any delay would prevent them from organising a geological survey until the autumn of 1925, the Shaikh refused to do so. He still preferred to wait for Colonial Office permission to deal with the E. & G.S. Nevertheless, faced with limited time, A.P.O.C. requested the political agent to press forward with their draft and to try and persuade the Shaikh to re-open negotiations. Having failed to induce him even to discuss the oil concession, the political agent

suggested that A.P.O.C. should send a representative to Kuwait 'ostensibly for the Oil Agency' but in fact to attempt to re-open negotiations.³²

A.P.O.C.'s general manager at Mohammerah, visited Kuwait on 9 January 1925 and attempted to persuade the Shaikh to state his objections, if any, to A.P.O.C.'s draft. Although the Shaikh was 'most gushing to him socially' he refused to comply, saying he was still waiting for some of his advisers to return to Kuwait to discuss the matter. By now it had become apparent even to the political agent and A.P.O.C. that the Shaikh wanted to delay the reopening of the negotiations until a later date. More reported to Bushire that the reason given by the Shaikh for delaying his reply had been acceptable in September but had now worn rather thin and concluded that he would not re-open negotiations before March 1925.³³

Frustrated by the deadlock, A.P.O.C. urged the Colonial Office to press the Shaikh 'to make a definite reply' to their offer, and instructed one of their local managers, Haji Abdullah Williamson, an Englishman who for twenty-five years had been and lived like a Muslim, to visit Kuwait in order to mobilise public opinion for the company and to establish the real reasons behind the Shaikh's behaviour. Williamson, who later became deeply involved in the negotiations, had many friends in Kuwait whom he now contacted in order to influence the Shaikh to grant the conces-

sion to A.P.O.C.³⁴ Among his tasks was to approach Mulla Saleh, the Shaikh's chief secretary, and to offer him £600 if the oil agreement were signed by the Shaikh before 31 March. The methods employed by Williamson were common practice at the time in Kuwait and were also used by Holmes. However, as Williamson received the money and instructions via the political agent this again emphasises the unusual role played by the latter.³⁵

Williamson failed in his attempt to bring about an early conclusion to the oil negotiations, however. His report on the reasons for the opposition to A.P.O.C. in Kuwait reflected the company's directors' own beliefs. He reported that

a number of people still look on the A.P.O.C. as a government concern pure and simple, and object to it for that reason, others do not want an oil concession to be given to anyone, partly because it would provide work for a large number of people and thus make it harder to get pearl divers, and partly because they think it would lead

to deeper British interference in Kuwait's internal affairs.³⁶

His report only served to strengthen the opinion held by A.P.O.C. that local opinion in Kuwait was equally divided over the merits of their company and the E. & G.S. and that therefore the Shaikh was having difficulty in deciding to whom the oil concession should be granted. It is interesting to note that A. Chisholm, a former employee of A.P.O.C., stated in his book that support for the two parties competing

for the concession was evenly spread in Kuwait. He maintained that on the one hand, apart from the better terms the E.&G.S. had offered, the Shaikh was

impressed both by Holmes' personality, by his strong recommendation by various friends and especially by his success with Ibn Saud. On the other hand the Shaikh had had long dealings with A.P.O.C. and friendship for Sir A. Wilson and was aware both of the A.P.O.C.'s strong position and that it was favoured by the British Government. 37

However, in order to understand the situation correctly and the Shaikh's attitude during these years it must be understood that the factors supposedly working in A.P.O.C.'s favour in reality weakened their position. Initially the political agent reported that he was quite sure that the Shaikh would not sign an oil agreement with A.P.O.C. automatically because their managing agents, Strick Scott & Co., had been responsible for the construction of an unsatisfactory water plant whose operation, in fact, was delayed for several years, a point later referred to again by More.³⁸ Moreover, because of British Government support and close links, the company was regarded as a government concern which was 'likely therefore to interfere more boldly than a private company would in the internal affairs of the state.'³⁹

Therefore in reality the company's position was very weak; and only the Colonial Office opposition prevented the Shaikh from granting the concession

to the E. & G.S. Nevertheless, A.P.O.C., unaware of its precarious position, continued to pursue a policy based on the erroneous assumption that support was evenly divided and that it only needed British Government backing to tip the scales in their favour. Consequently they continued to urge the Colonial Office for support while at the same time refusing to outbid their rival, which was the only way to prevent an agreement between the Shaikh and the Syndicate. This refusal to match their rival's terms and especially to pay customs duty came about not because of the financial burden that would ensue but because they were afraid it would establish a dangerous precedent for their concession in Persia, where they were exempt from paying any duty and paid a lower royalty to the Persian Government.

Thus, as seen above, the Colonial Office could not continue to support A.P.O.C. totally for long, especially as the company refused to match the E. & G.S.'s terms. Therefore in accordance with its revised policy the ministry had no choice but to reject A.P.O.C.'s persistent requests for an extension of the time beyond 31 March 1925 and advise the E. & G.S. to submit their draft concession for British Government approval.⁴⁰

The end of A.P.O.C.'s prior right to the Kuwait oil concession vis-à-vis the British Government marked the end of the first phase of the oil negotiations.

During that period the special role assumed by the British Government dominated these negotiations. In accordance with its previous policy in Kuwait the British Government had on the one hand to bargain with A.P.O.C. to improve their proposed terms for the concession, while on the other hand it was necessary to influence the Shaikh to grant the concession to this company. This was because the British Government had been committed since before the war both to giving its nominee - A.P.O.C. - special consideration in regard to the Kuwait oil concession and at the same time protecting the Shaikh's interests. However as the negotiations progressed the contradictory nature of these two objectives became more and more apparent and intense, resulting in growing disagreement between the British Government and both A.P.O.C. and the Shaikh.

The British Government's 'oil champion', although alleged to be a British Government concern, was generally independent in its commercial decisions, which were not of a political or strategic nature. In Kuwait, as in other parts of the world, it became evident that the company was to pursue a policy based on and motivated by commercial considerations without much attention being given to the embarrassing position this might create for its major shareholder, ie. the British Government. Therefore, as British Government support had been secured and the company's financial resources were

stretched to the limit in other more promising schemes, the company's aim was to secure the Kuwait oil concession for very little financial expenditure to be exploited later when convenient, or at least to prevent any other company from securing the concession.

The Shaikh for his part, although heavily dependent on British Government goodwill and advice, (Cox once referred to 'mothering' the rulers of the Gulf as unsophisticated Arabs), naturally preferred to deal with the E.& G.S. which was also a British company.⁴¹ As he was confronted with strong British Government opposition he deliberately procrastinated and delayed the oil negotiations in the hope, which later proved correct, that in time the British Government would withdraw its objection to the E.& G.S. offer. Consequently in a move to achieve its two main objectives in Kuwait and in an attempt to break the deadlock a compromise attitude was adopted by the Colonial Office; to allow the Shaikh after 31 March 1925 to choose the best offer for the concession made by British companies. This modification of government attitude coincided with the government's overall objective of maintaining British exclusivity in the region, but nevertheless at the same time it loosened government control as it initiated the success of an independent company without exceptionally close relations with the British Government.

4. A Victorious Syndicate

The decision taken by the British Government to permit the E. & G.S. to compete for oil concessions in the Persian Gulf after 31 March 1925 had far-reaching consequences. The British Government thus legitimised the Syndicate's previous activities in the region and increased its prospects of securing additional oil concessions, especially those of Kuwait and Bahrein. (As seen above, the Syndicate had already secured the El-Hasa and Neutral Zone oil concessions.)¹

As early as 12 May 1923 the Syndicate secured in Bahrein an oil concession which the Colonial Office refused to approve and prevented from being finalised. In Kuwait the Shaikh was quite willing to grant the Syndicate the oil concession and it was Colonial Office opposition which forced him to suspend oil negotiations until this opposition to the Syndicate's offer had ceased. Therefore the Syndicate waited anxiously for the expiry of A.P.O.C.'s prior right as determined by the time limit set by the British Government, which would mean that they were able to start negotiating with the Colonial Office in the hope of finally securing these oil concessions.

On 9 June 1925 Edmund Janson, one of the Syndicate's principal directors, and Holmes went to the

Colonial Office for informal talks about their wish to proceed with negotiations for the Kuwait and Bahrein oil concessions, and to request British Government approval. At their meeting with J.H. Hall, from the Eastern Division of the Colonial Office who was to be involved with the oil issue for many years to come, they were assured that the British Government no longer had any objection to the Syndicate's endeavouring to obtain these oil concessions provided they complied with Colonial Office procedure and terms. It was pointed out to the Syndicate representatives that the terms of any draft concession would have first to be approved by the government and that the actual negotiations should be conducted through the political resident in the Persian Gulf.

Janson and Holmes, already aware of the conditions set by the Colonial Office for negotiating oil concessions in the Persian Gulf, told Hall that they were perfectly willing to meet Colonial Office stipulations with regard to negotiation procedure and to the actual provisions of the concessions. It was agreed that the Syndicate would write officially to the Colonial Office and request permission to reopen negotiations with the Shaikhs of Kuwait and Bahrein and also to ask whether there were any provisions the Colonial Office required to be modified in the draft concessions which the Syndicate had submitted some eighteen months previously to these rulers.

On 18 June the Syndicate opened official negotiations with the Colonial Office, submitting a copy of the draft concessions which the Shaikhs of Kuwait and Bahrein had previously approved as a basis for discussion with Colonial Office officials.² (In fact, in 1923 the Shaikh of Bahrein had signed this draft concession while the Shaikh of Kuwait had expressed his willingness to accept it.) According to Colonial Office procedure in oil affairs in the Persian Gulf, the India Office was informed and the Syndicate's request was referred to the Petroleum Department for their expert advice, with a suggestion of preliminary discussion between representatives of the Colonial Office and Petroleum Department.³

Meanwhile, in order to precipitate a decision Janson and Holmes once again called on Hall to inform him that Holmes was due to leave shortly for the Persian Gulf. The Syndicate's representatives expressed a willingness to assist in any way which might facilitate an early decision on their application by the Colonial Office, so that the political resident in the Persian Gulf could be instructed accordingly and thus treat the E. & G.S. favourably. Hall explained that the Colonial Office was still waiting advice from the Petroleum Department. He also asked whether the Syndicate would be prepared to substitute for their original concession presented to the two Shaikhs one drafted along the lines of the Colonial Office model,

which had already been agreed upon back in 1922 by the Colonial Office and A.P.O.C. to be put before the Shaikhs of Kuwait and Bahrein and the rest of the rulers of the Persian Gulf.⁴ Holmes replied that he had seen this draft concession and indicated that the Syndicate would be perfectly prepared to accept an identical one which in fact, as he knew, offered the Shaikhs less favourable terms than those already proposed by the Syndicate. He added that on several occasions he had attempted to persuade the Shaikhs to accept a royalty based on output, as requested by the Colonial Office, rather than on share participation, as previously offered by the Syndicate, but that they had refused, preferring the latter method since that was the system adopted by Ibn Saud in the case of the El-Hasa oil concession.⁵

Satisfied with the Syndicate's positive and constructive attitude compared with A.P.O.C.'s incessant quibbling and requests for modification of previously agreed terms,⁶ Hall suggested the Syndicate should make the financial terms of their offer slightly more favourable to the Shaikh than those of A.P.O.C. This would facilitate the granting of the concessions and also strengthen the Colonial Office's position vis-a-vis A.P.O.C.⁷ The Syndicate representatives, realising that in any case the Shaikhs would not accept less favourable terms than those already offered by them in 1923, which as seen above had been more generous

than those of A.P.O.C., therefore replied that there would be no difficulty on this point. In conclusion, it was agreed that a conference including representatives from the Colonial Office, the Petroleum Department and the Syndicate would be arranged in the near future in order to come to a decision.

The Colonial Office, relieved that the Syndicate had quickly agreed to accept a draft concession identical in its general terms to that agreed upon between the British Government and A.P.O.C. in 1923 and even to improve its financial terms, informed the Petroleum Department that preliminary discussions between representatives of the two ministries which had previously been suggested seemed to be unnecessary. Instead, the Colonial Office proposed holding a conference with representatives of the Petroleum Department and the Syndicate on 7 August

at which the final terms of an agreement with the Shaikhs of Bahrein and Kuwait, on the lines of the agreement recently concluded between the D'Arcy Exploration Co.[A.P.O.C.] and the Sultan of Muscat

would be discussed.⁸ At this conference, held on 7 August, agreement was reached on accepting the Colonial Office's draft as a general model for the Kuwait and Bahrein oil concessions, but with better financial terms for the two Shaikhs.⁹

More consultation followed between the Petroleum Department and the Colonial Office on amendments of a relatively minor character, during which time the

Syndicate became restless; but the Colonial Office finally informed the Syndicate on 3 September that the political resident was to be instructed not to object to the Syndicate concluding an agreement with the Shaikh of Bahrein. With regard to Kuwait, the Colonial Office stated that they had no objection mutatis mutandis to the Syndicate concluding an agreement with the Shaikh on terms similar to those of the Bahrein concession.¹⁰ Accordingly, the Colonial Office informed the political resident that day that no objection would be raised on the part of the British Government to the Shaikhs of Kuwait and Bahrein granting an oil concession to the Syndicate on the terms agreed.¹¹ Thus for the first time the Colonial Office agreed that oil concessions in Kuwait and Bahrein could be given to a company other than A.P.O.C. and the door was officially open for the Syndicate to secure them.

Although the Colonial Office approved the Syndicate's offers to be put before the Shaikhs of Kuwait and Bahrein, British officials in the Persian Gulf continued to support A.P.O.C. in every way possible, even to the extent of suggesting that the Shaikh of Bahrein, who had been approached first by the Syndicate, be advised not to conclude an agreement with Holmes. On 30 October the political agent in Bahrein informed the political resident that 'it seems impossible to divert the Shaikh's sympathies in the direction of the A.P.O.C.' and requested instructions as to whether or not approval

should be given to the Syndicate's offer to the Shaikh.¹²

The Shaikh now wanted very much to give Holmes the concession in view of the latter's success in finding fresh water in Bahrein and thus solving the Shaikhdom's main problem.¹³ The political resident wrote to Wilson of A.P.O.C. that he had advised the Colonial Office to oppose the conclusion of an agreement between the Shaikh of Bahrein and Holmes, but the Colonial Secretary regrettably after

twenty five days consideration of my suggestion.....replied that he sees no reason to obstruct the grant of the Bahrein oil concession to the Syndicate 14

Consequently the political agent in Bahrein was instructed to approve the E. & G.S.'s offer and shortly thereafter, on 2 December 1925, the Shaikh granted the Syndicate the oil concession on terms which the Colonial Office had initiated and approved.

The fact that the Colonial Office initiated the model oil concession for Kuwait and Bahrein instead of accepting the original one proposed by the Syndicate and accepted back in the summer of 1923 by the rulers of these shaikhdoms cannot be stressed enough. It proved to be the critical factor which later enabled the Americans to gain a footing in the Persian Gulf for the first time, which in turn facilitated their advance into Saudi Arabia. The draft concession which the Shaikh of Bahrein signed with the E. & G.S. in December 1925 was originally prepared by the Colonial Office for A.P.O.C. to put before the

Arab rulers of the Persian Gulf and did not include a clause explicitly prohibiting the concessionaire from transferring the concession to a foreign company. The only clause regarding this was that

the right conveyed by this lease shall not be conveyed to a third party without the consent of the Shaikh acting with the advice of the resident in the Persian Gulf. Such consent shall not be unreasonably withheld. 15

This clause was perfectly adequate to safeguard and maintain British ownership of the concession in the case of A.P.O.C. securing the concession. A.P.O.C. was committed in writing to the maintenance of the strictly British character of the lessees, and in any case could be prevented by the two government directors on the company's board from selling the concession to a foreign company. The Syndicate had made no such commitment in writing; and as it was a small private company lacking money and technical experience it hoped, rather than to work the concession, to sell it to the highest bidder without any weight being given to political considerations.¹⁶ As later developments were to show how decisive this clause was in opening the door for American entry into the Gulf, it is ironic that the draft concession proposed by the Syndicate and rejected by the Colonial Office in 1925 contained a specific clause preventing the Syndicate from transferring the concession to a non-British company.¹⁷

After securing the Bahrein oil concession on 2 December 1925 Holmes diverted his attention to securing the Kuwait one. In January 1926 he told the political resident of his intention to approach Shaikh Ahmad and requested him to instruct the political agent in Kuwait to tell the Shaikh that the British Government had no objection to his granting a concession to the E. & G. S. Holmes assured the political resident that he had prepared for the Shaikh's consideration the same draft concession as had been accepted by the Shaikh of Bahrein, which had been approved beforehand by the Colonial Office.¹⁸

Shortly thereafter, on 18 February, Holmes arrived in Kuwait and rented a house for a year. He met the Shaikh several times to conclude a deal to sink two artesian water wells in Kuwait and not, as might have been anticipated, for discussions on the oil concession. The oil issue was avoided because both the Shaikh and Holmes preferred to postpone an oil agreement for different reasons. The Shaikh was currently at odds with British officials as he refused to delegate jurisdiction over Persian subjects in Kuwait to the political agent, as had been requested by the Persian Government of the British Government.¹⁹ Therefore he did not want to reopen with Holmes the oil question to which the political agent had objected so strongly in the past. Consequently he did not approach the political agent for British Government

approval of the Syndicate.

For its part, the Syndicate was in no position to undertake any further financial commitment in order to secure the Kuwait oil concession and therefore Holmes did not ask for the political agent's support. The Syndicate was now in a very serious financial predicament and wished to delay an agreement until more money was available. The additional money was injected in July 1925 by two directors, Janson and Tarbutt, when the chairman, Sir Edmund Davis, left the Syndicate, but this was insufficient to meet outstanding debts; and by 1926 the Syndicate owed Ibn Saud £6,000 - two years rent for the El-Hasa concession.

The Syndicate claimed to have spent a large sum of money in the Gulf and that it could afford no more on its own. In these circumstances the most reasonable action for Holmes to take was to conclude a water agreement as he had done previously in Bahrein, and which proved successful in enabling him to secure the oil concession later when the Colonial Office ceased to object.²⁰ The water project would keep him in close touch with the Shaikh whilst at the same time extra data on Kuwait's geology could be obtained. After signing the water agreement with the Shaikh, Holmes returned to London to help in solving the Syndicate's financial crisis.

Meanwhile in London the Syndicate's directors

had already tried to raise extra money by selling part or all of their holdings in the Persian Gulf - the El-Hasa, Neutral Zone and Bahrein oil concessions, with a promise of obtaining the Kuwait concession. They negotiated with the major British oil companies - Shell, Burmah Oil Company and A.P.O.C. - and with various companies and financial institutions; however all but A.P.O.C. declined the Syndicate's offer. Shell and Burmah Oil were engaged in Iraq and India respectively and in any case were not interested in competing against their close associate A.P.O.C. Burmah Oil had been the second largest shareholder in A.P.O.C. since 1914 while the Shell Group was in close contact with A.P.O.C. in Iraq and was being supplied with large quantities of crude oil on a long-term contract. The other financial organisations were deterred from becoming involved since they realised the difficulty of marketing any oil found in competition with a great neighbour and in a world market already well-supplied.²¹ Moreover there was no incentive because of a lack of positive geological information about oil deposits.

The only company searching for geological evidence of oil in Kuwait and still actively interested in the region was A.P.O.C. On 30 October 1925 H.E. Nichols, one of A.P.O.C.'s managing directors, in a personal letter to Sir John Shuckburgh, Assistant Under-Secretary in the Colonial Office, requested permission to carry out a geological survey of Kuwait.

He explained the need to widen the company's knowledge of the Persian Gulf's regional geology and assured Shuckburgh that the survey bore no relation to the Kuwait oil concession.²²

The Colonial Office considered that A.P.O.C. was entitled to carry out a geological survey in Kuwait whether or not they were seeking oil or merely interested in geological data which would assist them in their interpretation of the Persian fields, as the E. & G.S. had never been granted exclusive rights when the Colonial Office had approved its offer to the Shaikh.²³ Therefore the Colonial Office informed the political resident that there was no objection to two geologists employed by A.P.O.C. making a geological survey of Kuwait territory provided the Shaikh gave his consent beforehand. The Shaikh reluctantly agreed, but not before receiving the political agent's assurance that the survey had no connection with the question of the oil concession, as he was still refusing to open oil negotiations with A.P.O.C.²⁴

The A.P.O.C. geologists arrived on 7 January 1926 and completed their reconnaissance by 7 February. Their report held no promise for Kuwait's oil prospects. The results of this survey had been received at A.P.O.C.'s headquarters in London by mid-February just prior to an E. & G.S. approach offering to sell the El-Hasa, Neutral Zone and Bahrein oil concessions

together with any concessions in Kuwait they might secure. Wilson, now the managing director of the D'Arcy Exploration Company who conducted the negotiations on behalf of A.P.O.C., expressed interest in the Syndicate's offer and commenced negotiations which went on for six weeks. By 24 March the two companies were very close to concluding an agreement. The remaining obstacle to be settled was the final price for the concessions, which was of relatively minor importance as the sum was in the region of £55,000-£60,000. However on 7 April the Syndicate was informed that in view of a report by A.P.O.C.'s geologists the company was withdrawing their latest proposals.²⁵ Negotiations were broken off; but Wilson's explanation was not entirely accurate as A.P.O.C.'s directors had known all along of the negative results of the recent geological survey.

The main reason for the withdrawal was the terms, considered unfavourable by A.P.O.C., on which the Syndicate had secured these concessions, especially the royalty payments and the obligation to pay customs duty on imported materials. A.P.O.C. considered that acceptance in the Gulf of any liability to custom duties and high royalty payments was a most dangerous precedent as it might affect the Persian concession. This was considered paramount, and the company was not prepared to antagonise the Persian Government,

which already wanted to modify some of the original clauses of their concession to A.P.O.C. A.P.O.C. hoped that in view of the refusal of any other company to take up an option on these concessions, as seemed to be the case, together with the poor performances of the Syndicate, the Colonial Office and the Shaikhs would finally realise that only A.P.O.C. was capable of exploiting the oil and would therefore accept the company's terms²⁶ Unfortunately for the company, as will be seen below, its gamble did not pay off and soon afterwards the situation was to change completely.

Having failed to obtain British capital, the Syndicate was forced to look for foreign assistance, particularly from America and Canada. The Syndicate's directors were helped by a former employee in their efforts to interest American companies. Professor Madgwick, who supervised the Syndicate's water operation in Bahrein and had close connections with American oilmen, contacted his old friend T.E. Ward and stimulated his interest in the Bahrein oil concession. Although in 1924 Madgwick had not been granted permission by the political agent in Bahrein to carry out any oil survey work, he had nevertheless done so as requested by Holmes.²⁷ He had found encouraging signs of oil possibilities which he passed to Ward in 1926 after realising the Syndicate was looking for a buyer. En route from

London to Canada to his new post, Madgwick met Ward, who was the President of Oilfield Equipment Company, and gave him further convincing details of the Bahrein geological structure. In the light of these facts and confident of Madgwick's technical knowledge, Ward approached the Syndicate and asked for a copy of the Bahrein oil concession. On 19 August 1926 Janson informed Ward that Holmes, who had negotiated for the concession, was due shortly in the United States of America and would call on Ward to explain the whole position.²⁸ Holmes arrived in New York on 21 September and he and Ward met representatives of various oil companies in an effort to stimulate their interest in the Bahrein oil concession.

However the American companies showed little interest in Bahrein as they considered it too insignificant and too distant. They also had no geological data of the area and Madgwick's report was considered to be lacking in sound geological evidence. These initial contacts were not encouraging; and upon Holmes' return to London Ward took it upon himself to continue negotiations, especially with the Standard Oil Company of New Jersey and the Gulf Oil Corporation. Ward's decision to concentrate on the Standard Oil Company of New Jersey and the Gulf Oil Corporation was not accidental. Both companies were operating internationally and wanted to diversify

their oil sources. Both had outlets world-wide and wanted to obtain additional sources of supply in the eastern hemisphere in order to cut the cost of transport and production. Thus, since the early twenties, they had been actively trying to gain a foothold in the Middle East.²⁹

When the Standard Oil Company of New Jersey and the Gulf Oil Corporation were approached again by Ward, the former stipulated the carrying out of a geological survey in Bahrein as a condition for continuing negotiations. However, pressed for time, the Syndicate replied that it would be impossible to secure the necessary permission and therefore stated that the negotiations should continue on the basis of Madgwick's report. The Standard Oil Company of New Jersey was no longer interested without proven geological data and therefore withdrew from the discussions.

Although the Gulf Oil Corporation (Gulf) geologists, upon re-examining Madgwick's report advised against Gulf taking up the Bahrein option, Ward was soon able to change the attitude of W.T. Wallace, Gulf's principal negotiator. By suggesting to Gulf that they also acquire an option to the nearby areas of Bahrein, Ward overcame their objection to carrying out an oil operation in such a remote and small area as Bahrein, and assured them that if oil were discovered there the surrounding area would remain under

the company's control. The idea appealed to W. Wallace, who was ready to consider a Syndicate offer for the El-Hasa, Neutral Zone and Bahrein oil concessions, together with a promise of obtaining the Kuwait oil concession.

Having secured a tentative offer, Ward hurried to London to confer with the Syndicate directors. By now - July 1927 - the Syndicate was desperate to find a buyer as they already owed Ibn Saud £9,000 for three years rent for the El-Hasa concession and soon would have to pay Rs.10,000 (£750) to the Shaikh of Bahrein to extend the prospecting licence for a further year. Therefore the Syndicate's directors accepted Ward's advice quickly and agreed to offer all their holdings in the Persian Gulf including that in Kuwait, the concession for which had not yet been secured. Ward returned to New York authorised to negotiate an agreement with the Gulf Oil Corporation.

Back in New York on 15 September he immediately reopened his negotiations with Wallace, which lasted for more than two months. The main problem was the Gulf's insistence on specific assurances that the British Government would not oppose the transfer of the concessions to a Gulf nominee. Wallace knew of Britain's opposition to American oil companies securing oil concessions in the British Empire and zones of influence and of the difficulties in overcoming this obstacle. His company was one of several American oil companies which had been negotiating to gain

a foothold in Iraq and obtain a stake in T.P.C. since the early twenties.³⁰

Finally the Syndicate had no choice but to agree to obtaining formal written and effective assurances from the British Government that no objection would be raised to the assignment of the concessions to a Gulf nominee. They did so in view of the fact that the agreement which had been initiated by the British Government and signed by the Shaikh in 1925 contained nothing to prevent them legally from transferring their right to a foreign company.³¹ Nevertheless, in anticipation of British Government opposition to an American company entering the Persian Gulf for oil concessions, it was stipulated by the Syndicate on Ward's advice that the Gulf nominee to operate the concession should be a Canadian or British company. This contribution by Ward proved decisive in facilitating the entry of American interests into the Persian Gulf, as the British Government was opposed to a company registered in the United States taking up these concessions and the Shaikhs of Kuwait and Bahrain were barred from signing any agreement with such companies. Moreover the company laws of Canada permitted one hundred per cent stock ownership by American citizens thus according the Americans complete control over any Canadian company which might operate the concession, without which American capital would not have been forthcoming.³²

To the Syndicate's great relief two agreements were signed on 30 November 1927 granting the Eastern Gulf Company, a subsidiary of the Gulf Oil Corporation, an option on the Syndicate's holdings in the Persian Gulf. The first agreement accorded Gulf an option on the Bahrein oil concession until 1 January 1929 and the second an option on the El-Hasa and Neutral Zone concessions, subject to revalidation, and an option on the Kuwait concession which had yet to be negotiated for by the Syndicate. Moreover, under the agreements' terms the Syndicate had to obtain British Government consent to the transfer of the Kuwait concession when secured and that of the Bahrein to the Eastern Gulf Company's nominee.

In accordance with these secret agreements signed with the Gulf Oil Corporation, Holmes returned to the Persian Gulf to validate the El-Hasa and Neutral Zone oil concessions because of arrears in rent and to secure the Kuwait one. Holmes' salary and expenses were now being paid by the Gulf Oil Corporation and he made strenuous efforts to deliver what the Syndicate had pledged. Well acquainted with Persian Gulf politics, he preferred to deal first with Ibn Saud and then with the Shaikh of Kuwait. He considered that Shaikh Ahmad would wait for Ibn Saud's lead, as the latter was regarded as the principal leader who often dominated decisions made by other rulers of the Persian Gulf.

However current political events in Arabia prevented Holmes from approaching Ibn Saud who was engaged in consolidating his authority in the Hejaz.³³ Therefore as Gulf was pressing to secure the Kuwait oil concession as soon as possible Holmes reluctantly decided to approach first the Shaikh of Kuwait.³³ At their meeting at the end of April 1928 the Shaikh surprised Holmes by his readiness to reopen the oil negotiations immediately. In the presence of his closest advisers he praised Holmes as a friend and as without political aspirations, pointing to his deal with the Shaikh of Bahrein. Whilst discussing the initial terms of the concession the Shaikh even agreed to base the royalty payment upon output as had been set as a pre-condition in 1925 by the Colonial Office, instead of upon share participation as originally promised by the Syndicate. Hitherto the Shaikh had refused to accept this form of royalty payment, which had been offered by A.P.O.C., and Holmes realised that he could there and then conclude an agreement provided he 'was prepared to pay a very large amount for the concession.'³⁴ He also noted the greedy attitude of the Shaikh when he hinted at the Syndicate connection with an American company. However, in order not to appear too anxious and hoping to delay a conclusion until an agreement was reached with Ibn Saud, Holmes suggested preparing a draft concession and submitting it within a month for Shaikh Ahmad's consideration.

Back in Bahrein to prepare the financial terms for the Kuwait oil concession, Holmes immediately asked the political resident to inform the Shaikh of Kuwait in writing that the Syndicate had been approved by the Colonial Office as a candidate for the oil concession.³⁵ He was disappointed to discover that despite Colonial Office approval of the Syndicate since 1925 the Shaikh had been denied this information. Meanwhile when preparing the financial terms Holmes kept in constant touch with Wallace, the principal negotiator for Gulf, and indicated to him the danger of offering the Shaikh of Kuwait exceptionally large payments before dealing with Ibn Saud. Holmes explained that this would probably result in 'Ibn Saud making heavier cash demands for Hasa and Neutral Zone concessions' which needed to be validated.³⁶

However Wallace, an experienced oilman who appreciated the political complications in the Middle East, urged Holmes to conclude an agreement with the Shaikh even before a meeting with Ibn Saud. There was a practical reason for wanting Holmes to secure the Kuwait oil concession quickly. Gulf had to take up their option in Bahrein by 1 January 1929 and in order to justify to the shareholders a venture in such a small territory they needed to secure the nearby territory as well. As has been seen the company had originally become interested in Bahrein only after being offered options for further oil concessions in the area which

would provide sufficient justification for commercial exploration there.

In the circumstances Holmes returned to Kuwait in June determined to conclude an agreement with Shaikh Ahmad. He offered the Shaikh far more generous terms than those accepted by the Shaikh of Bahrein together with a Lincoln motor car as a personal present. In addition, he gave the Shaikh's advisers cash payments promising them more when the concession was signed. However several weeks of hard bargaining together with a promise of a further increase in some of the payments to the Shaikh and his advisers, were needed to bring the negotiations close to a conclusion.

When he asked for the Gulf directors' approval of the terms agreed, Holmes was ordered back to New York for consultation. By now, August 1928, the situation had changed dramatically and Gulf's whole operation in the Persian Gulf was suddenly being threatened by a new development. In July Gulf together with four other American companies acquired a 23½ per cent share in T.P.C. and signed the so-called Red Line Agreement. This prevented each participant in T.P.C., which included A.P.O.C., the Royal Dutch Shell Company, the Compagnie Francaise des Petroles (C.F.P.) and the five American oil companies, independently securing oil concessions in certain areas of the Middle East,

including Bahrein, El-Hasa and the Neutral Zone. (Kuwait territory was excluded from the scope of the Red Line Agreement.)³⁷ Therefore as Gulf could no longer exercise their Bahrein, El-Hasa and Neutral Zone options independently of T.P.C., their whole operation in the Persian Gulf came under review.

In addition, the Gulf directors were becoming increasingly disappointed with the course of the negotiations in Kuwait. They felt that the area obtainable for exploitation was too small and that the financial terms were relatively too high. Therefore when Holmes, during the last phase of negotiations, even increased some of the payments, he was called back to New York for consultation before signing the agreement with the Shaikh.³⁸

Holmes left Kuwait on 11 August having practically settled the concession terms, promising to return soon to conclude the agreement with the Shaikh. He arrived in New York on 28 September, three weeks later than was expected as he had stayed in London recovering from dysentery. Therefore by the time he met the Gulf directors they had already reached a decision in regard to their Persian Gulf operations. They had decided to offer only the Bahrein option to T.P.C. and to retain their other options, which had first to be validated (the El-Hasa and Neutral Zone concessions) and in the case of the Kuwait oil concession to be obtained.

As Kuwait territory was excluded from the scope of the Red Line Agreement and could be retained independently by Gulf, Holmes was urged to secure it. His latest proposals to the Shaikh of Kuwait were approved and he was immediately sent back to Kuwait to conclude the agreement.³⁹ After staying in New York for only a week, Holmes returned hurriedly to London to consult the Syndicate's directors about the implications of the Red Line Agreement.⁴⁰ He then returned to Kuwait to finalise the oil agreement.

Back in Kuwait in November 1928 Holmes became aware of a recent development which now prevented him from securing the oil concession. He and the Shaikh were informed by the political agent of a new clause set by the Colonial Office as a condition for their approving the Syndicate's securing the Kuwait oil concession. Although in 1925 the Colonial Office initiated and approved the terms under which the Syndicate was allowed to secure the concession, it seems the Colonial Office now decided on a new clause to be inserted into it. The clause was designed to ensure that the concession remained under British control, and had been introduced a few months earlier to the Shaikh of Bahrein also. It read as follows:-

The company shall at all times be and remain a British company registered in Great Britain or a British colony, and having its principal place of business

within His Majesty's Dominions, the Chairman and Managing Director (if any) and a majority of the other Directors of which shall at all times be British subjects, and neither the company nor the premises, liberties, powers and privileges hereby granted and demised, nor any land occupied for any of the purposes of this lease, shall at any time be or become directly or indirectly controlled or managed by a foreigner or foreigners or any foreign corporation or corporations, and the local General Manager of the company, and as large a percentage of the local staff employed by them as circumstances permit, shall at all times be British subjects or subjects of the Shaikh.

In this clause the expression 'foreigner' means any person who is neither a British subject nor a subject of the Shaikh, and the expression 'foreign corporation' means any corporation other than a corporation established under and subject to the laws of some part of His Majesty's Dominions and having its principal place of business in those dominions. 41

Although the Shaikh was willing to grant the concession to Holmes and told the political resident so, Holmes could not accept the insertion of the new clause into the agreement. He realised that such a clause, if inserted, would definitely be unacceptable to Gulf as it effectively excluded American interests directly or indirectly from holding or operating the concession. The British nationality clause which the Colonial Office suddenly sought to impose was contrary to the terms and conditions of the Syndicate's agreements with Gulf and therefore could not be accepted by the Syndicate. It became obvious to Holmes that he could make no progress in Kuwait until the Colonial

Office had modified this new condition, as the Shaikh was willing to grant the Syndicate the concession only in accordance with British Government stipulations. Therefore Holmes left for London to consult his colleagues and to help solve the Syndicate's latest crisis.

In London the situation was much more serious, as the Colonial Office had already demanded that the same British control clause also be inserted into the already signed Bahrein oil concession, which Gulf had acquired from the Syndicate. Such an unexpected demand forced the Syndicate to concentrate its efforts on a campaign to induce the Colonial Office to modify its attitude in regard to the Bahrein concession. The Syndicate considered the Bahrein case more urgent than that of Kuwait, because Gulf's nominee was due to take possession of the Bahrein concession shortly - 1 January 1929 - and because the Syndicate considered itself to be in a stronger position legally in resisting the Colonial Office demand for a new clause in an agreement which had already been signed and approved by the British Government, while the Kuwait oil concession had yet to be signed.

It was hoped that if the Colonial Office were to waive or modify the nationality clause in order to allow the Syndicate to fulfill its legal obligation to the American company, which in turn meant allowing American oil interests into Bahrein, it would set a

precedent for Kuwait. Therefore negotiations for the Kuwait concession were dropped for the time being to be reopened only when a satisfactory solution for the Bahrein one had been found. If a decision were taken by the British Government to modify the British control clause in order to allow American oil interests into Bahrein, this would undoubtedly revolutionise Britain's policy in the Persian Gulf and have considerable consequences for the Kuwait oil concession. From its beginning Britain's oil policy was nationalistic and had been in operation in the Persian Gulf; and no American oil company had been allowed hitherto to gain a footing in this area. There was never any question of permitting American oil interests into the Gulf, and as Britain was soon to change its attitude towards Bahrein there is a need to explore the events and reasons leading to this remarkable change.

By examining three interesting and inter-related questions listed below the actual story of the first American success and its immense consequences for Britain, the United States and the Persian Gulf's political and commercial development will be revealed:-

- a) Why the insertion of the British control clause was suddenly introduced and demanded by the Colonial Office at this crucial stage in the history of the Kuwait and Bahrein oil concessions.
- b) How negotiations progressed between the Syndicate

and the British Government and their influence on the American attitude.

- c) What the British Government finally decided regarding the introduction of American capital into Bahrain and the consequences of this on the negotiations for the Kuwait and other oil concessions of the region.

PART III

THE BRITISH 'NATIONALITY CLAUSE' VERSUS
THE AMERICAN 'OPEN DOOR'

1. The Bahrein Precedent

The initiative to insert a British control clause in the Kuwait and Bahrein draft concessions came from the political resident in the Persian Gulf and not from the Colonial Office, as was later suggested by the Americans. On 8 December 1927 the political agent in Bahrein was asked by Holmes for a one-year extension of the exploration licence, the terms of the concession signed in December 1925 allowing for an extension of up to two years from 1927, subject to the concurrence of the Shaikh, acting upon the political agent's advice.¹ After consulting the political resident, the political agent approved Holmes' request and shortly afterwards the Shaikh signed the supplementary agreement.

However, upon receiving the related papers, the political resident in Bushire realised that the original oil agreement signed in 1925 lacked any clause safeguarding the maintenance of British control over the concession. It was because his suspicions regarding the E. & G.S.'s relations with American oil interests had grown considerably at this time that he noticed the omission.

In January 1928 a party of American geologists arrived in Bahrein and started an intensive survey of the area searching for oil.² As British officials were generally apprehensive when oil prospectors

arrived in the Persian Gulf, especially foreigners, the political resident went to Bahrein in mid-February to extract information from Holmes about the American geologists and their connection with the E. & G.S.³ After looking closely at the situation, he pointed out to the Colonial Office on 2 April 1928 that

the original agreement between the Shaikh and the Syndicate.....contains nothing to prevent the rights under it from being transferred to an American or other foreign concessionary.

The political resident therefore suggested that all future agreements of this nature should contain a special nationality clause in general accord with Britain's policy in the area.⁴

The Colonial Office was somewhat surprised by the political resident's suggestion, as there had never been any question of even considering permission to American oil interests to penetrate the Gulf and the ministry was unaware of any American company being interested in Bahrein.⁵ However their relatively weak legal position as regards forcing the Shaikh and the Syndicate to insert such a provision now was quickly recognised by the ministry.

Hall, who had negotiated previously with the Syndicate, observed that although the Shaikh was bound to grant the concession only to a British Government nominee (the 1914 oil convention), the government had in fact already approved the concession being granted

to the Syndicate and had themselves initiated the terms of that concession. However as he was unaware of the Syndicate's agreement with Gulf several months earlier, he anticipated no difficulties in inducing the Syndicate and the Shaikh to agree to amend Article XIII of the mining lease along the lines the Colonial Office was about to propose.⁶ Consequently the political resident was instructed by the Colonial Office on 19 June to advise the Shaikh of Bahrein to make the insertion of the nationality clause (on the terms already quoted above) a condition of any future agreement reached with the Syndicate, particularly in the next renewal of the exploration licence due at the end of 1928.⁷

The decision to insert now a special clause into the already signed Bahrein oil concession was taken without much consultation between the ministries involved and without any sense of urgency. The Syndicate was neither consulted nor informed at the time, as this clause was considered to be in line with Britain's well-known oil policy and in general accord with imperial interests in the Persian Gulf. In this part of the world the British Government was known by the Syndicate to have secured the legal right not only to prevent the Arab rulers from granting oil concessions to foreigners but also to select the British company which could obtain these concessions.⁸ However when the Colonial Office was informed shortly

afterwards by the Syndicate's directors of their close connections with American oil interests, the situation changed dramatically along with the Colonial Office's attitude.

The very unusual and sudden step taken by the Syndicate in voluntarily revealing their secret at that particular time can only be explained by their belief that the Colonial Office was about to receive the information from another source. Previously the Syndicate had hoped and thus endeavoured to keep their agreements with the Americans secret until they had concluded the relevant oil concessions in the Persian Gulf, as they knew the Colonial Office would probably raise objections and create difficulties for them in the region. However when Holmes returned from New York in October 1928 and informed his colleagues of Gulf's intention soon to offer the Bahrain option to T.P.C., the Syndicate's directors assumed that their rival - A.P.O.C. - a major participant in T.P.C. with special relations with the British Government, would soon pass this damaging information to the Colonial Office.⁹ Therefore on 17 October Janson and Holmes went to see Hall at the Colonial Office and on their own initiative revealed their connection with the Americans. (Ironically they later accused A.P.O.C. of revealing their arrangements with Gulf, thus excusing themselves to the Americans for not being able to secure quickly

British Government consent to the transfer of the Kuwait and Bahrein oil concessions to Gulf's nominee.)

Hall, who was quite surprised by the Syndicate's statement, was quick to remind Janson and Holmes of their verbal promise back in 1925 that control over the concession would remain entirely British and of the need to obtain the Shaikh's and British Government consent before conveying the concession to a third party, as was indicated in Article XIII of the mining lease. However as he understood from the Syndicate that the negotiations with the Americans were not yet concluded, he suggested that the Syndicate should submit their financial proposals to the government for approval before these went further, as he was certain the Colonial Office would be opposed to any American involvement.

In light of the information received, Hall especially appreciated the political resident's suggestion and thus the urgent need for securing the insertion of the nationality clause in any further agreement signed by the Syndicate in the Persian Gulf, particularly in Kuwait.¹⁰ He felt it fortunate that the Syndicate needed British Government approval for a further extension of the exploration licence in Bahrein, thus enabling the government to make the Syndicate's acceptance of the nationality clause a condition of the approval.

The communication promised by the Syndicate was

received shortly thereafter on 22 October; but it merely asked for renewal of their existing exploration licence for a further period of one year.¹¹ The Syndicate had not produced for Colonial Office approval any financial proposals to be put to the Americans as had been promised because, as has been seen above, agreements had already been signed a year earlier. After consulting the India Office, the Petroleum Department and also the Foreign Office, who had by now become involved as the issue could involve foreign policy considerations, the Colonial Office informed the Syndicate that the British Government would raise no objection to its exploration licence being renewed for a further year on the understanding that a British control clause would be inserted into the Bahrein oil concession.¹²

Faced with strong government opposition to the Americans entering the Gulf, the Syndicate took immediate steps to enable them to fulfill their legal obligations to Gulf and to convince the Colonial Office of the necessity of modifying its attitude. In the Persian Gulf Holmes informed the political agent in Bahrein that if an extension of the exploration licence were not granted by the Colonial Office then the rental payment of Rs.10,000 already made by the Syndicate to the Bahrein authorities for the extension would be utilised instead for the prospecting licence which, under the terms

of the concession, was to follow the exploration licence automatically. By so doing, the Syndicate would in fact be able to circumvent Colonial Office opposition as the prospecting licence was not conditional upon the ministry's approval.¹³

In London, the Syndicate informed the Colonial Office that they had already signed two agreements with Gulf, justifying their action by explaining their legal position vis-a-vis the British Government, the Shaikh and Gulf. In their letter of 19 December the Syndicate reminded the Colonial Office that they had secured an oil concession in 1925 from the Shaikh of Bahrein on terms negotiated with and approved by the ministry, and emphasised the fact that at the time no stipulation had been imposed as to the British character of a third party which might acquire the concession from the Syndicate. Although Article XIII of the mining lease, the Syndicate argued, stipulated that the Shaikh's consent, acting on the advice of Britain, was needed when conveying the concession to a third party, the same article provided that such consent should not be unreasonably withheld. Therefore, as the Syndicate was in financial difficulties and could not raise the extra capital in Britain, and in view of certain stipulations they themselves had made which ensured that the concession rights should be exercised only by a company registered in Britain or

Canada, they thus felt justified in accepting Gulf's offer. Consequently, the Syndicate stated, they could not accept the Colonial Office's condition as it would be resisted by the American company and inevitably lead to a claim against the Syndicate which could only result in its liquidation.¹⁴

The Colonial Office, which had just begun to realise the gravity of the situation, invited the Syndicate to ascertain more precisely their legal position vis-a-vis Gulf. At a meeting on 28 December 1928 Colonial Office representatives accused the Syndicate of granting rights which they could not dispose of except with the consent of the Shaikh of Bahrein. The Syndicate, for its part, suggested that the Colonial Office use its influence on A.P.O.C. so that T.P.C., which A.P.O.C. controlled, might reconsider the Gulf offer and accept the option for the Bahrein oil concession which they had rejected when it was offered to them previously by Gulf.¹⁵ This would provide a satisfactory way out of the impasse, as British interests would control the concession through T.P.C.¹⁶ Consequently, for the first time the Syndicate handed over copies of the two agreements concluded with the Americans and the meeting was ended after it had been decided to see if the Gulf Oil Corporation would in fact exercise the option for the Bahrein concession which was due to expire in a few days on 1 January 1929.¹⁷

After examining the agreements received from the Syndicate, the Colonial Office immediately sought India Office and Petroleum Department advice on the situation. The two agreements were sent to the Petroleum Department with a full account of the events to date, requesting the department's view as regards allowing American interests into Bahrein. The Petroleum Department, which was well acquainted with the apprehension about Britain's supply position, considered the wider implications of the issue raised by the Colonial Office. The department assumed from the information provided that if no other British company were interested in the Bahrein oil concession, as seemed to be the case in that the Syndicate had failed to raise British capital, it would be preferable to allow a foreign company into Bahrein to produce the oil, if it existed, rather than not have it produced at all. As most of Britain's supply came from the western hemisphere the need to develop any potential in the east was therefore evident. In any case, the department felt that in time of war the oil produced would be in the effective physical control of Britain and therefore it was in Britain's interests to encourage oil development in Bahrein.¹⁸ Finally the department agreed with the Colonial Office that it would be preferable for the Iraq Petroleum Company

(T.P.C. had now changed its name to the Iraq petroleum Company - I.P.C.) rather than a purely American company to become involved in Bahrein.¹⁹

The India Office, however, in accordance with the Government of India's general policy of opposing the entry of foreign interests into the Persian Gulf for political reasons, indicated in their 13 March letter that it would be desirable if possible to withhold any extension of the Syndicate's rights under their December 1925 agreement, unless the Syndicate undertook to comply with the Colonial Office stipulation without reserve.²⁰ Their view was strengthened by the British representatives in the Persian Gulf, who were against allowing American interests into Bahrein, especially on political grounds. The political agent in Bahrein argued that the oil company could eventually control the Bahrein Government, and he advised against any relaxation of Britain's nationalistic policy.²¹

On examination of the other ministries' views and the legal alternatives, the Colonial Office decided not to oppose further the introduction of American capital into Bahrein. This remarkable decision was based on two assumptions, although shortly afterwards one of them turned out to be false.²² Firstly the Colonial Office officials considered that if they withdrew their opposition, the result would be that such oil as might exist in Bahrein would in effect be developed by I.P.C., a company considered to be controlled by British interests, because Gulf was a member of I.P.C. and had signed the Red Line Agreement. On the

other hand, if they were to continue their opposition, the result would be in all probability that any reserves present in Bahrein would remain undeveloped, since the Syndicate had failed completely in their effort to obtain purely British capital for this enterprise. In this case, even if A.P.O.C. were induced to put up the capital they also could not operate the concession independently of I.P.C.

Secondly, and this was the decisive factor in determining the Colonial Office's view, the British Government could not legally oppose the American interests in Bahrein as there was no British control clause either in the agreement or in the mining lease signed between the Shaikh and the Syndicate, and no indication in any of the documents that the capital and control of the concessionaire company had to remain predominantly British. Although under Article XIII of the mining lease the Shaikh, acting upon Britain's advice, had to agree to the transfer of the concession to a third party, the same article provided that consent should not be unreasonably withheld. Therefore it was considered that independent arbitration, which had been provided for in the agreement in case of dispute, would not accept that the Colonial Office was acting reasonably in denying the Syndicate the right to convey the lease to Gulf merely on the grounds that the capital of that company was not predominantly British.²³ Political reasons were not considered to be justifiable by an arbitrator for such a refusal.

Therefore on 20 March the Colonial Office informed the Admiralty and the Foreign Office of their decision that it would be advisable for the British Government

to abandon the idea of opposing the introduction of American capital to operate the concession and to concentrate upon obtaining such a degree of British control as may be practicable. 24

Although the decision to allow in principle the Americans into Bahrein was taken prior to any representation on the issue from the United States Government, it is widely believed that the State Department's intervention was the decisive factor in facilitating the American entrance into Bahrein. This claim, which was initiated by the State Department in 1945 and since repeated, is impossible to substantiate.²⁵ Whatever the complex situation faced by the British Government described above, the United States Government's response to requests for diplomatic assistance was remarkably mild and completely different from that of 1918-1920 concerning Iraq.²⁶

In March 1929 Francis Loomis of the Standard Oil Company and a representative of Gulf met the Secretary of State to complain that the British Government's recent decision 'not to permit any exploitation in Bahrein and Kuwait unless the company was entirely owned and controlled by the British' was discrimination against American interests. The two

companies which were confronted with the British nationality clause in Bahrein requested State Department diplomatic assistance.²⁷ The State Department did not accept the Standard Oil Company and Gulf's argument of discrimination particularly against Americans because they knew that the British would take the same stand towards other nationals trying to penetrate the Persian Gulf.

Nevertheless, they felt they had a justifiable grievance in view of the fact that the Shell Group which was 40% British was reported to be very active in the United States, and that no British company seemed interested in the Bahrein concession. The State Department considered that if 'Great Britain is going to keep Americans out not only of British territory and British dominions, but out of protectorates' the United States Government should live up to their own mining laws, ie. the Mineral Leasing Act of 1920, and 'throw the British out.'²⁸ Consequently on 28 March 1929 the State Department instructed its Embassy to discuss the case of the Bahrein oil concession informally with the Foreign Office and to remind the British that the United States 'is extremely liberal in regard to the operation of petroleum concessions by foreign controlled companies.'²⁹

It was only on 3 April, two weeks after the Colonial Office's recommendation to allow the Americans into Bahrein, that the American Chargé d'Affaires

discussed the concession in Bahrein informally with Foreign Office officials. R. Atherton informed the Foreign Office that Gulf, with the Syndicate's consent, had assigned the Bahrein option to the Standard Oil Company of California (Socal) which was not a member of I.P.C. and which had registered a company in Canada to operate the concession. At the same time, he explained that the State Department would like to have a general statement from the British Government on policy regarding the holding and operation by foreigners of petroleum concessions in territories such as Bahrein.³⁰

Although it became obvious from the information provided by the American diplomat that the Colonial Office's first assumption was false and a purely American company would operate the concession and not I.P.C., which was dominated by British interests, the decision already made by the Colonial Office was not altered. By now the Admiralty and the Foreign Office also accepted the Colonial Office view and had agreed to allow American capital into Bahrein.

The Admiralty, which had initiated Britain's nationalistic oil policy with a view to securing British supplies of fuel for the Navy, concurred with the Colonial Office recommendation. They admitted later that

in view of the absence of a British control clause it was impossible to stop the

transfer and the best that could be done was to secure conditions which provide for some British control over the operating company. 31

Therefore in these circumstances, and obliged to choose between the development of Bahrein oil deposits by a foreign company with some form of British control rather than leaving them undeveloped as British capital was not forthcoming, the Admiralty preferred the former. In any case, the ministry considered that Britain's control of the Persian Gulf and a certain degree of control over the American company would assure the Admiralty's preferential position regarding the oil produced, and especially a pre-emption in time of war.³²

The Foreign Office for its part was glad to avoid disagreement with the United States Government over oil affairs, particularly after the tension created by the 'open door' principle demanded in Iraq which had affected relations between the two countries in the early twenties.³³ They agreed with the Colonial Office that Britain 'would not be on strong ground in insisting on the exclusion of United States capital from this particular concession', and accepted the Colonial Office's view. They also informed Atherton meanwhile that the British reply 'might not be forthcoming for some period of time' due to inter-departmental consultations.³⁴

At the interdepartmental conference held on

7 May which comprised representatives from the Colonial Office, the Foreign Office, the Petroleum Department and the India Office, the Colonial Office recommendation was accepted. However the India Office representative was unable to express any opinion pending the receipt of the Government of India's view. Nevertheless the India Office officials were aware of Britain's weak legal position vis-à-vis the Syndicate. They considered the Colonial Office to be responsible for the absence of the British control clause from the agreement signed between the Syndicate and the Shaikh of Bahrein, which now left the India Office with practically no alternative but to agree to a transfer of the concession to American interests.³⁵ Therefore when the Government of India's strong opposition to the decision taken became known shortly afterwards on 12 May the India Office assumed the role of mediator between Simla and London in order to facilitate a mutual agreement.

The Government of India's opposition reflected Britain's fear of the consequences of the Bahrein case in the Persian Gulf. The Viceroy emphasised that if Britain gave way over Bahrein it would be 'difficult to prevent ground being cut under our feet all along the coast, for our exclusive agreements are all on the same model.'³⁶ Although the Colonial Office recommended American entry into Bahrein it

was also aware that no foreign oil interests had hitherto gained a footing in the Persian Gulf. If Britain were to change this policy now and allow American interests to obtain a foothold in Bahrein, it would be increasingly difficult to continue to exclude Americans from other parts of the Persian Gulf, especially Kuwait.³⁷

Therefore Kuwait had been given special consideration, particularly as the oil concession had not yet been signed and the territory had been excluded from the scope of the Red Line Agreement, thus enabling the Gulf Oil Corporation to retain independently their option on any concession the Syndicate might obtain for them. The various ministries were aware that the question of American participation in Kuwait was likely to arise as soon as outstanding problems concerning the Syndicate's oil concession in Bahrein had been disposed of; and in general they were prepared for this. A debate, which would continue until the end of 1930 and which will be discussed in the next chapter, was sparked off within the ministries about the merits and demerits of the policy of preventing foreign interests from securing oil concessions in the British Empire and zones of influence.³⁸ Despite certain misgivings about a nationalistic oil policy in general, a firm decision was made to resist American entry into Kuwait and two tentative steps were taken to implement this decision.

Firstly it was made clear to the Syndicate's directors that even if permission were given for the admission of American capital in the case of Bahrein, it would not be given in the case of Kuwait, as it was unlikely that any concession would be given for that territory unless it contained the British control clause. Secondly it was decided that A.P.O.C., which was the only purely British oil company interested in the region, might be sounded out as to the possibility of its applying for the oil concession.³⁹ Eventually the decision reached by the British Government was to allow the American company into Bahrein only subject to certain conditions which would ensure some measure at least of British political control over the operating company. Accordingly, in its reply to the United States Government on 29 May the British Government expressed its readiness to consent in principle to the participation of United States interests in the Bahrein oil concession but also indicated that any further case of American participation in oil concessions in the Persian Gulf would be considered on its individual merits.⁴⁰ This meant that a general statement such as the United States Government desired from the British Government regarding the holding of oil concessions by foreigners in the Persian Gulf would not be made.

Nevertheless the State Department assumed rather

naively that their brief and informal representation had persuaded 'the British Government to abandon its insistence on the British nationality clause in connection with the Bahrein concession.....'⁴¹ Certainly it was over-optimistic to say the least to assume the British Government would very quickly depart from a long-established policy after some informal representation; and indeed the case of Kuwait was to demonstrate the difficulties of persuading the British Government to depart from its policy in the region. Obviously the United States were unaware of the fact that the British Government considered it impossible to stop the transfer of the Bahrein oil concession, in view of the absence of a British control clause in the initial agreement, and had therefore decided to allow the Standard Oil Company of California to take up this concession subject to certain conditions before the United States Embassy's intervention. Ironically this misapprehension of the situation helped Gulf in enlisting State Department assistance when they asked for it in 1931 in connection with the Kuwait oil concession.

As this decision had been reached regarding Bahrein, it now remained for the British Government to negotiate with the Syndicate, as the existing concessionaire, to establish the conditions under which the British would allow an extension of the exploration licence and the transfer of the Bahrein

oil concession to the American company's nominee. The Syndicate's task was quite difficult as they had to find common ground between two opposing forces, one of which wanted to secure maximum British control and the other minimum British control over the company which was to operate the concession.⁴² However, because of the government's weak legal position, the main argument put before the Syndicate to be conveyed to the Americans was of a general political nature: had not the British Government been active in the Persian Gulf for the last hundred years there could have been no question of working an oil concession in these areas. Britain, the Colonial Office stated to the Syndicate's directors

by sacrifice of men and money had made the Gulf safe for enterprises of this character and they had every right to impose such conditions on the conduct of commercial enterprises in those regions. 43

Janson and Holmes conducted the negotiations with the Colonial Office and the Americans effectively, with tact and discretion. They never attempted to dispute the right of the British Government to impose conditions upon the participation of American capital in the operation of the concession, leading the British Government to believe that the Syndicate and the Americans had not 'discovered the lacunae in our legal position of which we ourselves are conscious after a careful diagnosis of our case.'⁴⁴ Janson and

Holmes, who knew that without British Government goodwill in the Persian Gulf it would be very difficult to operate, let alone secure further oil concessions, therefore decided on compliance rather than confrontation.

After winning some modifications of the initial terms suggested, they assured the Colonial Office on 19 July that they were not unreasonable and promised to do their utmost to induce their American friends to accept the conditions proposed. However after consulting the American company's representative in London, Major Harry Davis, Holmes and Janson returned to obtain further modifications from the Colonial Office. They explained that the Americans could not accept the current conditions as they had a very low opinion of the managerial abilities of British subjects. Having heard the explanation of the American's objections, the Colonial Office agreed to amend the relevant sections but stated that these latest modifications represented the extreme limit of the concessions which the British Government were prepared to make.⁴⁵ (The India Office had already displayed some reluctance to accept the modifications made so far.)

Then the Syndicate representatives suggested not negotiating any more with Major Davis as he was eager to obtain personal kudos by securing conditions more favourable than his American principals probably

thought possible, and therefore proceeding to the United States to negotiate directly with Wallace. In October 1929 Janson and Holmes went to the United States and embarked on long negotiations with representatives of Gulf and Socal. They emphasised the political climate in the Persian Gulf and the fact that the Colonial Office had conceded much more than they had thought possible. As a result the Syndicate was able to persuade the Americans to accept the conditions proposed in principle, subject to some minor modifications and clarifications.

Nevertheless it took several more months of delicate negotiations between the Syndicate and the other two parties - the Colonial Office and the Americans - to conclude a satisfactory agreement, which allowed a Canadian company, the Bahrein Oil Company, to take possession of the Bahrein Oil concession. The four conditions agreed upon were considerably different from those initially promulgated and emphasised in the main Janson and Holmes' achievement. In general it was agreed that the company to operate the concession was to be registered in Canada and only one of its five directors was to be a British subject. Regarding the rest of the company's employees, it was decided that the number of British or Bahrein subjects would be conditional on the efficient working of the operation.⁴⁶

Events which led to the signing of the Bahrein oil concession with Socal have in general been overlooked and therefore a special effort has been made to establish the facts. It seems that the British Government was mainly concerned to maintain its political supremacy and not so much to safeguard Britain's oil interests. Therefore as it was forced to accept Americans in Bahrein in view of the omission of a nationality clause in the concession, it considered the eventual agreement sufficient to curb any potential American political influence, ie. to limit American personnel and contact with the Shaikh. By this the government hoped that the American commercial success would not precede political claims and influence which might undermine their supremacy. On the other hand the United States Government without political or strategic aspirations raised the oil issue with the British Government only on an informal basis, and accepted any restrictive agreement reached by its nationals on whose behalf they had intervened.

However the outcome in Bahrein reveals the arrival of a newcomer competing for Middle East oil, the implications of which passed unnoticed for a while, but which later had a considerable influence on the region's political and commercial development. Socal, which was not a member of I.P.C., ie. bound by the Red Line Agreement, eventually posed a direct threat to both the British Government and A.P.O.C. because

for the first time a wholly American owned company gained independently a foothold in the Middle East. However, before turning to the wider implications of this development for the region, Britain and the United States, its influence on the negotiations for the Kuwait oil concession should be examined.

2. In Pursuit of a 'Closed Door'

The major phase in the drawn-out negotiations for the Kuwait oil concession started in August 1930, and as anticipated resulted in a far more serious confrontation than in Bahrein between the British Government and the E. & G.S. and eventually between the British and American Governments.

Once a mutually satisfactory solution had been found regarding Bahrein, and the concession assigned to the Americans, the case of the Kuwait oil concession was reopened by the Syndicate. Holmes visited Kuwait at the beginning of August and in contrast to previous visits during the preceeding eighteen months recommenced the oil negotiations. He informed the political agent in Kuwait of his intention to negotiate an oil concession and presented H.A. Dickson and the Shaikh with a draft concession which had been drawn up by Gulf and passed on to the Syndicate several months before.¹ Dickson, who had recently been instructed by the political resident that the British Government wished to ensure that events in Bahrein should not set a precedent for Kuwait, indicated to Holmes that the nationality clause must be inserted in any concession agreed with Shaikh Ahmad.²

As this meant a further delay in negotiating the concession, because Gulf could not accept a clause which had the effect of excluding any but purely

British interests from exploiting the concession, Holmes was disappointed with the local British authorities' attitude. He told the political agent that the Syndicate intended to ask the Colonial Office to modify the nationality clause on the same basis as had been agreed in Bahrein.³ Therefore on 23 August Holmes left for London in order to assist the Syndicate in their negotiations with the Colonial Office, having ascertained the Shaikh's willingness to negotiate an oil concession immediately.

In London the Syndicate informed the Colonial Office of Holmes' activities in Kuwait and asked the ministry's approval of the enclosed draft concession which now incorporated the four conditions agreed in the Bahrein oil concession as a substitute for the nationality clause. Consultation then ensued between the government ministries concerned to consider the reply to be given the Syndicate; while the Syndicate for its part continued to press their case as they were constantly being urged to do by Gulf. The Syndicate reminded the Colonial Office that in September 1925 they had approved the Syndicate's

negotiating an oil concession with the Shaikh of Kuwait on the lines of the Bahrein concession in which concession no stipulations in the nature of the nationality provisions were embodied.

Therefore, the Syndicate explained, they and their

American colleagues saw no reason why the modification made by the Colonial Office in regard to the nationality clause in the Bahrein concession could not equally well be made in the Kuwait concession.⁴

However, the Colonial Office viewed the matter differently. It was guided by political considerations, including the strategic importance of Kuwait at the head of the Persian Gulf and the necessity of maintaining intact Britain's supremacy in the region. It had already been agreed in principle as early as May 1929 by the Colonial Office, the India Office, the Foreign Office, the Admiralty and the Petroleum Department that over Kuwait they should hold out for the full nationality clause thereby preventing the Syndicate and its American associates from repeating their Bahrein success.⁵ Britain's legal position in Kuwait, according to the Colonial Office and the India Office, was much stronger than in Bahrein, where the concession containing no nationality clause had been granted to and taken up by the Syndicate. In contrast, no concession had yet been signed for Kuwait and Britain had every right according to the 1913 oil convention to set general terms, in particular with regard to the nationality of the concessionaire.

However despite their intention, confirmed since 1929, the various ministries found it now increasingly difficult and embarrassing to continue

insisting publicly that a nationality clause should be inserted in the Kuwait oil concession, ie. pursuing a closed door policy. Britain's nationalistic oil policy, as seen above, had been initiated in 1904 by the Admiralty, the Colonial Office and the India Office and supported by the Foreign Office. The policy was adopted partly because of the great importance of oil from a defence point of view and the Admiralty's aim of securing as far as possible British supplies of oil fuel for the Navy, and partly because of opposition to the large, monopolistic foreign oil companies which threatened British oil companies. The British oil companies, which were small and vulnerable, needed protective measures to survive and when first imposed these were considered by the British Government and the oil companies necessary for the maintenance and growth of Britain's oil industry.

The result was that a policy which discriminated against American interests, especially in British mandated territory and zones of influence, periodically came under fire from the United States Government and occasionally caused strained relations between the two countries. After the First World War for instance the United States Government demanded a share for American oil interests in British mandatory Iraq, a former territory of the Turkish Empire. Eventually after the Americans secured a

promise of a share in T.P.C. and further oil deposits were discovered in the United States, the oil controversy between the two governments subsided.⁶

Nevertheless, in 1929 when negotiations for the Bahrein oil concession reached their climax, the United States Government asked Britain to make a declaration of its policy with regard to the holding and operation of oil concessions by foreigners in the Persian Gulf. In view of the importance of the issue to Britain in terms both of oil and relations with the United States, an interdepartmental conference was called to consider the matter. At that meeting on 7 May 1929 the various ministries concerned, although finalising the decision taken previously to allow the Americans into Bahrein, could not agree on a general policy for the future and the reply to the United States Government had, therefore, been that every case in the Persian Gulf would be considered on its merits. It was also decided that the Petroleum Department should prepare a memorandum setting out the views of the various ministries - the Admiralty, the War Office, the Air Ministry, the Foreign Office, the Colonial Office, the India Office and the Board of Trade - and recommending a future oil policy for the British Empire.

After consulting the ministries concerned and the major British oil companies - the A.P.O.C., the Shell Group and Trinidad Leaseholds - the Petroleum

Department concluded that the policy in its present form had possibly outlived any useful purpose and was no longer necessary. The British oil companies no longer needed protective measures and the chances of finding great oil fields in the British Empire were believed to be poor. Furthermore, British oil companies were almost exclusively dependent on foreign sources of supply; and the results for Britain would be disastrous if the restrictive policy in the British Empire were to be adopted elsewhere. She therefore became more interested in the 'open door' policy than any other country.⁷ It was now considered that this policy was harming Britain in so far as it was preventing foreign capital from assisting in the search for oil in the British Empire, damaging British oil interests in the United States, in view of the Mineral Leasing Act of 1920, and resulting in an occasional strain on diplomatic relations with the United States.

To understand the shift in government and corporate convictions there is a need to refer to the direction in which the international oil industry developed during the twenties. In 1928 the three major oil companies - the Standard Oil Company of New Jersey, Shell and A.P.O.C. - which dominated oil markets outside the United States had reached an agreement by which this market was shared in proportion to the percentage they held at the time. In

order to assure an orderly market and a stable price structure they agreed to recognise each others' relative share of the market, to share each others' facilities and to supply their markets from the nearest oilfields, thus buying crude oil from each other at an agreed price.

This truce in marketing arrived at in the eastern hemisphere was to include joint production. In the same year the Red Line Agreement was signed under the provisions of which the signatories, including these three major oil companies, agreed that only through T.P.C. could an interest in oil exploration be shown in Iraq, Saudi Arabia and the Gulf principalities except Kuwait. It seems that these two agreements, ie. the 'As Is' and the Red Line, indicated a growing co-operation between the major oil companies on matters of marketing and a joint control of a large portion of the world supplies.⁸ This high level of co-operation strengthened government and company convictions that it was no longer beneficial nor practical in the political and economic environment of the late twenties to pursue the former policy of exclusiveness and modification was needed.

Consequently in October 1930 the British Government decided that foreign interests be allowed to hold and operate oil concessions in Crown lands in the British Empire, subject to various conditions. These

were to safeguard the security aspect of the oil supplies, and included fairly comprehensive British character and British exploitation clauses together with the obligation to refine oil locally and Admiralty right of pre-emption.

Although Kuwait was not part of the British Empire, this decision obviously had some influence on whether Britain could continue to insist on the nationality clause there in defiance of the 'open door' principle which generally had been accepted for the Empire itself. It became clear to the Foreign Office and the Petroleum Department and the Colonial Office that it would be politically impossible to declare and justify a 'closed door' policy in Kuwait after having decided on a contrary course of action for the British Empire and indeed, being on the point of allowing foreign oil interests into British Guiana.⁹

Nevertheless the special political considerations which had determined British policy in Kuwait since the beginning of the twentieth century still existed; and this apparently prevented any relaxation of the nationality clause in Kuwait. It was feared, as in Curzon's days, that commercial interests were the precursor of political claims and that as a result of the extensive commercial rights contemplated by the Syndicate in their draft concession, the Shaikh would be left in the hands of a foreign company and that this would endanger Britain's position.

Indeed, so wide-ranging were those rights that after consideration the political resident criticized the Syndicate for claiming nearly everything bar the right to fly their own flag in Kuwait.¹⁰ The political resident later went further in explaining what had been known all along, that oil interests were unlike ordinary commercial concerns as they have 'infinitely larger resources, frequently wield much political influence and demand much more extensive concessions.' In the case of the Syndicate's draft concession, he pointed out, the Syndicate was not seeking merely for permission to explore and prospect for oil but to construct roads, railways, ports, lighthouses, telegraphs etc. If this were achieved the Shaikh would become a puppet in the hands of the Americans and Britain would to a large extent lose the influence it had exercised and its whole position would be threatened.¹¹

Therefore in order to prevent the Americans securing the concession, as political considerations demanded, and also to act in accordance with the spirit of the Cabinet decision of October 1930 not to impose restrictions on American capital, there was a need to attract British capital to secure the Kuwait oil concession. The introduction of A.P.O.C., in particular, which had previously been interested in the concession and had special relations with the British Government, seemed a

way out of the difficulties as it would serve British interests in Kuwait whilst not being at odds with the Cabinet decision to remove the nationality restriction in the British Empire.

In mid-October the Petroleum Department approached Sir J. Cadman with a view to ascertaining whether there was any prospect of British interests, A.P.O.C. or I.P.C., being willing to undertake oil exploration in Kuwait. The department most certainly indicated to Cadman the British Government wish to see British rather than foreign interests securing the concession.¹² However A.P.O.C., who had ceased competing for the Kuwait oil concession in 1926 blaming the Colonial Office for setting a very high royalty obligation and unduly onerous customs duties, asked to be provided with the general terms being offered by the Syndicate for the concession before answering the Petroleum Department. In view of the special relations with Cadman, a former colleague,¹³ and with A.P.O.C., the Colonial Office agreed to provide the information asked for, despite being aware of the unethical procedure of disclosing to one competitor the terms being offered in confidence by another.¹⁴

It soon became apparent to the Colonial Office that approaching Cadman to block the Americans in Kuwait instead of having to impose the nationality

clause was not going to achieve its intended objective and provide a solution to their problem. A.P.O.C. were still unwilling to compete on the terms offered by the Syndicate because these terms, especially the high royalty and the customs duties, were considered to be prejudicial to the company's extensive concessions in Persia and Iraq. Indeed, one of the government-appointed directors of A.P.O.C. explained later that these conditions, if accepted, would have 'very materially prejudiced - in the first place - the Iraq negotiations and in the second - negotiations with Persia on the subject of the prolongation of the concession.' He also indicated the fact that a company like A.P.O.C. when negotiating any single concession 'must view the terms in their relation to other concessions..... and must consequently do its best not to create a precedent which might have crippling effects elsewhere.'¹⁵ Therefore company policy since 1926 had been to discredit the Syndicate and prevent them from securing the Kuwait oil concession rather than to compete and endeavour to secure it on terms similar to those offered by them.

Furthermore as A.P.O.C. had been kept fully informed of events in the Persian Gulf by their employees and British officers, they were banking on the local British authorities' insistence on the nationality clause in Kuwait to thwart the Syndicate's

efforts to obtain the concession.¹⁶ Therefore the company's directors believed there was little urgency for the time being about any direct approach to the Shaikh. In any case the world depression which had hit the company's profits had reduced demand for oil. This, together with the discoveries of oil in Iraq, meant that the problem was over-production and not diminishing supplies, thus weakening the case for oil exploration in Kuwait at that time. Moreover additional sources of oil in the Gulf area, where their main supply was located, would not have been as beneficial to A.P.O.C. as to Gulf which was eager to diversify its sources of supply, and therefore endeavouring to secure the Kuwait oil concession through the Syndicate.¹⁷ Consequently on 13 January 1931 A.P.O.C. informed the Petroleum Department that the geological information at their disposal was not sufficiently encouraging for them to take 'any further steps in the matter.'¹⁸

Faced with such a delicate situation, whereby on the one hand Britain could not attract British capital to block the Americans in Kuwait and on the other hand could not acknowledge openly its opposition to American interests securing the concession, the Colonial Office found refuge in claiming publicly that the Shaikh and not the British Government

was now insisting on the insertion of the nationality clause in any oil agreement he might sign. This tactic, adopted by the Colonial Office in agreement with the India Office, the Petroleum Department and the Foreign Office, was inspired by reports received from the British authorities in the Persian Gulf.

In September 1930 Dickson, the political agent in Kuwait, informed the political resident that 'without any further pressure from H.M.G.' the Shaikh himself would insist on the introduction of the nationality clause, which the Shaikh called the 'God-sent clause', in any oil agreement he might sign.¹⁹ Sir Hugh Biscoe, the political resident, after lengthy discussions with the Shaikh during his visit to the shaikhdom in November 1930, reported to the Colonial Office that Shaikh Ahmad was extremely emphatic regarding the nationality clause and that on no condition whatsoever would he grant a concession to any concern that was not entirely British. Biscoe assured the Colonial Office that the Shaikh would not grant the concession to the Syndicate if there were any risk of it being transferred by them to a foreign concern, and indicated that it was unlikely that any agreement would be arrived at unless the Syndicate severed their connection with their American colleagues.²⁰

The Colonial Office therefore informed the E. & G.S.

on 31 January 1931 that the Shaikh of Kuwait had definitely refused to grant a concession to any concern that was not altogether British and was insisting on the inclusion of the nationality clause in any oil agreement he was to sign. The Colonial Office seem to have been naive in assuming that the Syndicate or the Americans would accept that it was the Shaikh who now insisted on the nationality clause which had first been suggested and enforced by the British Government. Nevertheless the Syndicate's proposed draft concession was rejected by the Colonial Office on the grounds that it did not contain a British nationality clause which was being demanded by the Shaikh.²¹

As might have been expected, the Syndicate were surprised and made extremely suspicious by the Colonial Office's latest statement, especially in view of Holmes' reports which had indicated the Shaikh's attitude to be somewhat different, and therefore they turned to Shuckburgh. Janson, the Syndicate's chairman, and Davis, Gulf's representative in London, met the Assistant Under-Secretary to discuss the matter in a personal and informal way. They informed him that Holmes was about to return to Kuwait to proceed with his negotiations with the Shaikh and asked for the ministry's approval. Shuckburgh was not in a position to object to Holmes being active in Kuwait although the

Colonial Office was hoping that, having been informed of the Shaikh's attitude and the British Government's refusal to advise him to the contrary, the Syndicate would abandon its efforts to secure the concession.

The Colonial Office's stated objection was not to the Syndicate but to its latest draft which omitted the full British nationality clause. Therefore Shuckburgh admitted that Holmes' visit to Kuwait was the best course open to the Syndicate, while indicating that the British Government would neither help nor encourage the Syndicate in any way to secure the concession for the Americans. Before returning to the Persian Gulf, Holmes also called on Shuckburgh to ascertain the Colonial Office's stand. Holmes ostensibly expressed doubts as to whether his visit to Kuwait would serve any useful purpose and requested the ministry's assistance. Encouraged by Holmes' statement Shuckburgh repeated the ministry's unco-operative attitude.²²

Having ascertained that there was nothing to gain by staying in London, Holmes returned to Kuwait in order to see what could be done to please the Shaikh. He arrived in Kuwait in April 1931 and went first to see the political agent to say that he had come to conclude the water-drilling scheme which had been in operation since 1926, and to pay the Shaikh compensation for failing to find water. Shortly afterwards

Holmes met the Shaikh and paid him compensation of Rs.10,000 for which the Shaikh highly praised his 'generosity' as he had not expected any such payment. (Dickson, the political agent, considered this money to be another expensive gift from the Syndicate to win the Shaikh's favour.)

Later, this time without informing the political agent, Holmes called again on the Shaikh and gave him two draft oil agreements to consider. The first was the previous year's draft which the British Government had already rejected as being unacceptable to the Shaikh who insisted on a full nationality clause. The second was a new draft containing similar terms of which clause 8 enabled the Syndicate to transfer the concession to any British or Canadian company. Having been informed of Holmes' efforts to short-circuit events, the political agent asked him for a copy of the drafts which had been given to the Shaikh. When he visited Dickson soon after, Holmes apologised for not sending them before but submitted a copy of the new draft agreement only.

By this time British officers in general in the Persian Gulf considered that Holmes was bent on gaining his objective 'by hook or by crook' and therefore they were on their guard. Dickson had become exceedingly suspicious of Holmes and considered him to be a very persistent and somewhat underhand negotiator. He was about to leave Kuwait for a

while and confessed to the political resident that he did not 'feel exactly happy at the thought that he ~~Holmes~~ will remain in Kuwait after my departure' and warned Biscoe of the possibility of Holmes trying to push 'his present draft through by judicious palm-oiling of certain high dignitaries.' Nevertheless he assured the political resident that he was confident the Shaikh would stand firm and that therefore Holmes would not succeed.²³

However Holmes waited until Dickson departed to bring off his planned 'coup'. He believed he could get past Dr. Greenway, the acting political agent whom he considered to be 'a good but simple sort of fellow.'²⁴ Indeed, shortly afterwards he succeeded in winning from the Shaikh a letter which could be interpreted as meaning that he would waive the British nationality clause if the British Government agreed. It seemed therefore that the Shaikh had withdrawn his insistence on the full nationality clause to the extent of placing on the British Government the onus of insisting on its inclusion.

In London, upon receipt of a copy of the Shaikh's 2 July letter to Holmes from the acting political resident in the Persian Gulf, the Colonial Office realised it was becoming more difficult and distinctly embarrassing to maintain the attitude they had hitherto adopted towards the Syndicate, ie. that it was the Shaikh who insisted on the British nationality clause, not they. However as events had now turned

full circle for the British Government, their whole position had to be considered anew in order to find a way out of their difficulties.

Heated consultation between the various ministries resulted from this seemingly unfortunate change of mind by the Shaikh; and the Syndicate, as was to be expected, returned to press home their advantage. Armed with the Shaikh's letter, it adopted the position that since his opposition had now been overcome, the British Government should no longer object to the Syndicate's draft proposals for the Kuwait oil concession. Janson, who saw Shuckburgh on 24 July, stressed the Syndicate's willingness to meet British Government requirements in any way they could and requested that the political resident be instructed not to continue to obstruct the Syndicate in their attempts to conclude an oil agreement with Shaikh Ahmad.²⁵

However for the British Government the Shaikh's letter had changed little. The same political objections to the Syndicate securing the concession for the Americans still existed; only a change in tactics was required to deprive the Syndicate of the concession. (At this stage it is important to point out the broad understanding on the issue between the ministries concerned, especially noting the attitude of the Foreign Office, which was shortly to change its tune as a direct result of United States

Government intervention on behalf of the Syndicate.) Consequently, the Syndicate was informed that the government could express no opinion pending the receipt of the observations of the political resident and the political agent which could not be given until those two had returned to the Gulf after their leave, which was not expected to be before October 1931.

Fortunately for the Colonial Office, as Biscoe and Dickson were on leave in London they could give their explanation of the Shaikh's letter immediately. At an interdepartmental conference held in the Foreign Office on 20 August the two officers gave a completely different interpretation of the letter and assured those present that the Shaikh would be vexed if he knew of the Syndicate's interpretation. Dickson was confident that the Shaikh wanted to get rid of Holmes. He repeated what he had previously told the Colonial Office, that the Shaikh meant to say in the letter:

I am sick of being bothered by you, so
go and talk to the British Government,
and if you can get them to agree to
anything, come back and we will see
about it. 26

He also assured the India Office that it would be possible for them to extricate themselves from this difficult position as the Shaikh 'will certainly be prepared to eat any words which he may have uttered if we wish him to do so.'²⁷

Dickson's interpretation of the Shaikh's letter raised considerable doubts among the ministries concerned; and as his previous assurances that the Shaikh would stay firm and refuse to deal with Holmes and latterly that he would change the wording of this letter if asked had proved false, there is a need to explain the reasons for the apparent errors in his judgement and interpretation of the situation. (A.P.O.C.'s directors, who were also informed of the Shaikh's letter by their contacts in the Persian Gulf, accepted the Syndicate's interpretation and not Dickson's.)

There were two main factors influencing Dickson and other British officers in the area in their failure to grasp the real situation in regard to the oil concession. The first was their political prejudices and the second the Shaikh's behaviour. Dickson, who had been political agent in Kuwait since 1929, described himself as a man who was 'very imperialistic and cannot stand the thought of an American concern getting Kuwait. Naturally, therefore, he did everything in his power to prevent the Syndicate from succeeding in Kuwait. Indeed, on the one hand he repeatedly stressed to the Shaikh the importance attached by the British Government to the nationality clause and on the other hand corresponded on a personal level with Arnold Wilson from A.P.O.C., informing him of events in Kuwait

and urging his company to compete for the concession by reporting various indications showing the possibility of oil deposits in Kuwait.²⁸ Consequently any information which was thought to weaken the Syndicate's prospects in Kuwait, particularly that given by the Shaikh, was gladly accepted by Dickson and widely reported.

Although the Shaikh was regarded by the local British authorities as being 'easily swayed and not possessed of much strength of character' and as a man who liked to use an 'evasive style in which the Arab mind seems to delight', the political agent reported his negative comments about the Syndicate without any doubts or reservations.²⁹ Dickson became to some extent a captive of his own beliefs and desires; and after emphatically stressing for so long the Shaikh's strict condition of granting only a concession containing a full nationality clause, he could not but give the above unconvincing interpretation of the Shaikh's letter.

The Shaikh's attitude, which was the second contributory factor to Dickson's erroneous judgement in the oil concession case, should be explained in the context of the political situation in the Persian Gulf whereby Kuwait's independence was largely dependent on Britain. Its political position vis-à-vis her neighbours and Britain is best illustrated by London's reaction to the Acting High Commissioner

of Iraq's proposal on 24 July 1930 that the British Government 'should in fact assist any tendency there may be in the direction of encouraging the absorption of Kuwait by Iraq.' This suggestion, completely at odds with Britain's long-established policy in Kuwait, resulted in considerable consultation within the Colonial Office and among the ministries concerned - the Foreign Office, the Colonial Office and the India Office. The unanimous decision, reached in a relatively short time, was that the government should continue the policy hitherto followed, namely to maintain Kuwait as an unofficial protected state entirely independent of either Iraq or Ibn Saud's kingdom. It was considered by the ministries that the British Government could easily command obedience from the Shaikh of Kuwait so long as his independence was guaranteed, and that 'this fortunate situation may be expected to continue.'³⁰ (This also explains the British Government's desire to see no other power in Kuwait.)

The Shaikh was well aware that he needed Britain's support and goodwill in his relations with Kuwait's more powerful neighbours, ie. Persia, Iraq and Saudi Arabia, who had made territorial and other demands of him over the years. He appreciated that 'the very existence of Kuwait depended

on H.M.G. continued friendship and advice and [he] was not prepared to jeopardise it.³¹

However, from the beginning, he had regarded the oil concession as a commercial affair and shared the inclination of his neighbour, the Shaikh of Bahrein, to grant it to Holmes. The fact that Kuwait was being deprived of badly needed revenue because the British Government insisted on a proviso which they had waived in the case of Bahrein also aggravated and confused the Shaikh. Therefore in order to avoid direct confrontation with the British Government over the oil issue but at the same time keep Holmes as an active and interested competitor, he adopted a somewhat manipulative policy.

In July 1928, for instance, having been informed by Holmes of the Syndicate's connection with a prosperous American oil company and having been offered terms which were exceptionally generous, the Shaikh informed More, then the political agent, that he considered

the E. & G.S. a very weak concern.....
and would have several other conditions
of his own to lay down which they [the
Syndicate] might well not accept. 32

The political agent interpreted the Shaikh's statement as meaning that it was unlikely that Holmes would be granted a concession and reported accordingly, while in fact Holmes was closer than ever before to clinching an oil agreement in Kuwait with the Shaikh and only his departure to New York prevented a success-

ful outcome. Consequently in London it was unclear from the political agent's reports whether the Shaikh had refused Holmes a concession or whether Holmes had had to leave Kuwait before concluding an agreement. The Colonial Office, confused by the information provided, asked for clarification with details of the actual position and attitude of the Shaikh. As a result the political agent stated in a special report that the Shaikh had not refused to grant a concession to the Syndicate and that Holmes intended to return to Kuwait soon to renew negotiations.³³

Again, in 1930/31 the Shaikh repeatedly told Dickson, as seen above, that he would never grant any concession to Holmes without the full nationality clause being inserted. However while Dickson was away the Shaikh gave Holmes a written statement rather vaguely worded which was certainly open to the interpretation that if the British Government were willing to waive the nationality clause the Shaikh would also be willing to do so.³⁴ Dickson in London was naturally surprised by the letter and as soon as he returned to Kuwait he confronted the Shaikh with this 'apparent volte face' which had annoyed the British Government, placing it in an awkward position.

It seems that this time the political agent, with a certain lack of diplomacy, tried desperately to bring the Shaikh back into line, as he had assu-

red the India Office that the Shaikh would comply. Dickson promised that if the Shaikh repudiated the letter 'he would recover all lost ground and certainly obtain H.M.G. support and approval'. Dickson definitely also assured the Shaikh of Britain's help in solving current disputes which were depriving Kuwait and himself of considerable revenue, ie. over the taxation of his date gardens in Iraq and Ibn Saud's blockade.³⁵ He reminded the Shaikh of Britain's confidence and favour, the conferring on him of the K.C.I.E. and the recovery of £3,000 from Ibn Saud, urging him not to alienate Britain's sympathy and support by opposing her well-known wishes.

The Shaikh's response to such direct and annoying pressure was much as before. He stated verbally to the political agent that he had in no way whatsoever altered his views about the nationality clause and the necessity for its insertion. He also assured Dickson that unless Holmes agreed to the inclusion of the nationality clause he would ask him to leave his state as he desired no further discussions over the question of the oil concession. However he excused himself by saying that the acting political agent had approved the wording of the letter before it was sent to Holmes, and that he had no reason to suppose after being informed in 1928 and 1930 of the British Government's insis-

tence on the nationality clause that in 1931 they would revoke their dogmatic stand on this.³⁵ (The acting political agent, Dr. Greenway, was unfamiliar with the oil issue and had been criticized for failing to realise the significance of the letter.)

In contrast, while dining with Holmes on 30 October, the Shaikh repeated that his letter made it clear that the nationality clause was a question to be settled between Holmes' company and the British Government and that in no circumstance would he withdraw the letter. Indeed the Shaikh never withdrew or changed the wording of his letter to Holmes, a further indication of Dickson's misjudgement when he promised the India Office that the Shaikh would do so.

By adopting this 'two-faced' approach, the Shaikh was successful in mobilising British support whilst at the same time maintaining Holmes' interest as an active competitor for the concession. He thus improved his own bargaining position politically and economically. However the Shaikh's attitude was naturally of no assistance to the British Government in their difficult and embarrassing predicament vis-à-vis the E. & G.S; and eventually what they saw as their deliverance came not from the Shaikh but from a totally unexpected quarter - A.P.O.C.

The company suddenly revived its interest

in the Kuwait oil concession and informed the British Government accordingly. This sudden move was due to the Shaikh's 2 July letter to Holmes, which the company interpreted in the same light as the Syndicate. The company's directors were continually kept fully informed of the situation in Kuwait; and as long as it was understood that the Kuwait oil concession was to have a British nationality clause they felt no need to compete for the concession against the Syndicate. However the Shaikh's letter alerted them to the possibility of the Syndicate's overcoming the nationality clause barrier, upon which they had been relying heavily to prevent a Syndicate success in Kuwait.

Therefore in a letter dated 25 August the company explained to the Petroleum Department that as a result of recent test borings on the Persian Gulf coast they now considered the prospect of the existence of oil in Kuwait to be less remote than had hitherto been thought. Accordingly, the company requested the British Government's permission to conduct another geological survey of Kuwait's territory.³⁶ The Petroleum Department immediately informed the Colonial Office of this favourable development and advised that 'A.P.O.C. should be given every encouragement and all facilities which can reasonably be afforded them.'³⁷ The Colonial Office for its part urged the political resident, who was on his way

back to Bushire, to assist the company and secure the Shaikh's concurrence with the proposed geological survey.

The various ministries' quick response illustrates their hope that if A.P.O.C. competed for the concession it would extricate them from the 'somewhat delicate position in which they have been placed by the activities of Major Holmes on behalf of American interests.'³⁸ This would rescue them from appearing to adopt a 'dog-in-the-manger' policy, ie. insisting on a British nationality clause while no British company was interested in the concession.

In the Persian Gulf the political resident and the political agent, excited by the news, were soon able to inform A.P.O.C. that the Shaikh had consented and that they could proceed with the exploration as soon as they desired. The company, encouraged by the Shaikh's response, took steps to carry out a geological survey of Kuwait during the cold season, asking the political agent meanwhile to 'hold up things where Holmes and his crowd are concerned.'³⁹

Being well-informed Holmes became alarmed by A.P.O.C.'s revival of interest in Kuwait and their intention to conduct a geological survey. He feared that the pressure of the British Government upon the Shaikh, combined with the renewed activities of A.P.O.C. in Kuwait, might prove to be too strong

for the Shaikh to resist, and that the concession would be lost. Therefore in a letter dated 1 November Holmes urged the Syndicate's directors to use every means in their power, diplomatic or otherwise, to force an early reply from the Colonial Office as to their attitude to the Syndicate securing a concession in Kuwait in view of the Shaikh's 2 July letter. As the Syndicate's 3 November letter to the Colonial Office did not produce the desired result, Holmes' line was followed, as in many other instances, and the Gulf Oil Corporation was urged by the Syndicate to approach the United States Government for assistance.

Although it gradually became clear that a nationalistic oil policy was out of date, the British Government still insisted on a 'closed door' in Kuwait for political reasons. The desire to maintain its political supremacy in the region was reflected in government policy of preventing the American oil interests entering the field. Consequently, whilst unable to insist openly on a 'closed door' less specific methods were employed which eventually sparked off United States Government intervention.

3. The United States Government Steps In.

The Gulf Oil Corporation, which since 1929 had kept the State Department and the United States Embassy in London regularly informed of their difficulties with the British Government in securing the Kuwait oil concession, finally requested diplomatic assistance. In a letter to the State Department dated 27 November 1931 they accused the British Colonial Office of being evasive for more than a year and of deliberately delaying its reply to the E. & G.S./Gulf application for the Kuwait oil concession in order to secure the concession for A.P.O.C. 'To all intents and purposes', continued the Gulf letter, A.P.O.C. and the Colonial Office were 'acting together to the end that American interests may be prevented from securing an oil concession in Kuwait.' Gulf was particularly anxious in view of the fact that A.P.O.C. was preparing to conduct a geological survey in Kuwait shortly, while they and the Syndicate had been waiting over four months for the Colonial Office's reply as to whether it would now be prepared, in view of the Shaikh's 2 July letter, to waive the nationality clause in the case of the Kuwait oil concession. Therefore the Gulf statement concluded that without prompt assistance from the United States Government the concession would be lost to the British company as a direct result of a combination

of British Government pressure upon the Shaikh and the recent activities of A.P.O.C.¹

Three days later a meeting took place between the Secretary of State and Gulf representatives. Wallace, Stone and Stevens misled the Secretary by saying that in 1929 they had been led to believe by the Colonial Office that an arrangement similar to that in Bahrein would be possible in the case of Kuwait.² However despite a willingness by the Shaikh of Kuwait to sign the concession with the Syndicate and have it turned over to Gulf, the British Government were still insisting on the British nationality clause, claiming this was the Shaikh's wish.

The Secretary of State, unfamiliar with the case, enquired whether the British nationality clause effectively prevented the entrance of an American company into Kuwait and whether any British companies were interested in the area. He was informed that the British nationality clause prevented any American company from controlling the concession and that recently A.P.O.C. had been showing some interest in the concession despite turning down the Syndicate's offer to sell their entire holding in the Persian Gulf and Arabia, as had other British companies. Consequently the Secretary of State responded positively and referred the matter to the Near Eastern Division of the State Department.

On meeting Wallace Murray, the Chief of the

division, Stone explained why Kuwait had been excluded from the territory of the former Turkish Empire, ie. excluded from the Red Line Agreement. According to the Gulf representative A.P.O.C. had been negotiating at the time for the Kuwait oil concession and did not wish 'their operations to be hampered by being obliged to consult with the other members of T.P.C.' This inaccurate and misleading explanation was provided deliberately in order to prove to the State Department that 'there was a good deal of jockeying done by the British oil interests' in the Middle East.³ Finally, although saying they could not tell the Department what steps should now be taken, they suggested nevertheless that the United States Embassy in London should take the matter up with the appropriate British authorities. It seems that by providing misleading information, a practice later followed by other American oil companies asking for state assistance,⁴ Gulf strengthened its case for State Department support.

After considerable consultations involving the Assistant Secretary of State, the department felt justified in raising the matter with the British Government. The State Department's oil policy in the Middle East was centered on the maintenance of the 'open door' principle, thus securing for American oil companies the privilege of competing for oil concessions on an equal footing with foreign companies. Therefore, in view of the department's belief that because

of their informal representation about Bahrein the British Government had 'backed down completely from its insistence upon the insertion of the nationality clause', it seemed logical to insist upon such an agreement for Kuwait since both were considered identical in status as 'puppet Arab states nominally governed by native Shaikhs.....but actually ruled by the British political agents there.' It was decided to accord Gulf precisely the same assistance as to any other bona fide American company to remove the obstacles the British had set up against them and so leave them free to negotiate for the Kuwait oil concession on equal terms with any other company.

However, before promising such assistance the department ensured that Gulf was not seeking a monopolistic concession in Kuwait, i.e. that it was willing to confine its exploitation rights to a reasonable area of the territory.⁵ The department could not support any monopolistic claims in view of their previous criticism of the British Government for monopolising potential oil-bearing territory in Iraq.⁶ Eventually, after receiving an assurance to this effect from Gulf, the State Department instructed the Embassy in London to take the matter up informally with the British Foreign Office and to ask for a statement of British Government policy regarding the development of petroleum resources in Kuwait by American companies.

On 4 December the United States Chargé d'Affaires called on the Foreign Office and raised the matter of the Kuwait oil concession informally. Ray Atherton stated the United States Government's wish to secure the right of American interests to participate in the development of the petroleum resources of Kuwait upon an equal basis with British interests, i.e. the wish to open the door for American interests in Kuwait as had been done in Iraq and Bahrein. In view of the delay which had already occurred in the matter, Atherton continued, it was the State Department's hope that it would soon be possible for the Colonial Office to give a favourable reply to the American company through the Syndicate.

Ten days later on 14 December, upon his return from Paris, Ambassador Dawes discussed the Kuwait concession with Sir John Simon, the Foreign Secretary, and shortly afterwards the Counsellor at the Embassy also referred to the matter when he met the Assistant Under-Secretary, Sir Lancelot Oliphant.⁷ The United States Embassy's aggressive response to the State Department's request to raise the Kuwait issue informally was due to the fact that since 1929 the various members of the embassy staff had been provided with information by Gulf indicating underhand methods used by the British Government to exclude American interests from Kuwait.⁸

Suddenly the Foreign Office found itself being

pressurised by one of Britain's most important allies on a subject for which they were not the responsible ministry and which they considered to be of relatively minor importance. There were two important issues confronting the Foreign Office at the time over which United States Government goodwill was essential; Britain's request due to the depression for a postponement of her World War I debts and the need to restrain Japan's expansion in the Far East, particularly in China.⁹ Therefore Sir Lancelot Oliphant asked the Colonial Office, the ministry responsible, to expedite a reply to the Syndicate.¹⁰ It is apparent that as the Kuwait oil concession started to affect diplomatic relations between Great Britain and the United States, the Foreign Office became more and more involved until gradually they became the ministry assuming greatest responsibility for decision-making.

However the Colonial Office was anxious to procrastinate over the Kuwait concession, all the more since there was a 'likelihood that the A.P.O.C. may take the field'. They therefore suggested delaying a reply to the Americans at least until after the inter-departmental conference scheduled for 1 January 1932.¹¹ In the circumstances the Foreign Office sent an interim reply to Atherton on 22 December saying that the issue was being considered by the various ministries concerned and promising a further communication in the

near future.¹²

Nevertheless the United States Embassy continued to press the Foreign Office for a satisfactory reply. On 28 December the Ambassador again raised the issue with Sir John Simon and presented a memorandum which had been prepared by Harry Davis, the London representative of Gulf, setting out certain facts to strengthen the Syndicate's case. Davis' memorandum stated the Shaikh's willingness to omit the British nationality clause from the oil agreement provided the British Government agreed, together with the Syndicate's preparedness to include in the concession conditions similar to those incorporated by the Colonial Office in the Bahrein concession. In addition, the memo also focused on the real and sole outstanding issue between the two governments which was, according to the Americans 'whether the British Government does or does not insist upon the inclusion in the Kuwait concession of the so-called 'British nationality clause'.' On 29 December Atherton again called on the Foreign Office, this time to express the hope that the British Government would not support an application from a purely British company for an oil concession in Kuwait while the question of the Syndicate's proposals were under consideration.¹³ (He was referring, naturally, to A.P.O.C. which had been reported by Holmes as being active in Kuwait, since it had begun a geological survey on 15 December.)

Although it was considered that the United States Embassy was now pleading on behalf of Gulf, whereas originally it had stated that the United States Government did not wish to favour any one American interest in particular, the Foreign Office still hoped that in a short while they would be able to give a satisfactory reply to the Americans. It realised that although the Colonial Office and the India Office were likely for political reasons to advocate that Britain should advise the Shaikh to maintain the British nationality clause, in fact these reasons could no more be justified in the case of Kuwait than they had been for Bahrein. The ministry believed it would be impossible to 'justify to any impartial tribunal insistence upon stricter conditions in the case of Kuwait than in the case of Bahrein' and the Colonial Office's argument was considered to be weak and specious. The last thing the ministry wanted now was a renewed oil controversy with the United States similar to the one over Iraq a few years before; and therefore they were prepared even at this early stage to leave the Shaikh free to give the E. & G.S. the concession, incorporating terms similar to those in their Bahrein concession, if A.P.O.C. were not seriously interested. Unless A.P.O.C. were genuinely in the field, wrote the Assistant Under-Secretary, 'we cannot keep the United States Ambassador in

suspense.'¹⁴ However for tactical reasons the Foreign Office were not prepared at this stage to make this view known to the other ministries.

At the conference on 1 January 1932, faced with united opposition from the Colonial Office, the India Office and the Petroleum Department, the Foreign Office representative chose to continue concealing his ministry's view for the time being. Instead, the Foreign Office joined with the other ministries' wish to keep the Americans out of Kuwait if at all possible. Accordingly the best course of action was considered to be that of delaying matters further and holding off the Syndicate until A.P.O.C. had finally made a decision. Meanwhile it was to be stressed to the Americans that there were other bidders besides the Syndicate and therefore time was needed for the competing offers to be carefully considered. Nevertheless the Foreign Office representative emphasised that he was only agreeing to this course of action on the understanding that A.P.O.C. would apply for a concession in a relatively short time, which the Petroleum Department assured them was the case. It was decided the Foreign Office should prepare a draft note to the United States Embassy describing the Shaikh's attitude, and explaining that there had been other competitors in the field for some time so that in the Shaikh's interests

time should be allowed to examine the advantages of any proposals that might be made to him.¹⁵ The Foreign Office representative thought it best in the circumstances to pursue this line in order to ease considerable tension with the other ministries and the United States Embassy.

However despite the apparent agreement reached between the ministries at the conference, conflicting views soon emerged when the Foreign Office's draft reply to the United States Embassy was circulated for their observations. The Petroleum Department suggested strengthening the paragraph regarding the application of another company - A.P.O.C. - which had been interested in the concession even before the Syndicate. The Petroleum Department also suggested that the Foreign Office should tell Atherton that the Syndicate was not

really the sort of company which we like, since they are not themselves direct exploiters of petroleum.....and the means they have adopted in dealing with the Shaikh are perhaps a little doubtful. 16

The Colonial Office, for its part, wanted to strengthen the section dealing with the Shaikh's wish to insist on the British nationality clause, which he had recently repeated to the local British authorities.¹⁷ The India Office went even further, saying Britain should do its best to avert granting a concession to the Syndicate without the nationality

clause, even if the Shaikh were willing to grant one, regardless of whether A.P.O.C.'s project materialised or not.¹⁸

The Foreign Office was quick to realise that if the India Office and the Colonial Office were given their way Britain would soon find itself embarking on a new 'fight for oil' controversy with the United States which the ministry wanted to avoid at any cost. Such a policy was considered by the ministry to be prejudicial to Anglo-American relations and contrary to the spirit of the Cabinet decision of October 1930 to allow in principle American oil interests into the British Empire. Consequently the Foreign Office set out to bring the other ministries round to their way of thinking by picking them off one by one, beginning with their staunchest opponents, the India Office.

At an informal meeting with India Office officials Oliphant explained Foreign Office objections to the attempt 'to shelterbehind the Shaikh'. As the Americans wished to know definitely whether there would be any discrimination on grounds of nationality against an American company attempting to obtain an oil concession in Kuwait, he emphasised that it would carry no weight to say that the Shaikh had told the British authorities that he was in favour of maintaining the British nationality clause. 'The Shaikh was enough of an Arab' continued Oliphant

to say whatever he thought would be pleasing to his hearers at the time, and the Americans would merely believe that we were playing with them if we now tried to put down a refusal to allow American enterprise in Kuwait to the Shaikh's wishes.

Therefore, he argued, it was a matter of political importance to work amicably with the Americans and not to give them cause for harbouring a grudge, especially as their goodwill was needed in other more important matters.

The India Office in general accepted the argument put forward by the Foreign Office and was inclined to agree. However, as the Government of India had pursued for so long a policy of maintaining the principle of the nationality clause in oil concessions in the Persian Gulf and India, it was necessary to consult them first. Consequently the India Office agreed to telegraph to the Government of India as soon as possible, pointing out the political importance of the matter and suggesting that the nationality clause should no longer be insisted upon in Kuwait.¹⁹ Naturally the Foreign Office was satisfied with the meeting's outcome, especially as the India Office promised to give them the opportunity of commenting on the telegram before it was sent.

Next, the Foreign Office turned their attention to the Colonial Office. The ministry tried to convince the Colonial Office that in reality the difference between the views of the two ministries was marginal,

and urged them to agree to the United States Embassy's being informed that Britain was prepared to waive the nationality clause so far as Kuwait was concerned.²⁰ The Colonial Office's view was distinct from that of the Foreign Office in so far as they thought that Britain 'ought not to allow United States oil interests into Kuwait' but at the same time they realised that politically Britain could not tell the United States Government of its insistence on the nationality clause, preferring this to be left to the Shaikh. The Colonial Office had become disturbed by what they considered to be the weaker line adopted recently by the Foreign Office vis-à-vis the Americans and pointed out that the Foreign Office had changed its mind since the interdepartmental conference of 1 January. They felt that the Foreign Office was now pressuring them to adopt a view they thought unacceptable, and looked for a way to hold up its advance.²¹ However they were in an embarrassing position as it was they who, in 1925, had carelessly proposed the draft concession to be put by the Syndicate to the Shaikh of Kuwait which contained no nationality bar; they had to justify this action to the Foreign Office by saying that then 'the question of sale to the Americans had not been raised.'²²

The Colonial Office replied therefore that they would 'not propose at this stage to offer any observation upon the views expressed' by the Foreign Office,

and suggested bringing in the Admiralty, who were known to be ardent supporters of British oil interests whenever possible, to state their views on the issue. By this action, the Colonial Office, who felt the nationality clause should be retained in Kuwait, were apparently hoping to gain an ally and to use the Admiralty as a shield to repel the Foreign Office's constant pressure, thus relieving them of their embarrassing position vis-à-vis the Foreign Office. As it was generally aware of the Admiralty's oil policy, the Foreign Office was unwilling to bring them in, particularly before they had agreed with the India Office on the policy to be adopted. Eventually, therefore, it was agreed that the Admiralty would be consulted after the India Office had received a reply from the Government of India to their suggestion to waive the nationality clause in Kuwait, a reply which the Foreign Office had good grounds for believing would be affirmative.

Just as the Foreign Office hopefully anticipated, the Government of India changed its stance and accepted the Foreign Office argument. The Viceroy of India in a telegram dated 25 February admitted that 'it was perhaps a mistake of tactics to attempt to raise nationality bar question over Kuwait agreement' and 'in view of Shaikh's tortuous attitude it is anyhow now no longer possible to pretend that objection comes from him.' Therefore the Government of India

suggested dropping this line altogether and thus agreed that 'subject to certain reservations, balance of advantage lies in admission of American interests.'²³

As the Admiralty had been acquainted with the Kuwait case and with the revival of A.P.O.C.'s interest in the concession by the Colonial Office on 2 March, the Foreign Office had to face the Admiralty immediately. In a letter dated 4 March it provided the Admiralty with its proposed draft reply to the United States Embassy which told the Americans that the British nationality clause would not be insisted upon in the case of a concession in Kuwait. The Foreign Office tried to cover themselves by pointing out that by so doing nothing in practice would be lost, as A.P.O.C. were at present carrying out a geological survey in Kuwait with the Shaikh's sanction and therefore he would, no doubt, wish to consider any application made by the British company. The Foreign Office concluded by saying that as the Colonial Office, the Petroleum Department and the India Office had all approved this draft reply, it was hoped the Admiralty would also concur thus obviating the need for an interdepartmental conference as was proposed by the Colonial Office. At this stage it is interesting to note that the Colonial Office in its 2 March letter to the Admiralty stated that only the India Office and the Government of India

had approved the Foreign Office's suggested reply to the United States Embassy.²⁴

As had been hoped for by the Colonial Office, the Admiralty was quite perturbed about the position in Kuwait and much to the Foreign Office's regret were strongly of the opinion that an interdepartmental meeting with representatives of the Service Departments was required to consider the British Government's reply to the United States Embassy. The Admiralty realised from the information provided by the Colonial Office that negotiation between the ministries concerned had been going on for some time without the knowledge of the Service Departments. They were therefore anxious to ensure that oil production in Kuwait would be under British control. Apart from security of oil supply, the idea of a fleet of American tankers operating in the Gulf, and consequently American warships, was unacceptable and considered dangerous in Admiralty circles. Therefore the Admiralty pressed for an early interdepartmental conference, while hastily preparing the arguments to be put forward at it.²⁵

At the interdepartmental conference held at the Foreign Office on 11 March the Admiralty and the Air Ministry were represented. As might be expected in the circumstances, the meeting developed into a vehement dispute between the Service departments and the Foreign Office. The Admiralty, supported by the

Air Ministry, argued that in view of the strategic position of Kuwait at the head of the Gulf the production of oil there would provide an alternative to the Persian supply at a point nearer the areas in which the oil would be required, and more easily brought under effective control by naval forces.

(Interestingly, this argument had been used by Admiral Slade as early as 1914.) As the United States' desire for equal rights regarding concessions in Kuwait was considered by the Admiralty to constitute a direct challenge to Britain's position and prestige vis-à-vis the Arab rulers on the shores of the Persian Gulf, it was essential it concluded, to ensure that British interests should predominate in the development of oil production in Kuwait shakhdom. The Foreign Office failed to convince the Admiralty of the necessity to reply quickly to the Americans, who according to the Foreign Office had been under the impression that Britain was deliberately postponing an answer for ulterior motives. Nevertheless it seems they succeeded in persuading the Petroleum Department to declare its support for their policy.²⁶

Since the Petroleum Department had originally drafted the revised policy regarding oil concessions in the British Empire and had suggested waiving the nationality clause so long as certain stipulations were inserted in its place, they had naturally been

close to Foreign Office opinion from the beginning. However for tactical reasons the Petroleum Department preferred to delay notifying the Americans of the British Government's change in policy, at least until negotiations were under way between the two countries for recognition of Britain under the terms of the Mineral Leasing Act of 1920. The act, which had been passed during the Anglo-American oil confrontation in Iraq, provided that no leases on public lands could be given to nationals of countries that did not grant similar rights to American interests.

However, as the stipulations suggested to serve as a substitute for the British nationality clause were considered stringent, the Petroleum Department foresaw some difficulty in inducing the United States Government to accept them as a reasonable basis for such reciprocity. Included in these conditions were stipulations that the companies concerned were to be registered in British territory, that a majority of employees were to be British subjects, that at least 50% of the oil obtained was to be refined on British territory, that the plant used should be capable of producing fuel oil suitable for Admiralty use and that the British Government was to retain the right of pre-emption in case of emergency. Therefore it was considered disadvantageous to reveal to the Americans before these negotiations started

the new stand soon to be adopted by the British Government. Consequently it was only in 1935 that the British Government requested recognition under the terms of the Mineral Leasing Act of 1920, informing the United States Government of much less stringent stipulations than those suggested by the Petroleum Department in 1930.²⁷

At the conference, in view of Admiralty opposition, the Petroleum Department was obliged to explain that the revised policy approved in principle by the Cabinet, ie. to waive the nationality clause in the British Empire, had been devised in the interests of the British oil companies and the Empire. Moreover it was explained that the restriction to British capital of oil concessions in British or British-controlled territory tended to retard their development, which was contrary to the Admiralty's declared objective. Therefore the ministry argued that Kuwait should fit in with the new general policy.

Nevertheless, despite the support given by the India Office and the Petroleum Department to the Foreign Office, the reply to Atherton was suspended in view of the Admiralty's objections. It was decided that the Admiralty should prepare a memorandum on the strategic aspect of the situation to be considered before a reply could be given to the United States Embassy.²⁸

Before sending the Foreign Office their memorandum the Admiralty expressed further criticism of its stand. In a letter dated 14 March they argued that paragraph II of the Foreign Office's proposed reply to the Americans was unfortunately worded, as it seemed to minimise Britain's 'position as much as possible and to read almost like an apology for claiming to have any say in the matter at all.' There was no indication in the reply, the Admiralty continued, that

we have any right, but there is a definite statement that the Shaikh is independent. It is stated that he enjoys our protection but there is no suggestion that this imposes any obligation on him or gives us any rights. Then his obligation to us as regards oil concessions is minimised by stating that it was an assurance given presumably voluntarily by his predecessor many years ago.

None of this, the Admiralty considered, bore any relation to the facts nor did it describe Anglo-Kuwaiti relations accurately.²⁹

Two days later the Admiralty's memo stressing the strategic importance of Kuwait was received in the Foreign Office. Any oilfields in Kuwait, it claimed, would be much more easily protected than those in Persia and Iraq and would provide an immediate and convenient alternative to any interruption of oil production in Persia. Kuwait was considered to be of far greater strategic importance than Bahrein; and the Admiralty feared that a further concession to the Americans in the Persian Gulf might prove the point made

by Captain Mahan from the United States Navy, which they quoted in their memo, namely that

a concession in the Persian Gulf by arrangement or neglect of local commercial interests, which now underlie political and military control, will imperil Great Britain's naval situation in the further east, her political position in India, her commercial interests in both and the imperial tie between herself and Australia. 30

However realising by now that there was no prospect of obtaining the other departments' agreement to retention of the nationality clause, the Admiralty considered it essential that the conditions suggested by the Petroleum Department to replace the nationality clause be strengthened. Therefore in their memo they proposed the inclusion of an additional stipulation, which ensured that over 50% of the capital of the company securing the concession should be British.

The Foreign Office were not impressed by the Admiralty's argument. On the contrary, because the Admiralty wanted Britain not to permit the Shaikh to grant a concession to be worked by foreign capital, whether A.P.O.C. applied for the concession or not, the Foreign Office considered this view to take no account of the government's obligation to promote the best interests of the Shaikh and his shaikhdom. In addition they were annoyed by the Admiralty's stubbornness, as they believed that the additional stipulation of at least 50 per cent participation by British capital would make the proposed conditions

tantamount to the retention of the British nationality clause and would therefore be quite unacceptable to the Americans. The adoption of such a stipulation was considered to run counter to the revised policy, as it would not enable Britain to claim reciprocal status in the United States which was one of the main objects of this policy.³¹ Consequently, having won considerable support from the India Office, the Petroleum Department and the Colonial Office and realising that nothing more was to be gained from the Admiralty, the Foreign Office officials decided the time was ripe for the Cabinet to make the ultimate decision.

Meanwhile, as the Foreign Office still could not provide the Americans with an answer, despite a delay of three months, Atherton was instructed by the State Department to raise the matter formally. For several reasons the State Department decided to place its representation upon a formal basis. While waiting for the British Government's reply, the State Department was persuaded by Gulf that the British Government was deliberately delaying a reply in order to secure the concession and present the Americans with a *fait accompli*. Wallace informed the State Department that recently A.P.O.C. had strengthened its position in Kuwait and it was widely believed that the United States Government had failed in their negotiations with the British Government. Moreover the State Department wanted to obtain a definite decision if

possible before A.W. Mellon, whose family founded the Gulf Oil Corporation, took up his post as the new United States Ambassador to Britain. This, it was felt, might complicate matters further whilst minimising the desire to present formally to the British Government the United States Government's view of the 'open door' element in the current Anglo-American controversy in Kuwait.³²

On 29 March in a note to the Foreign Office Atherton stated the United States Government's desire to see that

the British Government would be no less liberal in the matter of according open door right to American nationals in Kuwait than it had shown itself to be in the almost identical case of Bahrein,

and he indicated his government's hope of receiving a satisfactory reply shortly. The situation was further complicated, said Atherton, by the fact that

at the very moment the British Government had under consideration the petition of the Syndicate..... permission was granted to A.P.O.C., a rival concern, to send a small party of geologists to Kuwait

while the United States Embassy

on repeated occasions requested of the Foreign Office that the company in question not be permitted to proceed with its operation pending a decision by the British Government on the question..... regarding open door rights for American nationals in Kuwait. 33

In the circumstances, despite their sympathetic attitude towards the Americans, the Foreign Office could only reply that the issue would be discussed at the

next Cabinet meeting and promised to state Britain's position immediately thereafter.

At the Cabinet meeting on 6 April the Foreign Office, India Office and Petroleum Department all agreed to inform the United States Embassy that the British Government would not insist on the inclusion in any concession in Kuwait of the clause confining it to British interests but that

on many points, including those designed to safeguard the interests of H.M.G. and the Shaikh, the draft concession submitted by the E. & G.S. would need revision.

(The Colonial Office for its part saw no objection to the Foreign Office's proposed reply to the United States Embassy provided the other ministries were in agreement.) This statement was considered to be consistent with the British Government's moral obligation to advance the Shaikh's interests and with considerations of general policy which had been based on political grounds so as not to antagonise the United States and to win later reciprocal rights for British nationals in America. The stipulation for over 50 per cent British capital participation suggested by the Admiralty was rejected as being inconsistent with the revised oil policy.

Nevertheless, as regards the Admiralty's desire for complete control of oil production, the stipulations proposed by the Petroleum Department were accepted and considered sufficient since they had been

approved by the Committee of Imperial Defence.³⁴ The Admiralty saw this as a victory and considered that the Foreign Office had shifted its stance by accepting all the measures advocated by the Petroleum Department. They thus found it easier to back down over their stipulation for 50 per cent British capital participation. Therefore it was decided that if A.P.O.C. did not put forward a satisfactory offer for a concession, the government would waive the nationality clause in the case of Kuwait, i.e. accept the 'open door' principle.

However the Foreign Secretary requested and obtained the Prime Minister's permission to notify the Americans before ascertaining A.P.O.C.'s stand. He justified this request on the grounds that the United States Government had hinted more than once that 'we have been holding up a reply.....in the special interests of the A.P.O.C.'³⁵ As the Prime Minister agreed, on 9 April, after four months of interdepartmental squabbling and manipulations, the Foreign Office were finally able to give what they considered to be a satisfactory reply to the United States Government. In their letter of 9 April to the United States Embassy the Foreign Office indicated that should the Syndicate desire to renew their application to the Shaikh of Kuwait for an oil concession, which they would subsequently transfer to the Gulf Oil Corporation, the British Government would raise

no objections to the application being considered by the Shaikh.³⁶

Two days later Cadman was summoned to the Foreign Office to be informed that the government was no longer insisting on a British nationality clause in the Kuwait oil concession, and for him to state his company's position. Cadman told Oliphant that according to the latest geological evidence (the company had been conducting a geological survey in Kuwait since mid-December 1931) some oil might exist in Kuwait; but it would be of a very heavy nature which in the long run would be of no interest to A.P.O.C. (Indeed, the oil later discovered in 1938 was of a very heavy type.) He stated therefore that from A.P.O.C.'s point of view the Americans were welcome to what they could find there.³⁷ Accordingly, two days later A.P.O.C. withdrew their geologists from Kuwait and informed the Shaikh that as the geological results were disappointing they were not interested in applying for a concession at present.³⁸

From a political standpoint, the Foreign Office's main criterion when formulating any judgement, Oliphant considered Cadman's stand to be eminently satisfactory. He hoped the bitter arguments and feuding between the ministries concerned would subside whilst at the same time relations with the United States would return to an even keel.

However, as events were soon to prove, Foreign Office delight was premature as A.P.O.C., contrary to its statements to the Foreign Office and the Shaikh, intended to compete for the oil concession and to continue their usual half-hearted approach. In such circumstances British and American rivalry in Kuwait was to continue and therefore the Gulf Oil Corporation was no doubt going to maintain its pressure on the United States Government to safeguard its interests. However now that A. Mellon, whose family had founded Gulf, became United States Ambassador in London his presence and activities were to have repercussions on future diplomatic communications regarding the Kuwait oil concession, thus further complicating Anglo-American relations.

4. Oil; an 'unclean subject'

The British Government's decision of 6 April to waive the nationality clause in the case of the Kuwait oil concession and A.P.O.C.'s apparent lack of interest naturally increased the prospects of E. & G.S./Gulf securing the concession with a subsequent end to the Anglo-American controversy in Kuwait. However two weeks later the Foreign Office were informed that Cadman had called on the Colonial Office and indicated his company's intention of submitting certain proposals regarding the Kuwait oil concession in the near future, either through their local representatives in the Gulf or directly to the Colonial Office. Naturally surprised by the information the Foreign Office assumed that Cadman 'did not feel inclined to be so explicit with the Colonial Office as he was with Oliphant'.¹ Nevertheless as A.P.O.C. informed both the Foreign Office and the Shaikh of Kuwait shortly afterwards of their intentions it became clear that it indeed intended to return to the field.² Cadman, aware of the various ministries' views, anticipated, and he was proven right, a much more favourable response from the Colonial Office than from the Foreign Office. The Foreign Office for its part, although considering that 'from the international point of view it is very unfortunate that Sir J. Cadman should have reconsidered his original decision to withdraw from the field',

could do little in the circumstances and had to await any proposals A.P.O.C. might make.³

The ministry was already engaged in a battle to uphold the commitment they had made to the United States Embassy as the other ministries, especially the Admiralty, saw it as laying too great an emphasis on the Shaikh's interests and dangerously minimising those of Britain. The Admiralty already considered the statement to the Americans not entirely satisfactory as 'the Foreign Office letter to Ather-ton was hurriedly sent off immediately after the Cabinet meeting and other departments were given no opportunity to comment upon it.'⁴ Conflicting views among the various ministries once more became apparent soon after the Cabinet meeting at which it had been intended to agree on a united stand and settle the ministries' feuding once and for all.

The old controversy was again reopened when the Colonial Office circulated two draft letters to be sent to the Syndicate and the political resident relating to the recent Cabinet decision to waive the nationality clause. As regards the letter to the Syndicate, the Admiralty objected to repeating the phrase which indicated the government's readiness to see an American company acquire the concession. They therefore urged

that every endeavour should now be made through the medium of the proposed letter

to the E. & G.S. to make it quite clear that H.M.G. in any concession which may be granted to the Syndicate in respect to Kuwait will require the insertion of considerably greater safeguards to the British interest than it was possible to secure in the Bahrein concession. 5

Eventually they succeeded in putting their view across and therefore the phrase accepting the transfer of the concession to the Eastern Gulf Company was deleted from the Colonial Office's letter to the Syndicate. It stated in general the government's acceptance of the 'open door' principle in Kuwait and was sent on 10 May, a month after the United States Embassy had been informed of the government's decision.⁶

The letter of instructions to the political resident in the Persian Gulf also caused considerable conflict among the various ministries. The Admiralty challenged the Foreign Office's pledge of 'a fair field and no favour', wanting instead to instruct the political resident to give every support to A.P.O.C. and to prevent the Syndicate from securing the concession. The instructions given eventually to the political resident were the result of a compromise between conflicting views and were despatched after some delay. The Colonial Office's 9 May letter to the political resident stated on the one hand the government's reversed policy of no longer insisting upon the Kuwait concession being

confined to a purely British concern. On the other hand however, the political resident was instructed to inform the Shaikh that although A.P.O.C.'s geologists had been withdrawn the company was still interested in opening negotiations with him at a convenient juncture, and to indicate the government's opposition to the immediate granting of the proposed concession in its present form to the Syndicate.⁷

While procrastination marked the proceedings in London, events moved rapidly in the Persian Gulf. In accordance with their 23 April announcement to the Colonial Office of their return to the field, A.P.O.C. put forward an offer for the Shaikh of Kuwait's consideration. Wilson used his private channel of communication - Dickson - and asked him to make a verbal offer to the Shaikh on behalf of the company of £2,000 for an exclusive prospecting licence, to be exercised in the next two years.⁸ Although this offer could not be considered comparable in any way to that of Holmes' nor in the Shaikh's best interests as he already had before him an offer for a full concession, the political agent 'in as tactful a manner as I could ' placed the company's offer before the Shaikh.

Somewhat annoyed by the company's strategy, i.e. withdrawing its geological team suddenly then requesting another geological survey, the Shaikh expressed profound disappointment and immediately rejected

this offer. He explained to Dickson that he had allowed an A.P.O.C. geological survey simply because the British Government supported their request and as they 'had been foolish enough to withdraw their men he could not see his way to let them in again' for further surveying and prospecting.⁹

This time even Sir Hugh Biscoe, who usually assisted A.P.O.C. expressed criticism of the company's behaviour. The Residency at Bushire resented the company's latest move, ie. Wilson's letter, which was considered to be 'something in the nature of a direct contradiction to the impression' the company had hitherto given. The letter indicated, according to the Residency, the possibility that A.P.O.C. had no intention of operating in Kuwait but was hoping only 'to tire out their rivals'.¹⁰ The political resident protested that a private letter from Wilson to Dickson was hardly 'a particularly desirable manner of dealing with this question or one which is calculated to inspire the Shaikh with confidence in the intention of the company.' He reminded the Colonial Office that A.P.O.C. had already gained a certain unpopularity on the Arab coast of the Persian Gulf by 1924 and therefore their claim to priority had been ended in March 1925 by the Colonial Office. By comparing the Syndicate, who had made numerous gifts to the Shaikh and definitely asked for a full concession with A.P.O.C., 'who have for

years past shilly-shallied and now first of all inform the Shaikh that they do not desire a concession and then in a very informal manner' ask for only a prospecting licence, the political resident made his point to London. Unless the A.P.O.C. were to come forward formally with a definite request for a concession, he warned, there was not the least chance of the Shaikh agreeing to any proposals from them.¹¹

As it is obvious that A.P.O.C. had lost considerable ground and, to use Dickson's words, 'while A.P.O.C.'s stock has depreciated heavily Holmes' stock has gone up', there is a need to examine the reasons behind the company's devious strategy, especially as the explanation given by Chisholm is impossible to justify.¹² The company's strategy should be seen in the context of their policy, the main object of which up to that stage had been to prevent the Syndicate from securing the concession rather than to secure it for themselves. It seems, therefore, that the company when deciding on the course of action to take in April were influenced mainly by two developments, namely by the British Government's decision to waive the nationality clause and by the positive results of their latest geological survey in operation since December 1931 which indicated traces of a heavy-type oil in Kuwait.¹³ Therefore it appears that in order to conceal this information

from their rivals, the company declared negative findings from their geological survey and informed the Shaikh and the local British officials that at present they were not interested in acquiring a concession in Kuwait. By so doing A.P.O.C. presumably hoped to discourage the Syndicate, which had now been permitted by the government to renew its application for the Kuwait oil concession. If the company had shown greater interest in Kuwait after concluding a thorough geological survey, no doubt as to Kuwait's positive prospects and potential would have existed.

Support for this conclusion can be found in a private letter from Wilson to Dickson in which he indicated that A.P.O.C.'s withdrawal was for tactical reasons and that the information received from the geological team was 'of a nature that would greatly interest any of our competitors and we were not disposed to make them a present of it.' At the same time Dickson was informed of the company's continuing interest in Kuwait and was requested as seen above to put forward verbally and informally the company's request for another geological survey of Kuwait territory.¹⁴ This roundabout method of approaching the Shaikh via Dickson is another indication of A.P.O.C.'s desire to keep a low profile in Kuwait and not draw attention to their activities and interest there.

However, A.P.O.C.'s strategy neither foiled nor discouraged Holmes. Armed with a message from the

Syndicate's London office saying that the British Government had waived the nationality clause in the case of Kuwait, he hurried to see the Shaikh. (The Syndicate had originally obtained this information from their American contacts and not directly from the Colonial Office.)¹⁵ On 27 April Holmes arrived in Kuwait and whilst dining with the Shaikh on the same evening told him of the British Government's decision not to oppose the Syndicate's application any longer. The Shaikh, rather surprised that such a statement came from the Syndicate's representative and not from a British official, naturally requested that Dickson inform him of the government's wishes. Consequently, Holmes went to see the political agent and requested him to inform the Shaikh officially that the British Government had agreed to the omission of the clause confining the concession to British interests and that there was no objection to the E. & G.S. renewing its application for the oil concession.

As Dickson was still unaware of the recent Cabinet decision, because the information was sent to him a month after the Americans had been informed, Holmes 'with an air of childish triumph' presented the telegram he had received from London. The telegram quoted the Foreign Office letter to the United States Embassy and contained the following sentence which indicated the British Government's revised attitude towards

the Syndicate:-

if therefore the E.& G.S. desire to renew their application to his Excellency the Shaikh of Kuwait for a concession, to be subsequently transferred to the Eastern Gulf Company, H.M.G. will raise no objection.

Holmes reinforced the effect of the telegram by saying that his company had now won a 'wonderful victory' and described the Foreign Office letter to the United States Embassy as 'the most abject climb down that it had been his fortune to see' admitting that he had never thought they would surrender like this.

The political agent remained calm despite Holmes' remarks, especially that relating to the local British authorities, (excluding Dickson for the obvious reason) who were, according to Holmes 'out of date persons who think of nothing else but how to maintain their personal power over local potentates.' He noticed that Holmes was annoyed by the inclusion in the telegram he had received of the sentence which indicated that the Syndicate would transfer the concession to an American company.¹⁶

The political agent was alerted to the possibility that Holmes was endeavouring to allay the Shaikh's apprehension regarding the admission of an American company into Kuwait, especially when he realised that Holmes had omitted this sentence from the letter he had given the Shaikh, a copy of which had also been submitted to the agency. Therefore, considering this to be a significant point which would alarm the Shaikh,

Dickson raised the issue with Holmes. The E.& G.S.'s representative, realising the mistake he had made, (showing Dickson the telegram from London) swallowed his pride and 'begged' the political agent not to divulge this information to the Shaikh. Holmes stated that such wording went against all he had promised to the Shaikh which in effect was that although the money might be found in America the company to work the concession would be a British one.¹⁷

A few days later the only severe row on record flared up between the Shaikh and Holmes. At their meeting on 3 May the Shaikh accused Holmes of having misled him. The Shaikh demanded an explanation of the sudden and secret desire by the Syndicate to transfer the concession to an American company in view of the fact that he had always been assured by Holmes that only a British or a Canadian company would operate the concession. Moreover, the Shaikh, who was prohibited by treaty obligation from dealing direct with any nation except Britain, was concerned lest he had been informed of the British Cabinet's recent decision by Holmes and not by the political agent because the British Government was displeased by his conduct over the oil issue.¹⁸

Fortunately for Holmes a few days later on 13 May the political agent informed the Shaikh in a friendly manner of the British Government's revised policy. The political agent stated that the British

Government was no longer insisting upon confining the concession to a purely British concern and that any application for the Kuwait oil concession from any quarter, including the Syndicate, would be examined by the British Government with a view to the Shaikh's best interests.¹⁹

Naturally pleased with the official information provided which indicated the British Government's continued friendship and goodwill, the Shaikh met Holmes the following day. At their meeting Holmes assured the Shaikh that there had never been any proposal or intention by the Syndicate and their American associates 'to transfer the Kuwait oil concession to the Eastern Gulf Oil Company but to a Canadian company....' Therefore, he pointed out that the Shaikh should interpret the British Government's reference to the transfer of the concession to the Eastern Gulf Company to mean that they would not oppose the eventual transfer to a Canadian company which would be nominated by the former. Finally, Holmes explained the Syndicate's position vis-à-vis the British Government and emphasised the fact that its application contained a specific clause allowing the transfer of the concession only to a company registered in Britain or Canada, according to the same stipulations agreed in the case of the Bahrein oil concession.²⁰ Eventually the Shaikh accepted Holmes' reassurances and cordial relations were re-established between the

two.

Shortly afterwards, in accordance with the British Government permission, Holmes re-submitted the Syndicate's draft concession for the Shaikh's consideration. The revised agreement comprised twenty-four clauses which may be summarised as giving the Syndicate exploration rights over the whole of Kuwait except for the old walled city and sacred buildings, over a period of seventy calendar years, the exact delineation of the concession territory to be decided within the first five years. Exploration was to begin within nine months and should the company discontinue their operation for a continuous period of two calendar years the Shaikh would have the right to cancel the agreement. The Shaikh would be entitled to a customs duty of one per cent on all oil and associated products and to have the right to collect ordinary duty on all personal goods, clothing and general merchandise imported by the company for the personal use of its employees. Within sixty days of the signing of the agreement the company would pay the Shaikh Rs.30,000 (£2,250) and on each subsequent anniversary Rs.20,000 (£1,500). Should the company find oil in commercial quantities the Shaikh would receive instead of the annual payments a royalty of three rupees and eight annas (5s & 3d) per English ton of net crude oil won and saved, excluding that required for operational purposes. The amount payable to the Shaikh was not to

be less than Rs.70,000 (£5,250) annually.

As regards the safeguarding of British Government interests, the ownership of the concession could be transferred only if the Shaikh sanctioned such a transfer and provided a) that the assignee company was to be one organised or registered either in Great Britain or Canada and which should maintain an office in Great Britain which at all times was to be under the control of a British subject, b) that of the five directors of the assignee company one director would have at all times to be a British subject, c) that the assignee company would at all times maintain in the Persian Gulf an official to be called the Chief Local Representative whose appointment should be approved by the British Government and d) that as many as possible of the employees of the assignee company in Kuwait should at all times be British or Kuwaiti subjects, so long as the company's operating efficiency was not adversely affected. (As seen above these stipulations were identical to those accepted by the British Government in the case of the Bahrein oil concession.)²¹

However despite the fact that cordial relations had been restored and that the Shaikh accepted Holmes' revised application for consideration, the former became much more cautious so as not to offend the British Government in regard to the oil issue. The Shaikh sent Holmes' draft concession to be vetted and

approved by the British Government and assured the political resident that any additional conditions suggested by Britain would certainly be insisted upon. At their meeting on 22 May the Shaikh stated to the political resident that he 'did not wish to get into the bad books of H.M.G.' because of the oil concession and indicated his wish to receive a formal request for a full concession from A.P.O.C. and to postpone any further negotiations with Holmes pending the government's observations and advice.²²

Nevertheless A.P.O.C. remained obdurate and still refused to make a counter offer for a full concession or to approach the Shaikh directly. They sent A. Chisholm, their manager at Ahwaz who later became their chief negotiator for the concession, on a fact-finding mission. In Kuwait Chisholm became acquainted with Dickson who admitted to believing in the future of Kuwait as far as oil was concerned and to being 'full of imperialistic ideas'. He advised Chisholm that A.P.O.C. should not 'let the grass grow under their feet any longer but should go right ahead and apply for an oil concession at once.'²³

In Bushire Chisholm met Biscoe, who also urged A.P.O.C. to apply for a full concession, suggesting in particular one based on the Syndicate's Bahrein concession. The explanation given by the political resident for this suggestion is rather interesting

as A.P.O.C. eventually did submit to the Shaikh of Kuwait a draft concession similar to that for Bahrein. He explained to Chisholm that a concession of that type would not be a financial burden initially nor would it commit them to anything definite. According to the political resident A.P.O.C. could ask for an exploration licence for two years at the end of which it could be extended for a further two years as Holmes had done in Bahrein. Lastly, he concluded that if A.P.O.C.'s object 'was to ride off competition this seemed.....a pretty cheap and effective way of doing so.....',²⁴

Chisholm, who was inclined to agree with the views expressed by the local British officers, wrote a detailed and comprehensive report to London. He outlined the Shaikh's grievances against A.P.O.C.'s attitude, especially the company's refusal to make a counter offer for the concession. He also provided for A.P.O.C. the latest terms being offered by the Syndicate and concluded that A.P.O.C. 'must come down with a counter offer if we want to keep Holmes out.'²⁵

Chisholm's report together with the discovery of oil in commercial quantities in Bahrein at the beginning of June strengthened the pro-Kuwait forces among A.P.O.C.'s directors and eventually resulted in constructive action. There had been two schools of thought in A.P.O.C. confronting each other for

some time in regards to Kuwait's prospects. One, led by James Jameson, was closely associated with the development of the Persian oilfields from the beginning of 1908 and was therefore extremely anxious not to endanger the company's vital concession in Persia. They did not want an oil concession in Kuwait because they believed the Persian Government might oust them from Persia if they produced oil elsewhere in the Persian Gulf. In any case, competing against the Syndicate by offering a higher royalty for the Kuwait oil concession ^{than} from that being paid to the Persian and Iraqi Governments was considered to be a very dangerous precedent. However the other camp, led by Sir Philip Southwell, a new comer to A.P.O.C. and a great believer in Kuwait's potential, was less sensitive about the Persian Government. Southwell was a geologist who had worked in Trinidad and when he visited Kuwait in March 1932 was positive he had discovered another 'lake Trinidad' in Kuwait.²⁶

Once a decision in favour of positive action had been taken by A.P.O.C.'s Board, Cadman authorised A.P.O.C.'s Deputy General Manager in Persia to proceed to Kuwait and open formal and direct negotiations with the Shaikh for the first time since 1923. Accordingly Sir Neville Gass immediately went to Kuwait and, accompanied by Dickson, met the Shaikh.

At their meetings on 10 and 11 June Gass pressed the Shaikh very hard to accept the company's offer for only a prospecting licence. The Shaikh listened patiently to everything Gass had to say and before finally replying conferred with Dickson and asked whether the British Government were 'ordering him to accept Mr. Gass' proposal.' When Dickson replied in the negative the Shaikh rejected the offer forthwith and suggested the company should put forward in a reasonable period of time a draft oil concession on the lines of that submitted by Holmes. He emphasised that he wanted something he could place alongside and compare with the offer made by the E. & G.S.²⁷ Although Gass failed in his immediate objective he was pleased he had been able to establish cordial relations with the Shaikh, after the distinctly cold reception which he had originally been given, and promised to report the Shaikh's wish to London.

In view of considerable anxiety on the part of British officials together with reports from the Gulf, Cadman finally decided to put his weight behind Southwell whom he knew from oil exploration in Trinidad. Therefore on 28 June the Shaikh was informed through the political agent that Cadman had given instructions for the preparation of a comprehensive concession embodying exploration, prospecting and mining licences to be presented shortly

for the Shaikh's consideration.²⁸ The Shaikh, satisfied with A.P.O.C.'s positive response, told the political agent that he now had 'two bidders and from the point of view of a 'seller' this is all to the good.'²⁹

A.P.O.C.'s decision to make an application for a full concession in Kuwait in order to outbid the Syndicate was received with mixed feelings in the various ministries in London. The Admiralty were relieved that at long last A.P.O.C. were taking a serious interest in Kuwait and were thus prepared to back them to the hilt. The Foreign Office for its part maintained that the Cabinet decision of 6 April 1932 amounted to a 'fair field and no favour'³⁰ although realising now more than ever the difficulties facing them from the Admiralty on the one hand and the Americans on the other.

At the interdepartmental meeting held on 5 August to consider the British Government's attitude in view of A.P.O.C.'s intention to compete seriously for the concession, these conflicting views came to light. The Admiralty, which considered that Britain should influence the Shaikh on political grounds to accept A.P.O.C.'s offer even if the two offers were equal, received considerable support from the other ministries and the Foreign Office found itself in a minority.

In the circumstances, since they were in the minority, the Foreign Office wanted to postpone the

decision which would probably have been reached to influence the Shaikh on political grounds to accept A.P.O.C.'s offer. Therefore the Foreign Office suggested that the government should defer giving the Shaikh any advice until he had had an opportunity of comparing the two proposals and had given some indication as to his opinion. (They hoped the Shaikh might of his own accord choose A.P.O.C.'s offer thus obviating the need for undue influence and avoiding the Americans accusing the British Government of bias in favour of the British company.) Justifying this course of action, ie. to let the Shaikh decide first, the Foreign Office gave the following explanation which was considered reasonable and acceptable by the other ministries:- 'we have sheltered ourselves behind the Shaikh in the past' said Warner, and therefore

we do not wish to give too much the impression that he is a puppet on whose behalf we are negotiating and who will be bound to accept whatever we think in his best interests. 31

Consequently it was decided to wait until the terms of A.P.O.C.'s offer had been disclosed to the Shaikh and his reaction known. On 24 August the Colonial Office therefore informed the political resident that he should 'defer any action until the Shaikh has had an opportunity of comparing the proposals.... and has given indication of his wishes in the matter.'³²

A few days later the Colonial Office received

from the political resident in the Persian Gulf a copy of A.P.O.C.'s draft concession which had been presented by Chisholm to the Shaikh of Kuwait on 16 August. As A.P.O.C. had made a close study of the Syndicate's terms, a copy of which they had received from Dickson during Chisholm's visit, the Colonial Office realised that on the face of it there was little to choose between the two offers. Nevertheless, according to the Colonial Office

in one respect namely the royalty, the E. & G.S. were definitely more favourable than the A.P.O.C., provided of course that the production of oil is of a reasonable amount.

As a result of having to mediate between conflicting views for the last few months, the Colonial Office had tried to adopt a neutral approach and anticipated the following scenario

.....the Admiralty and to a less extent the India Office will urge strongly that the concession be given to the A.P.O.C. The Petroleum Department will criticise the technical details, and the Foreign Office will maintain stoutly that the offer of the Anglo-Persian is not good enough and that we should advise the Shaikh to accept E. & G.S.

Therefore they concluded that the issue would probably have to come before the Cabinet again for a decision.³³ As this prediction proved correct as regards the considerable time required by the various ministries to agree on a common attitude, it seems that two unrelated developments in the Persian Gulf and London eventually precipitated British Govern-

ment action.

In the Persian Gulf A.P.O.C.'s representative arrived in Kuwait on 14 August and after consulting Dickson, who suggested some amendments, presented the Shaikh with the company's draft oil agreement. This contained provisions similar to those of the Bahrein oil concession and provided for a two-year exploration period to be followed by a two-year drilling period, after which a seventy-year mining lease would come into effect. In general the financial terms were an immediate payment on signature of Rs.50,000 (£3,750) and an annual payment of Rs.25,000 (£1,875) which were higher than those being offered by the Syndicate. The royalty of Rs.2.10 annas (3s 11½d) was in line with what the company was paying in Persia and Iraq and lower than that being offered by the Syndicate.³⁴

The next day, when he met the Shaikh, the political agent, who was anxious to assist A.P.O.C. in every way possible, asked him for his reaction to A.P.O.C.'s new draft agreement. The Shaikh replied that he was pleased but must be given time to compare it with that submitted by Holmes before discussing matters further.³⁵ A few days later Gass arrived in Kuwait and during his meeting with the Shaikh pressed him for an answer to the company's draft. The company was anxious to impress upon the Shaikh the various terms of their draft concession

before the financial terms were inevitably leaked to Holmes.

The Shaikh resented the pressure and to the company's representatives' surprise he now stated that he 'was not at liberty to discuss the details of the draft agreement or even to put forward his own proposals' until the British Government had vetted and approved it.³⁶ It seems that the Shaikh adopted the same attitude towards A.P.O.C. as to the Syndicate, suspending negotiations until the British Government had inspected A.P.O.C.'s draft concession and proffered its advice. In the circumstances it was the only course of action open to him as a result of the company and the political agent importuning him for a decision.

However Gass and Dickson saw the situation differently. They considered that the Shaikh wanted to delay the negotiations in order to enable Holmes to return from London to Kuwait. Therefore Dickson immediately approached the political resident suggesting that he should give his 'preliminary blessing' to A.P.O.C.'s draft and authorise Dickson 'to tell the Shaikh that you approve of it as far as it goes, and have no objection to his opening formal discussions with the A.P.O.C.'s representatives.' Dickson hoped that this would force the Shaikh to negotiate with A.P.O.C. and provide him with no

excuse for 'sitting on the fence'.³⁷

Nevertheless, T. Fowle, the political resident who had replaced Biscoe who had died a month earlier, did not follow the political agent's advice. He informed the Colonial Office of Dickson's and A.P.O.C.'s request and instead proposed that the government should advise the Shaikh before he negotiated the concession. He explained that if the Shaikh discussed the draft agreement with the company before the government's views were known he might accept some clauses to which the government might later raise objections, either in their own interests or on behalf of the Shaikh. Therefore in order to avoid an awkward situation for the British Government in the future vis-à-vis both the Shaikh and the company, and in accordance with Britain's moral obligation to advise the Shaikh, the political resident suggested to the Colonial Office on 25 August that the Shaikh's request for advice should be complied with.³⁸ (Obviously he was still unacquainted with the British Government's decision of 5 August, ie. to allow the Shaikh to choose first, as the Colonial Office letter of instructions was not sent off until 24 August.)³⁹

In London the Syndicate initiated the second development which exerted further pressure on the British Government to act and consequently comply with the Shaikh's request for advice on the merits of the two offers. The Syndicate, who strongly suspected the British Government of supporting A.P.O.C., noted

with increasing alarm that while the Shaikh had been barred from negotiating with Holmes since June he was being allowed and even encouraged by Dickson to negotiate with Chisholm and Gass. Syndicate reports of the tactics adopted by the Colonial Office in order to hinder and delay the conclusion of Holmes' efforts in Kuwait were sent regularly to the State Department via Gulf.

The State Department learnt about the many meetings Janson and Holmes were attending at the Colonial Office and about their fruitless attempts to persuade the British Government to accept for the Kuwait oil concession the same safeguarding stipulations they had agreed to in Bahrein. Consequently after waiting for three months for the British Government reply concerning these stipulations, merely to be informed on 24 August by the Colonial Office that A.P.O.C. had submitted a draft concession for the Shaikh's consideration, the E. & G.S./Gulf felt they had no choice but to call on United States Government support once again.

However the State Department, which was also receiving reports about the situation via the United States Embassy in London, was not at all willing to raise the issue once more with the British Government. Now that A.P.O.C. had become interested and active they considered that

it would be asking a great deal of the

British Government to expect them to refrain from supporting the government-controlled A.P.O.C. in establishing itself in British-controlled territory like the shaikhdom of Kuwait in the close proximity of Anglo/Persian oilfields in South Persia.

In this respect they were also sensitive about the probability of Britain renewing its accusation that the United States Government had engineered the cancellation of oil concessions actually granted to British subjects in Haiti and Costa Rica.⁴⁰ Therefore, although aware of the Gulf Oil Corporation's difficulties in Kuwait, the State Department assured the company in a conciliatory way that they did not believe 'that these delays are necessarily indicative of opposition' and advised them to continue their negotiations using the existing channel, ie. the Syndicate.⁴¹

However on 25 August Gulf informed the Department that without the United States Government assistance any consent given previously to the entry of American interests into Kuwait was an illusion. On 30 August the Secretary of State was told that in spite of its ostensible acquiescence in an 'open door' policy in Kuwait the British Government during the past five months had 'made substantial progress in giving effect to an actual policy of exclusion of American interests from that territory.'⁴² Obviously Henry L. Stimson could not accept this clear breach of faith primarily because he had been

promised by the British Government the contrary. Consequently on 1 September the State Department instructed the United States Embassy in London to take up the Syndicate's case immediately with the Foreign Office and to urge the British Government to stand by its previous assurances.

Atherton, in his note of 6 September to the Foreign Office, stated the Syndicate's grievances against the British Government. The Syndicate, according to Atherton, had been placed in an unfair position in comparison with A.P.O.C. by the fact that the Colonial Office had not acceded since June to their request to be informed of the revisions required in their draft concession in order to safeguard the interests of the British Government adequately, while A.P.O.C. were at no such disadvantage. (As A.P.O.C. was a purely British concern Atherton assumed that no 'safeguards' were needed.) This, complained Atherton, was preventing the Shaikh from taking a decision on the Syndicate's draft concession while A.P.O.C. had submitted a draft concession which the Shaikh was being urged to grant. Atherton reminded the Foreign Office of its commitment of 9 April that the American interests involved would be placed in as favourable a position as British ones in having their application considered by the Shaikh.⁴³

The Americans' protest could not have come at

a worse time for the Foreign Office as they were already being urged by several of the ministries concerned to give preferential treatment to A.P.O.C. Even the Foreign Office accepted in general the argument that it was in the best interests of the government that A.P.O.C. should secure the concession and not E. & G.S./Gulf; but they considered that the commitment given to the United States Embassy was essential for good Anglo-American relations which were vital, particularly at that time, for resolving important international difficulties and especially in restraining Japan's expansion in the far east. The Foreign Office was desperately keen to win United States support for its endeavours to prevent Japan from expanding her control further in the far east and endangering British possessions.⁴⁴ Therefore they were set to stand by the assurances given to the Americans and to bring the other ministries into line.

At the interdepartmental meeting convened on 15 September to consider the situation in Kuwait and the note from the United States Embassy, the Foreign Office succeeded once more in initiating a decision which would suit their purposes. They suggested, and it was accepted by the other ministries, that in view of the Shaikh's attitude and the renewed United States Government intervention the government should

now reverse the procedure agreed at the last inter-departmental meeting. Instead of delaying any action until the Shaikh had given some indication of his wishes on the matter, it was decided that the government should be the first to compare the two offers.⁴⁵

The Foreign Office suggested this reverse line of action as it justified the long wait since June for the Colonial Office reply, about which the Syndicate had complained. It was also in accordance with the assurances given previously to the Americans that any application for the concession would be examined by the British Government in order to safeguard the Shaikh's interests. The ministry was aware of a growing suspicion among United States Embassy officials that the government had deliberately held matters up for the Syndicate so that A.P.O.C. could get in and submit a draft concession for the Shaikh's consideration. Therefore it was believed that by stating the two offers were being examined on their merits by the British Government in order to see which suited the Shaikh's best interests commercially, the Foreign Office could face the Americans and justify the long delay. The other ministries concerned accepted the Foreign Office's suggestion for other reasons, mainly because they had wanted to advise the Shaikh on the two drafts all along and hoped eventually to be able to counsel him to accept A.P.O.C.'s offer.

Consequently on 16 September the United States Embassy was informed that in accordance with the 9 April statement, that every application would be compared in order to see which appeared to be in the Shaikh's best interests, the British Government were considering both draft concessions. The Foreign Office stated that the Syndicate's application was receiving consideration 'equally and pari passu with that of the A.P.O.C.' as the question of the provisions designed to safeguard the British Government's interests was not to be discussed until the Shaikh had been advised and had made up his mind as to which company he wished to have the concession. Finally, the note sent to the United States Embassy indicated that pending the government's observations no further negotiations would be embarked upon with either applicant company, either in London with the British Government or in the Persian Gulf with the Shaikh.⁴⁶ Accordingly on 30 September the Colonial Office informed the political resident in the Persian Gulf of the British Government's decision and instructed him to inform the Shaikh of Kuwait to wait for the government's observations on the two offers before negotiating further with A.P.O.C. and the Syndicate.⁴⁷

The State Department immediately conveyed the Foreign Office's encouraging reply to Gulf hoping, in vain as it appears, to resist further pressure

for diplomatic assistance. For their part, however, Gulf were dissatisfied with the Foreign Office's 16 September letter and argued that the British Government would eventually advise the Shaikh to accept A.P.O.C.'s offer regardless of its merits. In particular they challenged the British Government's rights under the Anglo/Kuwait Agreement of 1899, a copy of which had been provided by the United States Government, to advise the Shaikh as to which of the two drafts was more suitable for him to accept.

Although unaware of the oil convention signed between Britain and Kuwait in 1913 the State Department justified the British Government's stand saying 'it was quite possible to read into the terms of the 1899 Agreement such a privilege for the British.' Gulf was also told that the British position in the Persian Gulf gave them an obvious advantage over American interests and advised them 'that this situation is one which we simply had to face.' It is clear, therefore, that the State Department's response to Gulf's request disappointed the latter, thus indicating once again the half-hearted support being given to American oil companies in the Persian Gulf.

Moreover the State Department rejected the proposal made by the vice-president of Gulf that it should approach the Prime Minister, the Foreign Secretary or the British Ambassador in Washington over the

Kuwait oil concession. According to the State Department the issue was not sufficiently important to justify using these channels of communication which were 'reserved for highly unusual and important subjects'. Consequently the Gulf Oil Corporation had no alternative but to accept the State Department's view and therefore confined itself to requesting that any advice given by the British Government to the Shaikh should be given without further delay.⁴⁸

Accordingly the United States Embassy was instructed by the State Department to restate their view. The United States Government, the Embassy was told, was only asking for American interests to compete on an equal footing with others and for the British Government to expedite any action which would permit the Shaikh to reach an early decision.⁴⁹ Consequently Mellon called on the Foreign Office on 17 October and 'manifested some impatience at the length of the delays'. However as the Foreign Office were still waiting for the Petroleum Department's comments on the two draft concessions, Mellon was told that the position remained unchanged. Sir Robert Vansittart, the Permanent Under-Secretary, apologised for not having any information to offer but promised an early reply.⁵⁰

Nevertheless, two weeks later, after being

urged by Gulf's representative in London and without the State Department's authorisation, the Ambassador called again. This time he handed over a memorandum describing the E. & G.S./Gulf position vis-à-vis the British Government and the Shaikh of Kuwait, a large part of which was already known to the Foreign Office as his predecessor had submitted a similar memo.⁵¹ He complained that in spite of the promise given on 17 October that efforts would be made to expedite consideration of the rival applications he had not received any further communication.

By now the Foreign Office were inclined to believe that the Americans were treating the Kuwait oil concession as a major political issue and therefore were clearly embarrassed. 'Nothing can make this case look well' noted Vansittart, and immediately urged the Petroleum Department to conclude their examination. Mellon was perfectly polite throughout, continued Vansittart, 'but it was quite plain that he considered that we were acting with deliberate dilatoriness and indeed with duplicity.' He went on

I wish to make it quite plain to all departments concerned that I will no more submit to being placed in this intolerable position nor will I accept any further excuse whatsoever for any further delay.

A.P.O.C. did not escape criticism either. According to Vansittart the company had thrown away their chance six years previously when they could

have bought the Syndicate out and now apparently 'wish to pop in on a change of mind'.⁵² (This view was initiated by the Syndicate and widely shared by the Americans.) By now the general view at the Foreign Office was that had A.P.O.C. made up their minds earlier they would probably have secured the concession without a struggle and the most embarrassing and unfortunate controversy with the United States Government could have been thus avoided.

The letter sent immediately from the Foreign Office to the Petroleum Department urged a quick conclusion to their examination of the applications and warned that the

unfortunate atmosphere created at such an interview may well have important repercussions on questions of major political importance under discussion with the Ambassador. 53

Within a week the Petroleum Department concluded their examination of the two applications and on 11 November a detailed memorandum was sent to the other ministries concerned. The Petroleum Department emphasised very clearly the advantageous points of A.P.O.C.'s offer and concluded that it was the marginally more generous. In particular, they employed considerable skill when dealing with the difficult issues of A.P.O.C.'s lower royalty and their inability to pay any customs duty.⁵⁴

Satisfied to have a reply for the United States

Embassy, the Foreign Office immediately informed the Americans that the government had completed the comparative examination and that the 'result of this examination is already on its way to the British authorities in the Persian Gulf.'⁵⁵ They naturally assumed that the other ministries would agree with them on providing the Shaikh quickly with the Petroleum Department's technical advice, which generally favoured A.P.O.C.'s offer, and allow him to make his choice between the two applications without further influence.

However it seems the Foreign Office was too hasty in its assumption as various ministries especially the Admiralty and the Colonial Office, held different views which naturally necessitated considerable further consultation and delay in instructing the political resident. The Admiralty were of the opinion that

no legitimate step which might influence the Shaikh of Kuwait to award the concession to the A.P.O.C. rather than to the American interests.....should be neglected.

However, fully cognizant of the fact that the Americans should not be given any grounds for accusing the British Government of 'having brought undue influence or pressure to bear upon the Shaikh' they admitted it was essential that the choice must ultimately be made to appear entirely that of the Shaikh.⁵⁶

The Colonial Office for its part resented

Foreign Office pressure to rush matters and could see no justification for the haste in deciding on such important an issue. They knew of the Admiralty's strong opposition to increased United States influence in the Persian Gulf and considered that the Petroleum Department's memo on its own would not be sufficient to cause the Shaikh to choose A.P.O.C.'s offer. They considered as 'quite absurd' the Foreign Office suggestions that the government should not give the Shaikh any advice apart from the Petroleum Department's memo and that the Shaikh should take a definite decision as soon as possible, thus losing his opportunity to bargain and improve the financial terms offered for the concession.⁵⁷

The Foreign Office was aware of the difficult task of bringing the two ministries into line now that A.P.O.C. was determined to secure the concession. The fact that the Colonial Office was the ministry responsible and therefore issuing instructions to the political resident obviously complicated matters further. Nevertheless, the Foreign Office, in accordance with its determination to avoid an acrimonious controversy with the United States Government, was set once more to ensure that the government continued with its impartial attitude towards any application for the Kuwait oil concession, as had been promised to the United States Embassy.

To achieve this they once again employed the tactics which had already proved successful in carrying the other ministries with them. The various ministries were approached individually this time with the temporary exception of the Admiralty, their staunchest opponents.

The Foreign Office first approached the India Office informally and explained their difficulties vis-à-vis the Americans on the one hand and the combined forces of the Admiralty and the Colonial Office on the other. The India Office were disposed to agree in general with what the Foreign Office had in mind since the Government of India had accepted the 'open door' principle in Kuwait the previous February. It was therefore decided that the India Office rather than the Foreign Office would suggest to the Colonial Office that the political resident be instructed as the Foreign Office felt necessary.

Next the Colonial Office was asked to concur with the Foreign Office and the India Office view. Although the Colonial Office, as seen above, were generally against the idea of adopting a neutral attitude regarding the applications, as they considered it preferable that A.P.O.C. should secure the concession, they explained that it was too early to express any opinion as the issue had not yet been submitted to the ministry's higher authorities.

However the Colonial Office fell in with the Foreign Office's proposal to postpone calling an interdepartmental meeting for the time being in order to enable it to discuss the matter privately with the Admiralty first, as they considered that the Foreign Office was 'the protagonists in this matter' and 'it is better for them to fight their own battles.'⁵⁸ By then the Colonial Office was anxious to be relieved of the responsibility as they considered oil an 'unclean subject' and 'we are not in control, we are not interested and the Middle East Department is not staffed to deal with it.'⁵⁹

As had been planned, the India Office immediately approached the Colonial Office to suggest that the political resident should

persuade the Shaikh to reach a decision as between the rival companies in the light of the information contained in the Petroleum Department's memorandum.

The India Office's note also indicated the political proviso that should the Shaikh decide in favour of A.P.O.C., the government must be in a position to avoid any suggestion that pressure had been brought to bear upon him or that 'the decision is not His Excellency's own.'⁶⁰

The Foreign Office for its part immediately approved formally the instructions by the India Office, but nevertheless wished to see any draft telegram which the Colonial Office might decide to send

the political resident as a result of the India Office's letter. Therefore the ministry asked to be provided with the draft telegram before it was despatched but for tactical reasons the request was made verbally and informally so as to avoid the other ministries making the same request and thus causing further delay and argument.

However the Colonial Office was not in a hurry in any case to despatch any instructions to the political resident, at least not until they had obtained Admiralty concurrence. It did not believe that the Admiralty would accept the India Office's proposal without an interdepartmental conference. Therefore when the Admiralty's opposition to the India Office's suggestion became known the Colonial Office called for a conference even though anticipating, half in jest and half seriously, that the main function of the Colonial Office at the meeting would be 'to try and hold the balance and if possible prevent a physical assault by the Admiralty representatives upon those of the Foreign Office.'⁶¹

The Foreign Office however still wished to avoid a conference as they feared the Admiralty might succeed in mobilising support for their view, as had been the case at the 5 August meeting. Vansittart, in a personal letter to Sir B.M. Eynes-Monsell, the First Lord, stated the Foreign Office's conviction

that the only proper and consistent instructions to be despatched were those suggested by the India Office on 12 November and with which the Foreign Office had concurred on 15 November. He explained that 'such a circuitous policy' as had been suggested by the Admiralty, (ie.

while appearing to give the Americans all they want on the one hand, we should on the other.....ensure that our concession to the Americans was in fact nugatory)

could not have been successful in any circumstances least of all in Kuwait 'where everything is known in the bazaars in a few hours' and especially with 'such an eavesdropper as Holmes on the spot as an interested listener.' To put it bluntly, continued Vansittart, 'I feel sure that it would be impossibleto be quite so 'tricky' without being found out' and therefore in order to avoid plunging into another acrimonious controversy at the inopportune moment with the United States Government the Admiralty should concur with the India Office view.

To make it easier for the Admiralty to back down the Foreign Office pointed out that in any case the Shaikh might give his decision in the way the government wanted without it being necessary to put further surreptitious pressure on him. This was because the Petroleum Department's memo had concluded that A.P.O.C.'s offer was more advantageous to the Shaikh and the Shaikh had been reported to prefer dealing with British

subjects. Furthermore, the Foreign Office assured the Admiralty that if Holmes tried to exercise undue influence on the Shaikh (ie. a bribe) then the situation would be different and the government's attitude could be both altered and justified.⁶²

Nevertheless despite the Foreign Office's desperate efforts the Admiralty still insisted that the political resident should influence the Shaikh to grant the concession to A.P.O.C. and that the issue should be referred to an interdepartmental conference.

At this conference held on 2 December 1932 the two ministries, as might have been expected, met head-on. The old arguments were reintroduced but this time mainly in order to win support from the other ministries involved. The Foreign Office representative stated that the Cabinet's 6 April decision was equivalent to adopting a principle of a 'fair field and no favour' and therefore the Foreign Office could not agree to any action likely to provoke an accusation of bad faith from the United States Government. He continued by emphasising the Foreign Office's main consideration for this line which was the essential need for close and friendly relations with the United States, particularly for the solution of numerous problems of world importance.

The Admiralty were neither impressed nor convinced. Their representative also referred to the

Cabinet's 6 April decision which in the Admiralty's view sanctioned an 'open door' policy in Kuwait only if no new consideration were raised as a result of determining A.P.O.C.'s stand. He maintained that the appearance of A.P.O.C. in negotiations materially affected the government's decision and therefore the government should insist on the concession being granted to the British company. It seems that the two ministries continued what had become common practice in that they interpreted the decisions taken collectively in a way which matched and promoted their own particular standpoint, especially picking out for emphasis parts of these decisions supporting their own views.

After strong pressure from the Foreign Office it was agreed that the instructions proposed by the Admiralty were inappropriate. Nevertheless as had been feared by the Foreign Office, the Admiralty succeeded in mobilising some support for their view. They argued successfully that the political resident should ensure that the Shaikh understood fully that a decision in favour of A.P.O.C. meant the concession would be developed by a British company, while a decision in favour of the E. & G.S. would involve the introduction of American elements into Kuwait. The ministries which supported the Admiralty's demand - the Colonial Office and the Petroleum Department - hoped this would deter the Shaikh from granting the

concession to the Syndicate since he had been reported to prefer a British firm to an American one.

Another demand made by the Admiralty was, however, only partly accepted. The ministry wanted special reference to their view to be made to the political agent in Kuwait before the Shaikh was allowed to reopen negotiations with the two companies. To this the Foreign Office could not agree; and therefore it was decided to acquaint the political agent with the views of all the ministries concerned. In any case, this part of the instructions to the political resident, (ie. to acquaint the political agent with the ministries' views) was to be communicated by a private and personal telegram as the Foreign Office feared that it 'might be necessary to publish correspondence at a later date and that such an intimation to the resident might well be regarded as weighing the scales in favour of A.P.O.C.'⁶³ Although a general understanding was reached at the meeting between the various ministries, the Colonial Office had still to secure the other ministries' concurrence with the wording of the telegrams - official and unofficial - to the political resident. (The Admiralty like the Foreign Office also wanted to see the draft telegrams before despatch.)

While these consultations were taking place the United States Ambassador returned to the fray without State Department authorisation, for which he was later

admonished. On 13 December Mellon requested an explanation of the fact that he had been informed by the Foreign Office on 11 November that the result of the British Government's examination of the two applications had been sent to the Persian Gulf to be communicated to the Shaikh, while on 10 December the London agent of Gulf reported that the political agent in Kuwait had stated he knew nothing of such a document. He also asked Vansittart to give the Foreign Office's reply to Atherton who would cable it to Washington immediately in view of the Ambassador's expressed desire to discuss that matter with the State Department during his coming visit.⁶⁴

By now the Foreign Office was sure that the issue was considered very important in the United States and therefore urged the Colonial Office to despatch the agreed instructions to the political resident and forced the Admiralty to withdraw its objections to some of the telegrams' wording. Consequently on 22 December the Colonial Office were finally able to despatch the government's instructions to the political resident.

As regards the official telegram, the political resident was instructed to ensure that the Shaikh was fully aware that if the concession were granted to the E. & G.S. it meant the concession would be transferred to an American company. Furthermore it would be the Shaikh's responsibility

to make a choice, and a definite decision should be reached as early as possible on the information provided in the Petroleum Department's memo. Generally it was emphasised to the political resident that he should leave it entirely to the Shaikh to make a choice between the two offers. As regards the private and personal telegram, the political resident was instructed to communicate all the relevant facts, ie. all the correspondence which had passed between the ministries concerned, to the political agent before any discussions took place between the Shaikh and the companies' representatives.⁶⁵

The Foreign Office, though not without considerable difficulty, had finally succeeded in persuading the other ministries concerned to abide by the undertaking given to the United States Government. The result was that the government's official policy was to allow the Shaikh to choose between the two offers without his decision being influenced by political considerations. The Foreign Office's strong stand by their pledge to the United States Embassy was, as seen above, mainly due to broader political considerations, ie. to maintaining good Anglo-American relations, and resulted in forcing the Admiralty in particular to abide by it. They were under the misapprehension

that the Kuwait oil concession was considered a major political issue in the United States and that the British Government attitude was seriously threatening to jeopardise long-term Anglo-American relations, particularly at a time when United States Government goodwill was most needed for solving major international problems.

However, as has been seen, the State Department did not regard the Kuwait oil concession as an issue worth fighting for and therefore refrained from intervening, preferring Gulf to continue its representations to the British Government through the Syndicate. The United States Government which was faced with the problem of over-production and not that of diminishing reserves was not over-concerned at the time with foreign oil. Furthermore, the Division of Near Eastern Affairs, which believed Gulf to have a slim chance of securing the concession, was in general unwilling to raise the issue with the British Government and in many instances went so far as to justify the British stand. They accepted British supremacy and had no desire to encourage American interests to enter an area in which this might provoke Anglo-American confrontation. Thus when Mellon himself protested strongly to the Foreign Office on 13 December and consequently prompted, as seen above, the British Government to act rapidly and favourably towards the E. & G.S./Gulf, he was

asked to leave the negotiations in Atherton's hands. Moreover, contrary to Mellon's independent action at that crucial time, the State Department decided to wait at least until January 1933 before considering what if any action they were prepared to take to expedite matters. They justified the delay about which Mellon was complaining, ie. the fact that the British Government's comments on the two draft concessions still had not reached the Shaikh, arguing that in view of the number of departments involved and the remoteness of the area it was 'hardly surprising that they had not arrived in Kuwait by 14 December.'⁶⁶

Although the State Department's attitude was far from satisfactory in the eyes of the American oil company, nevertheless its intervention in Kuwait and previously in Bahrein reveals how the State Department was drawn into the region's politics irrespective of any desire to be involved. The American oil companies were in direct contact with the State Department which, being the only department responsible for foreign policy, could effectively translate its limited objectives in the region into clear policy. However it was exactly the opposite with the British Government.

The bitter arguments and feuding between the ministries concerned combined with the dubious tactics each adopted in pursuit of its ultimate goal gave, in some instances, the impression of a battle

between rivals rather than any interdepartmental cohesion in promoting the State's interests. The dispute involved not only a question of foreign oil policy per se but also two opposing principles of political outlook. The traditional attitude held particularly by the Admiralty was based upon Britain's past policy of preserving the Persian Gulf for British interests regardless of global and local aspirations. The new school, whose adherents were active in the Foreign Office, considered that the days when Britain could maintain its former position were numbered. Now, increased local nationalism and global considerations combined with limited resources dictated a new outlook of co-operation which would enable Britain to maintain a respectable role in this changing environment of world politics. This fundamental diversity of opinion, however, resulted on occasion in compromise decisions containing elements of completely contrary views thus complicating matters further and increasing the impression of underhand dealing in this already 'oily subject'.

5. Second Thoughts on Policy

Despite a formal British Government commitment to allow the Shaikh a free hand in choosing between the two offers, various ministries and individuals in the Persian Gulf continued their efforts to persuade him to incline towards A.P.O.C. The Admiralty, for instance, still considered the instructions for the political resident to be unsatisfactory, as their opinion had been given no special mention. They decided, therefore, to ameliorate this unsatisfactory situation by instructing the Commander-in-Chief, East Indies, to make a special and definite reference to their view.¹ On 20 December a secret telegram (secret from the other ministries as well) was despatched to the Commander-in-Chief instructing him to ensure during his coming visit to the Persian Gulf that the local British officials 'be in no doubt of the great strategic importance which Service departments attach to the grant of the concession to the A.P.O.C.'²

However in the Persian Gulf there was no need to employ such a devious method. Dickson, who had received regular copies of correspondence between the government's various ministries, had already been impressed by the Admiralty's view and considered it to be 'rather to the point and largely voices my own views.' In general, it seems, he

criticised the Foreign Office's view and confessed to the political resident that he could not understand why in deference to American reaction the government was fearful of influencing the Shaikh to accept A.P.O.C.'s offer. Before being acquainted with the government's decision to permit the Shaikh to choose between the two offers on their financial merits he tried to influence London not to follow such a policy. On 28 December, for example, he warned that 'H.M.G. must bring a certain amount of direct pressure on the Shaikh' otherwise the concession would be lost to Holmes.³

Nevertheless, as seen above, the government decided to remain neutral and the Shaikh was informed on 11 January 1933 by Fowle, the political resident, that formal negotiations could begin with A.P.O.C. and the Syndicate and that the ultimate decision would be left to his judgement. Accordingly the two companies were informed that the Shaikh had been presented with the British Government's long-awaited technical advice and that negotiations could now commence.⁴

On 19 January, soon after his return from London where he spent some time in consultation, Chisholm met the Shaikh and submitted A.P.O.C.'s revised proposals. The company had decided to revise some of the financial terms upwards from those previously proposed in August even before the Shaikh's

response to their original offer was known, thus rendering the British Government's comparative statement on the original offers out of date and opening a new round of bargaining. The various payments in the new draft were slightly increased, the royalty however remaining unchanged and therefore still lower than that being offered by the Syndicate.⁵ The Shaikh, who by now had developed a cordial relationship with Chisholm, promised to study the new offer but intimated that as he 'must make every effort to secure the best terms possible.....there could be no hurry in such an important matter.'⁶

The following day the Shaikh met Holmes and provided him with copies of both A.P.O.C.'s latest offer and the British Government's comparative statement on the two original offers, which considered A.P.O.C.'s offer to be superior to that of the Syndicate. Holmes, like the State Department which received a copy forthwith, considered the British Government's conclusion to be biased and that the Syndicate's offer had been 'twisted and misinterpreted'.⁷ He told the Shaikh this and assured him that the Syndicate's offer in its present form was even more generous than A.P.O.C.'s revised offer. He also indicated that the Syndicate was ready in any case to top any offer made by A.P.O.C. and therefore should always be given

the opportunity to bid against it. It became obvious, therefore, that the negotiations would take some time as the companies intended to compete against each other and the Shaikh naturally wished to secure the most favourable terms possible.

However the British Government, as has been seen above, was anxious to see the Shaikh taking a quick and definite decision as it hoped to dispose of the oil controversy with the United States Government as soon as possible. Therefore on 9 February, less than a month after negotiations commenced, the Shaikh was asked by Dickson whether he had yet decided to whom he would grant the concession. The Shaikh resented the British Government's interference at this early stage as he considered it to be a further limitation on his freedom of choice. He was already barred from discussing certain points with the two companies and had been asked to insist on various stipulations, as yet unknown, designed to safeguard the government's interests and to be included at a later date in the agreement with the company which ultimately secured the concession.⁸ Therefore the Shaikh made it clear to the political agent that any attempt to hurry him into an immediate decision would be resented. He reminded Dickson that it took the British Government six months to give him their views and that the government had left the 'question of the

concession to his judgement.⁹

It seems that despite the British Government's technical advice and A.P.O.C.'s revised draft the Shaikh inclined towards the Syndicate. Besides financial considerations there were three main reasons for this state of affairs which did not escape the political agent's careful observation: when he recently visited Bahrein to offer his condolences to the Shaikh of Bahrein on the death of his father, the Shaikh had been given a long tour of the oilfields by Holmes and was consequently extremely impressed by the development of the Bahrein oil industry by the Americans. Secondly, A.P.O.C.'s recent dispute with the Persian Government over the oil concession's terms had sparked off considerable anti-A.P.O.C. feelings in Kuwait. The dispute resulted in the cancellation of A.P.O.C.'s concession in Persia and in the British Government making a strong protest to the Persian Government. It was regarded in Kuwait, as in other parts of the Middle East, as a prime example of the danger that lay in wait for a small and weak state which dealt with a powerful company whose principal shareholder was the British Government. Thirdly, the Shaikh was disappointed with the lack of support from the British Government in solving his outstanding disputes with his strong neighbours over the taxation of his date gardens in Iraq and Ibn Saud's continued blockade of Kuwait.¹⁰

Consequently it became apparent to the political agent that the Shaikh 'wanted to give the oil concession to the E. & G.S. today, but is afraid of doing so lest he offend H.M.G.'¹¹

Indeed, the Shaikh certainly preferred to deal with the Syndicate but was fearful of the consequences. He knew that, despite the British Government's official neutrality, granting the concession to the E. & G.S./Gulf would strain relations with the protector of his independence. Therefore in order to avoid a confrontation with the British Government over the oil concession and in an effort to extract himself from the dilemma of having to choose between the two companies, the Shaikh suddenly suggested dividing his territory between A.P.O.C. and the Syndicate. He told Holmes 'to put up two new draft concessions (twin) in place of the old single one' and to raise some of the financial payments. One of the territorial divisions would comprise 1,200 square miles which was to be reserved for British interests, and the other was to comprise 400 square miles and would be reserved for American interests.¹²

The Shaikh hoped by this move to appease the British Government as he was offering British interests the larger share, and to secure more money for himself as A.P.O.C. would have to match the Syndicate's revised payments in order to obtain their share. However the Shaikh was discouraged by the

political agent who, when acquainted with the idea, immediately protested that it was impossible for two 'separate concessions to be granted to two companies in his small state' and reported the new development to the higher authorities. It seems that the political agent did not understand the Shaikh's position and difficulties and considered this plan contrary to British interests.¹³

The activities and views of the political agent must be given special attention in order fully to understand the situation in Kuwait, and in particular the Shaikh's decisions. As has been seen, Dickson tried to persuade the British Government to adopt an attitude biased towards A.P.O.C. and since he was a determined man he continued in these efforts even after the British Government had decided to adopt an impartial attitude. In his many reports to his superiors after the government's decision was known, he frequently emphasised any information which might lead to a revision of the government's present attitude.

On 1 February, for example, he again raised doubts 'on the wisdom of letting the Shaikh decide things for himself, without our giving him advice or guidance.'¹⁴ On the next day he reported a conversation he had had with Shaikh Abdullah, who succeeded Shaikh Ahmad in 1950 and who was said to have 'accused H.M.G. of doing a very wrong and immoral

thing in allowing the Shaikh the free hand that he had been given in the matter.' According to Dickson, Shaikh Abdullah insisted that the British Government

should most certainly have advised him [the Shaikh of Kuwait] clearly and definitely that it was to his interest..... to accept the A.P.O.C.'s draft concession and 'turn down' that of the E.&G.S.

He explained, and Dickson quoted him at some length, that

if a child was going to fall down a well it was the nurse's business to seize and stop it, it was not sufficient for the nurse to call to the child and say it must itself decide whether falling down the well was to its advantage or otherwise.

In another report Dickson complained that the Shaikh had interpreted the 'enforced neutrality' on his part as weakness on the part of the government and that he was falling increasingly under the control of Holmes and drawing further and further away from British influence.¹⁵

At the same time Dickson did everything in his power to encourage the Shaikh to come to terms with A.P.O.C. He was known to be its staunch supporter and was soon identified as its agent in Kuwait. As a result of Dickson's conduct in the oil issue it is not surprising that the Shaikh stopped confiding in him, as a consequence of which the political agent was kept in the dark as to the Shaikh's real intentions.

Dickson himself acknowledged this situation when he reported that the Shaikh had adroitly avoided giving him the revised figures offered by Holmes and confessed to the political resident that it was unfortunate as 'in other matters I appear to have his complete confidence.'¹⁶ Therefore the political resident, the highest British authority in the Persian Gulf, was obliged to urge the Shaikh not to conceal information from the political agent and to keep him au fait with the progress of the negotiations, but seemingly to no avail.¹⁷

This state of affairs in Kuwait naturally gave rise to concern in London. Both the government and A.P.O.C. were anxious about the reports from the Persian Gulf and feared that if the Shaikh reached an early decision it would almost certainly be in favour of the American group. The company for its part was most anxious to delay the negotiations for the Kuwait oil concession as far as possible. They realised that the cancellation of their concession in Persia and the uncertainty regarding the outcome of the negotiations in the League of Nations, where the dispute had been referred by the British Government, were severely handicapping their efforts in Kuwait. Furthermore the company had been informed by Chisholm, who kept in close touch with the Shaikh and the political agent, that the Shaikh might decide in favour of the Americans as a result of his

political grievances against the British Government's inaction over his long disputes with the Governments of Iraq and Saudi Arabia.

Therefore A.P.O.C. approached the government with a view to its delaying the Shaikh's decision until Cadman returned from his planned visit to Persia, and meanwhile requested it to find a solution to the Shaikh's problems, ie. the taxation of his date gardens and Ibn Saud's blockade.¹⁸ The company's directors, like the political resident, probably hoped that if the government could solve these problems for the Shaikh it might influence him in favour of A.P.O.C. and gain them time to solve their difficulties in Persia.¹⁹ The Shaikh seems to have encouraged such a rumour in the hope of influencing the British Government to take an active role in settling these disputes to his satisfaction.

At the interdepartmental meeting on 3 March convened to consider A.P.O.C.'s requests, ie. to delay the Shaikh's final decision and to resolve his difficulties in Iraq and Saudi Arabia, the Petroleum Department championed the company. The Petroleum Department's representative warned that the Shaikh resented the attitude of the government regarding the two outstanding problems mentioned above and that his resentment might lead him to

give the concession to the E.& G.S. out of mere pique. Therefore he stressed the need to take steps to remove the Shaikh's grievances against the British Government in order to lessen the handicap from which Cadman felt he was suffering.

Although the Admiralty was not represented at the meeting they stated in a letter to the India Office their support for assisting the Shaikh in order to influence him indirectly to lean towards A.P.O.C., and they warned once more against allowing the Americans into an area which had hitherto been regarded very largely as a British preserve.²⁰

However the political ministries - the Foreign Office, the Colonial Office and the India Office - rejected the Petroleum Department and Admiralty's argument, which had been initiated by Dickson, that the Shaikh would be influenced against the government for the political reasons suggested by Cadman.²¹ They argued that he was well aware that he was dependent on the government for his independence from Iraq on the one side and Saudi Arabia on the other, and that he was not likely to risk forfeiting the goodwill of the British Government by deliberately showing spite. In any case, because of the complexity of the problems there was no prospect of a settlement of either the date gardens or the blockade in the immediate future. Instead, it was suggested and accepted that the decisive factor for the Shaikh

was financial and therefore A.P.O.C. should definitely outbid their rivals. Finally, it was decided to assist A.P.O.C. in delaying matters in Kuwait but simultaneously urge the company to outbid their rivals financially.²²

Accordingly on 14 March the political resident was informed in a private and personal telegram that as a new factor had been introduced by the cancellation of A.P.O.C.'s oil concession in Persia there was no need now to press the Shaikh for a quick decision and he should be allowed to continue the process of bargaining with both parties.²³ The next day the head of the Eastern Department in the Foreign Office met A.C. Hearn from A.P.O.C. to discuss the situation.

The Foreign Office representative suggested that Cadman should visit the Shaikh in order to raise the financial terms being offered and to estimate what results could be gained from exerting his own personal influence. According to G. Rendel, Hearn was attracted by the idea but expressed certain objections to it, particularly from the Persian point of view. He said that the Persian Government might think that Cadman was procrastinating if instead of going straight to Teheran he were to go to Kuwait to deal with what they considered to be a subsidiary and secondary question which they did not view with any sympathy. The Persian Government had already

accused the company of diverting its attention and efforts from the development of the Persian oil-fields to other areas, with the result that only a fraction of the concession territory in Persia had been developed.

Rendel replied that although the Persians might be offended by Cadman's visit to Kuwait, it might be argued that there would be certain advantages in not showing any undue haste to reach Teheran and in keeping the Persians guessing as to the exact object of the visit. 'Possibly the Persians might even think' argued the Foreign Office representative, that

Sir J. Cadman was negotiating another concession to fall back on if his negotiations for the new Persian concession should not go well.

Eventually both agreed that the British Government's proposal was only a recommendation and the ultimate decision as to whether to visit Kuwait or not lay entirely with Cadman. The next day Hearn informed Rendel that their conversation would be conveyed to Cadman, who was on his way to Persia, when he reached Abadan.²⁴

This episode was remarkable as it showed the extent of the company's and in particular Cadman's relative independence vis-à-vis the British Government, and its development from a small and weak concern whose chairman was eager to comply with the

government's wishes in return for diplomatic assistance to a large and confident company whose chairman and directors 'have subordinated our political interests to their own commercial interests.'²⁵

Cadman contributed immensely to this new pattern of relations between the government and the company, about which more details will be given below, as he was in close touch with the various ministries and was well acquainted with their attitudes and aspirations.

Upon his arrival at Abadan Cadman was given Hearn's letter and decided to postpone his visit to Teheran and go to Kuwait instead. On 25 March he met the Shaikh for two and a half hours. At their meeting Cadman, as will be seen below, employed all his skill as a top negotiator to persuade the Shaikh to grant A.P.O.C. the oil concession immediately. He told the Shaikh that A.P.O.C. was the largest British oil-producing company in the world; and although the British Government possessed a controlling financial interest in the company in order to secure supplies of oil for the British Navy it never interfered with the commercial management of the company nor would it 'attempt to influence an owner of property to concede the oil right to the A.P.O.C.' Therefore, explained Cadman, the British Government had adopted a strictly impartial attitude

in the case of the Kuwait oil concession and the Shaikh had been given a free hand to offer his oil rights to whomsoever he wished. As regards his rivals, Cadman told the Shaikh that the Syndicate had originally approached A.P.O.C. with a view to securing the Kuwait oil concession, alleging that the Shaikh was averse to A.P.O.C. and that therefore they would obtain the concession on behalf of A.P.O.C. A.P.O.C.'s management, according to Cadman, turned this offer down as they preferred to deal direct with the Shaikh and to give him the

full payments up to the limit he was prepared to go which would not be possible when dealing through an intermediary to whom a commission would have to be paid.

Nevertheless Cadman did not fail to warn the Shaikh that in the case of the concession going to the Americans A.P.O.C., in their own interests, would be compelled to declare a local 'oil war' on the said company, thus hindering the development of Kuwait's oil potential. Finally, as a further inducement, A.P.O.C.'s chairman raised the financial terms considerably except the royalty payment which stayed unchanged, and offered to double some of the revised payments yet again if the Shaikh were prepared to sign a concession agreement with A.P.O.C. forthwith.²⁶

The Shaikh was particularly impressed by Cadman's

personal visit, as the latter was known to have met in 1913 'Mubarak the Great', the Shaikh's grandfather and Kuwait's most admired leader.²⁷ Nevertheless he declined to sign the oil agreement with A.P.O.C. immediately, explaining that he had promised Holmes, who had taken the trouble to visit him earlier in the morning before leaving for Bahrain, that he would not close a deal with A.P.O.C. without giving the Syndicate an opportunity to challenge A.P.O.C.'s latest offer. Although A.P.O.C.'s representatives left Kuwait satisfied with Shaikh Ahmad's reception, they were apprehensive about Holmes' next move.

As expected, a few days later Holmes returned from Bahrain and met the Shaikh. He immediately realised the damage done to the E.& G.S./Gulf prospects by Cadman's visit and therefore, without formal authority from London, outbid A.P.O.C.'s latest offer. However as the Shaikh was still insisting in his bargaining with Holmes on a division of his territory between A.P.O.C. and the Syndicate, Holmes made only one condition to which the Shaikh agreed, namely that the concessionary area should be divided equally between the two companies instead of 75 per cent to British interests and 25 per cent to American interests as previously proposed.²⁸ After securing better terms from Holmes, Shaikh Ahmad informed Chisholm that A.P.O.C.'s latest offer had been surpassed and

enquired whether A.P.O.C. were prepared to better Holmes' counter-offer, thus showing once again that he preferred to continue the bargaining process with both parties.

Meanwhile in London the various ministries were confused by reports from the Persian Gulf. The political ministries in particular challenged the accuracy of the political agent's reading of the situation and his conclusions. They considered the reports to be inadequate on a number of important points 'in particular on the question of the general attitude of the Shaikh and the extent to which he is being influenced by political considerations.'²⁹ As seen above, the Foreign Office, the Colonial Office and the India Office did not accept Dickson's belief that the Shaikh might grant the Syndicate the concession because of his political grievances against the British Government. Furthermore Dickson's attitude, and consequently his admission that the Shaikh was keeping him in the dark in regard to his real intentions, were also influential in determining the government to recall the highest political authority in the Persian Gulf for consultation.

Consequently on 1 April 1933 Fowle, the political resident, was instructed to come to London as soon as possible, not however before personally seeing the Shaikh to inform him that in no circumstances whatever was he to take a decision regarding the oil

concession during the political resident's absence.³⁰ London obviously wanted to ensure that the 'unscrupulous' Holmes would not take advantage of Fowle's absence as he did in 1931 when Dickson left Kuwait for a short while. Shortly afterwards the political resident visited Kuwait and passed on the British Government's wishes to the Shaikh. Fowle also asked him to submit any new proposal made by either party for the government's examination as he had done in the case of the initial proposals.

On arriving in London the political resident was faced by anxious representatives from the Colonial Office, the Foreign Office, the India Office, the Admiralty and the Petroleum Department. At lengthy conferences held on 26 April and 3 May 1933 the situation in Kuwait was discussed thoroughly. Fowle explained that he had impressed upon the Shaikh that it was in his own interest to look to the British Government for guidance; but in view of the attitude the government had adopted over the question of the oil concession Shaikh Ahmad probably felt that the government would have no serious grounds for complaint if he were to give the concession to the Syndicate. It was pointed out, however, that he had in effect flatly contradicted the advice tendered by the government on the financial merits of the two original draft concessions and that he had stated, contrary to the government's conclusion, that in his opinion the

Syndicate's offer was the better.

Furthermore, the Shaikh's latest proposal to allot the northern part of Kuwait to A.P.O.C. and the southern part to E.&G.S./Gulf gave grounds for a considerable suspicion and was not considered to be a solution of the difficulties. The various ministries suspected it of being another of Holmes' devious ploys and feared that Holmes might have discovered during his water exploitation that the southern area had potentially more oil than the northern one. It was therefore not out of the question that the part to be allocated to A.P.O.C. might be comparatively unremunerative. (Whether Holmes knew it or not the southern part of Kuwait indeed proved later to be far richer in oil than the northern area.) However the political agent's opposition to the scheme on the grounds of Kuwait's small surface area was rejected for the time being.

F.C. Starling, the director of the Petroleum Department, explained that as the Standard Oil Company of California's (Socal) present concession in Bahrein did not cover the whole territory British interests had recently wanted to acquire a footing there; and therefore the British Government should watch events in Bahrein before 'vetoing the new proposal [the division of Kuwait territory] merely on the grounds of the smallness of Kuwait.' Instead, it was decided that the Shaikh should be urged to submit for the government's consideration any new offer, including

the latest 'twin concessions' which had been, as seen above, drafted by the Syndicate on the Shaikh's specific instructions.³¹

It seems that by now the Foreign Office were inclining towards the views of the ministries concerned and agreed on a less impartial attitude. They now considered that the Shaikh should be informed that he was endangering his own interests by disregarding the British Government's advice on the financial merits of any offer made him. The ministry accepted the view that as long as A.P.O.C.'s offer was considered superior by the British Government and the Shaikh informed accordingly, any protest which might come from the United States Embassy should not be taken too seriously. In any case, the Foreign Office felt less pressured as for the last few months no representation regarding the Kuwait oil concession had been made by the United States Embassy which considered its task to have been accomplished since Gulf's offer was being considered by and negotiated with the Shaikh. (No doubt the end of Mellon's term of office as the United States Ambassador in March 1933 contributed to the inactivity of the Embassy over the oil issue.)

After an absence of a month Fowle returned to the Persian Gulf and on 13 May met the Shaikh. At the meeting the political resident conveyed to him the British Government's desire to vet any new offer

including the 'twin' submitted by Holmes, and referred to the Shaikh's commitment to abide by the government's advice. As regards A.P.O.C.'s latest offer presented during Cadman's visit, the political resident stated his view that it went very much further than anything previously proposed and stressed to the Shaikh the strength of A.P.O.C.'s position in the Persian Gulf. Shaikh Ahmad resented this considerable direct pressure which, according to Holmes, took the form of a threat that the British Government would decline to support him if he did not give the oil concession to A.P.O.C.³² Therefore the Shaikh immediately decided to suspend all negotiations for the concession for an indefinite period. On 13 May he informed Muhammad Yatin, Holmes' interpreter, of his decision and on the next day conveyed this to A.P.O.C.'s representatives.³³

This sudden move, news of which was also sent to the political agent, stunned and confused all the participants in the oil negotiations. The British Government suspected that as Holmes was to leave Kuwait shortly the Shaikh had decided to suspend the negotiations mainly in order to wait his return with possibly more attractive proposals.³⁴ The political resident thought that the Shaikh considered it best to gain time by temporarily stopping counter-bids from both parties, particularly in order to see the outcome of the oil negotiations which were taking place in Saudi Arabia and nearing their climax. Holmes,

on the other hand, suspected that the British Government had ordered or influenced the Shaikh to suspend the negotiations in order to assist A.P.O.C. He therefore paid a stormy visit to the political agent before leaving for London. He protested strongly that 'It looked like a ramp engineered by A.P.O.C. and the British political authorities to keep him out of Kuwait' and warned that he would again enlist United States Government support on behalf of the Syndicate.³⁵

A.P.O.C., though generally satisfied with the Shaikh's decision as they were anxious to slow down the negotiations, believed, according to Chisholm, that he had been influenced by a combination of three factors:-

the strong pressure being put on him by both competitors and their supporters in Kuwait, his belief.....that the competitors would shortly combine and save him from the difficulties and odium of deciding between them

and finally his desire to wait for Ibn Saud to grant his oil concession in order to see to whom and on what terms it was granted.³⁶

However it seems the Shaikh's main reason for suspending the negotiations escaped the various participants. This was the strong and direct pressure put upon him by the British Government during the political resident's latest visit on 13 May. The Shaikh now realised that the free hand accorded him

to choose between the two companies' offers had been cancelled, as he had been warned to submit any proposal for the British Government's observation and to abide by their advice. From the beginning, ie. the early twenties, the Shaikh had considered the oil concession to be a commercial issue and therefore insisted on negotiating freely for commercial terms. Only a few days before meeting Fowle and deciding to suspend the negotiations he was reported by Dickson as having spoken at their meeting

somewhat excitedly.....and appeared to me to be anxious to convey that impression that we should let him alone in the preliminary details of trying to get the E. & G.S. and A.P.O.C. to bid against each other. 37

Therefore it seems that, despite being anxious to continue the bargaining process, the Shaikh decided in the new circumstances to repeat his tactic of suspending the negotiations whenever he felt he was not being allowed by the British Government to negotiate freely on the commercial terms of the concession and to secure the most favourable terms possible. He had adopted this tactic, as seen above, in 1924/5 when it proved successful as the British Government then allowed the Syndicate to compete officially for the Kuwait oil concession; and it seems he repeated this exercise now in 1933.³⁸

It is evident that oil negotiations in and around the Gulf were inter-related and exercised con-

siderable influence on events in Kuwait. The dispute between A.P.O.C. and the Persian Government, which was eventually referred to the League of Nations, damaged the former's prestige and caused delay in the negotiations for the Kuwait oil concession. Consequently both the British Government and the company realised the potential danger posed by the situation in Persia and the government's pressure for a quick decision by the Shaikh decreased.

On the other hand however, the company used Kuwait as a means of exerting pressure on the Persian Government to come to terms and renew its concession in Persia. As seen above, following a suggestion by the British Government Cadman decided to postpone a visit to Persia and visited Kuwait instead. This illustrates that even at this early stage ie. before oil was discovered in Kuwait, it was becoming a well-established practice to play one country off against another, a tactic which later intensified as every oil producing country pressed for as full a production as possible thus strengthening the oil companies' ability to retain their control for so long, particularly over the price of oil.

Meanwhile negotiations for the Saudi Arabian oil concession were approaching their climax and the most influential Arab ruler in the Persian Gulf ie. Ibn Saud, was about to grant his oil concession.

No doubt his decision was to have an impact on the British Government and the Shaikh of Kuwait as had been the case in 1923.

6. The Richest Prize: Saudi Arabia

As seen above, in 1923 Ibn Saud granted the E.& G.S. the El Hasa oil concession; but by their failing to pay the agreed rent for a number of years the concession lapsed.¹ Now, ten years later, Ibn Saud's desperate need for money to meet the growing demands of his kingdom influenced him to offer the concession again to the highest bidder. The commercial benefits of the pilgrimage from which Saudi Arabia derived most of its revenue had been seriously hit by the depression; and therefore Ibn Saud's financial position had deteriorated considerably. On 18 March Ibn Saud invited Holmes to Jedda to bid against the other competitors for the concession.

Holmes was indignant to arrive and discover that the Standard Oil Company of California (Socal), represented by Philby and Karl Twitchell, was negotiating independently for the concession in direct contradiction of their promise to nominate Holmes as their representative.² It seems that Socal felt him to be incapable of exerting the influence on Ibn Saud which he claimed he could and in any case they did not have complete confidence in him in view of his connection with Gulf.³ Therefore after staying in Jedda for only three days and without

seeing Ibn Saud, Holmes departed leaving I.P.C. and Socal to compete for the concession.

Although the British Government was anxious to see I.P.C. secure the concession rather than Socal - a purely American company - Ibn Saud's independence since 1927 and his suspicions about the British Government's deep involvement in the oil issue, well known since 1923, prevented the government from supporting I.P.C. openly.⁴ Furthermore, as I.P.C. were offering much lower payments for the concession than those being offered by the Americans it was obvious to the British Minister in Jedda that they were 'unlikely to do business.'⁵ Therefore Sir Andrew Ryan kept Major Stephen Longrigg, I.P.C.'s representative, supplied with any useful information received secretly from Philby and other sources but avoided direct intervention on behalf of the company with the Saudi Government. Eventually, after relatively short negotiations, Ibn Saud granted the concession to Socal because they offered far better terms than those offered by I.P.C.⁶

It seems that A.P.O.C., as the dominant partner in I.P.C., did not do as much as it could, i.e. by offering considerably less than the Americans, to obtain the El Hasa concession which, if secured, would undoubtedly have strengthened their and the British Government's position in the Persian Gulf and Saudi Arabia. However such criticism, which came from various quarters, cannot be justified after examining

the situation carefully. In general A.P.O.C. were uninterested in developing more production in the Persian Gulf because of the effect this would have upon production in Persia. The company had enough crude to meet their requirements from their existing sources. To increase their share of the world market would mean price competition which was unacceptable in view of the 'As Is Agreement' signed in 1928 after a damaging international price war between Shell and the Standard Oil Company of New York.⁷ Therefore, from the beginning A.P.O.C. influenced I.P.C. to restrict production in Iraq and to develop Iraq's huge potential slowly. Gradually A.P.O.C. and I.P.C. became identified with a policy of restriction of production and their object in obtaining fresh oil concessions in the Persian Gulf was a preventive measure and not associated with any desire for extensive exploitation.⁸

Moreover, after the First World War when the Americans and the French were permitted to participate in I.P.C., A.P.O.C. had understood that the American oil interests would then be satisfied with their share in I.P.C. and thus be controlled in the Middle East by the Red Line Agreement. They considered it advantageous to include all the American oil companies interested in Middle East oil in I.P.C. on restrictive terms rather than let them operate freely. They therefore agreed to share with

the five remaining American companies still interested in Middle East oil their slice of I.P.C., thus reducing their share from 47.5 per cent to 23.75 per cent.⁹ The American oil companies initially interested in Middle East oil were eager to sign the Red Line Agreement as they regarded it as advantageous to negotiate for oil concessions in the Middle East through a British company supported by the British Government.¹⁰

However Socal was a late-comer to the Middle East, i.e. after the Red Line Agreement had been signed, and obtained, as seen above, the Bahrein oil concession independently. While A.P.O.C. were tied to I.P.C. and its many international elements and barred by the Red Line Agreement from acting independently anywhere in the area except Kuwait, Socal approached the Saudi Government independently in order to secure the El Hasa concession which lay near their operation in Bahrein. As regards the financial terms for the El Hasa concession A.P.O.C. and I.P.C. could not afford to match those offered by their rival as they were concerned not to create a precedent in Saudi Arabia which might have crippling effects in Persia and Iraq where their main and paramount oil concessions existed.

Socal, on the other hand, had been eager since 1920 to diversify its sources and secure foreign reserves particularly in Central and South America.

They needed additional oil reserves to expand internationally and avoid depletion of their Californian reserves. Consequently from 1920 to 1928 they had spent approximately 50 million dollars on foreign exploration, concessions and drilling in the western hemisphere without much success.¹¹ Having failed to discover additional major sources of supply where their markets lay i.e. in the western hemisphere, they bought in 1928 the Gulf option for the Bahrein oil concession, which was offered to them after Gulf had signed the Red Line Agreement, and eventually secured in 1930 the Bahrein oil concession for a relatively high royalty payment.

The discovery of oil in Bahrein in 1932, the knowledge that the oil bearing strata of southern Persia extended towards the Arabian side of the Persian Gulf and the indications of oil in shallow wells near Saudi Arabia's coast strengthened the company's belief that valuable oil resources were to be found in Saudi Arabia.¹² Although Socal's vulnerability had been evident since 1932 i.e. having difficulties in marketing the oil produced in Bahrein in the eastern hemisphere, they were eager to secure the nearby territory of Saudi Arabia and therefore prepared to offer relatively high terms for the concession.¹³ Eventually they secured the Saudi Arabian oil concession and in view of their inability to market large

quantities of oil in the East without upsetting existing marketing positions and triggering off an international price war, they sold half of their share of both concessions to the Texas Oil Company which was not a partner in I.P.C. either and had markets east of Suez.¹⁴

Socal's success in securing the El Hasa concession on 29 May caused strong reaction in British official circles where it was now realised it had been an error in the first instance to allow this company into Bahrein. The British Government felt politically threatened particularly by this company which secured both the Bahrein and Saudi Arabian oil concessions and was independent of I.P.C. It meant that for the first time a wholly American owned venture was established in the Persian Gulf without any form of British influence and control. This strengthened the British Government's conviction, therefore, that British interests should secure the rest of the Persian Gulf oil concessions before a bloc of independent American oil interests was formed along the entire Arabian coast of the Persian Gulf, with ensuing political implications.¹⁵

The immediate task was, however, to prevent the American company from securing the Neutral Zone oil concession as it was believed that whoever obtained the concession in the area between Kuwait and Saudi Arabia would eventually obtain the Kuwait concession.

It was feared in government circles that Ibn Saud who was reported as wanting to influence the 'Shaikh of Kuwait's policy in a sense adverse to A.P.O.C.', might have already granted the Neutral Zone concession to Socal and that he planned to force the Shaikh of Kuwait to add his signature to the agreement later, thus presenting the British Government with a fait accompli.¹⁶ This he had done in 1924 when granting the Neutral Zone oil concession to the E. & G.S. and later issuing an ultimatum to the Shaikh of Kuwait to add his signature to the agreement, as both rulers were equally responsible for the area.¹⁷

The British official who predicted this alarming sequence of events was no other than Dickson. The political agent in Kuwait, who was carefully monitoring events in the Persian Gulf and was in direct communication with other British officials in the area, anticipated a far-reaching conspiracy on the part of Ibn Saud which would have repercussions beyond the oil issue. He put forward the theory that through the oil concessions Ibn Saud was planning a 'close rapprochement between Kuwait and Saudiyah and the secret transference of our political ascendancy over Kuwait' to himself, thus leaving the British Government 'out in the cold'. He reported that it was almost certain that Ibn Saud had included in the El Hasa concession that of the

Neutral Zone and that shortly he would tell the Shaikh of Kuwait to give his consent to Socal working the concession.

Ibn Saud's next move, according to Dickson, would be to inform the Shaikh that in the circumstances, ie. with the Americans operating in the Neutral Zone, it would be impossible for him to give the Kuwait oil concession to A.P.O.C. and therefore he must settle the matter in favour of Holmes and his American associates. In return, the Shaikh would be promised that the blockade, which for years had been strangling Kuwait, would be lifted. Consequently Ibn Saud, according to Dickson's scenario, would utilise his oil interests to obtain complete political control over Kuwait. As Dickson blamed Holmes for almost any setback suffered by British imperial interests in the Persian Gulf he concluded that on no account should the Neutral Zone be allowed 'to be used as a pawn by either Bin Saud, the Shaikh of Kuwait or Holmes without H.M.G. permission.'¹⁸

Although Dickson's prediction proved false because Ibn Saud did not include the Neutral Zone concession in that granted to Socal and did not influence the Shaikh of Kuwait to close with Holmes, his reading of the situation won considerable support, locally and in London.¹⁹ Even though admitting that Ibn Saud's letter to the Shaikh of Kuwait 'did not after

all mention oil as Dickson assumes', the political resident still supported the latter's view; and therefore the Shaikh of Kuwait was warned of the desire and designs of Ibn Saud to absorb him, using the oil concessions as a means to this end.²⁰ This warning to the Shaikh not to listen to overtures from Ibn Saud, whether justified or not, weakened Holmes' position and that of his American backers in Kuwait, which in turn strengthened the local British officers' insistence on such a theory.

In London the reports from the Persian Gulf were reinforced from two sources, both connected with Dickson. The British Minister at Jedda, Sir Andrew Ryan, basically agreed with Dickson's view and suggested to London that Ibn Saud might soon make the following point to the Shaikh of Kuwait in order to bring him under his control

if you must be dependent on someone why be dependent on those untrustworthy imperialists when you might depend without being exactly dependent on a man like me, old friend, fellow Moslem, fellow Arab and the one big independent man in Arabia. 21

A.P.O.C., on their own initiative and in an unprecedented move, provided the British Government with copies of the recent reports they had been receiving from the Persian Gulf, which contained the same warning as that issued by Dickson. According to the reports of the company's general manager in Persia it seems that he, like Dickson, had assessed the

situation as meaning that Ibn Saud was planning to use his new position in the oil world to obtain political control of Kuwait. He reminded his colleagues in London that in 1923 Ibn Saud had included the Neutral Zone and Qatar oil concessions in the El Hasa concession granted to Holmes, and Cox apparently 'without saying a word crossed off Qatar and the Neutral Zone and handed the map back to the Great King.'²² (This story was probably told by Dickson, who was present at the Ojar Conference where this took place.)

After considerable consultation both internally and with A.P.O.C. it seems that the British Government decided to take firm and decisive steps to restrain further American penetration, through the Syndicate or independently, into the Persian Gulf, and instead to secure the rest of the oil concessions of the area for British interests. However, handicapped by the fact that A.P.O.C. was the only entirely British company interested in that part of the world and was unfortunately bound by the Red Line Agreement, it became necessary to support both A.P.O.C. and I.P.C. in Kuwait and the Persian Gulf respectively although the latter contained American, French and Dutch interests.²³

As regards the Neutral Zone, it was decided to support I.P.C. in its efforts to secure the concession. Therefore, as the British Government could

determine the future oil concessionaire of the Neutral Zone only through the Shaikh of Kuwait, who was bound by the 1913 oil convention, he was approached and reminded that he was not a free agent in respect of the Neutral Zone oil concession and had to obtain the British Government's approval and consent before accepting any offer.

Holmes, who had been seen to be working against the British Government in the Persian Gulf, was dismissed by the Bahrein Oil Company as their Chief Local Representative in Bahrein after the government had informally exerted pressure on the company's office in London; and therefore by September 1933 he had left the Persian Gulf.²⁴ He was to return to Kuwait only in February 1934 after the British Government had reluctantly agreed to his appointment as one of the negotiators for the Kuwait concession on behalf of the new joint subsidiary of A.P.O.C. and Gulf.

As regards the Kuwait oil concession, the government decided to assist A.P.O.C. further and to that end now encouraged Shaikh Ahmad to pay an unofficial visit to London. Hitherto the line taken by the government had been one of discouraging the Shaikh from coming on a private visit to London before the oil concession had been granted to one of the competing parties.²⁵ Previously it had been considered that this would be seen by the Americans as an attempt to influence the Shaikh to close with A.P.O.C. and

might therefore spark off an American protest. However in the altered circumstances, ie. the essential need to secure the Kuwait oil concession for British interests and in the absence of any United States Government intervention, it was considered advantageous at this stage to have the Shaikh visit London.

The India Office approached Buckingham Palace in order to arrange for him to be received by the King. They explained to the Palace the importance of the oil issue and that the government were 'particularly anxious that the Shaikh's decision should be favourable to British interests.'²⁶ Consequently the political resident was informed of the India Office's plans for the Shaikh in London and told that the government would be glad to give the Shaikh some degree of official recognition on his proposed private visit to London.²⁷

However, despite British Government encouragement, the Shaikh apparently decided not to visit London at this stage and accordingly informed the political agent. At the time there were rumours circulating in Kuwait that Holmes was expected back soon as A.P.O.C. and the Gulf Oil Corporation had joined forces and were about to send him over to negotiate for the concession. Apparently Holmes informed the Shaikh from London, through his associate Muhammad Yatin, of the negotiations between A.P.O.C. and Gulf to form a joint company to secure the Kuwait oil concession. Evidently dis-

turbed by these rumours, the political resident reported them to the India Office and asked for further information as to their truth.²⁸ Somewhat surprised, the India Office claimed to have no knowledge of such an arrangement and in turn approached the Petroleum Department, which was in close touch with A.P.O.C., for 'further light on this latest Kuwait rumour.'²⁹

Consequently, within a few days Sir William Fraser, A.P.O.C.'s deputy chairman, asked to meet British Government representatives in order to discuss his company's position and difficulties in the Persian Gulf. On 11 December 1933 at an interdepartmental meeting he stated, to the surprise of the government, that A.P.O.C. had reached an agreement with Gulf on sharing the Kuwait oil concession on a fifty fifty basis. He explained that A.P.O.C. could not afford to have a rival foreign oil concern in Kuwait on the flank of their operation in Persia and therefore they were most anxious to obtain a concession in Kuwait. However they had been obliged to come to an agreement with Gulf.

owing to the danger that by granting too favourable terms to Kuwait they might involve themselves in difficulties with the Persian Government who might also accuse them of frittering away their energies outside Persia.

Pressed by the British Government representatives regarding the need to obtain the government's approval to such a scheme, he stated that Cadman had in-

structed him to say that this agreement had been entered into with the specific approval of the government. The government representatives were much disturbed by Fraser's statement and felt he had somehow misrepresented the case. There was a feeling among the ministries concerned that

they have rather sacrificed our interests to their own in reaching an understanding of the type described, without any consultation with or previous notice to H.M.G.

It was agreed that A.P.O.C. had raised some major points which the government would have to examine carefully.³⁰

Two days later, the India Office informed the Foreign Office that they and the Admiralty had no record of any such approval having been given to A.P.O.C. and asked the Foreign Office whether they had officially given such approval.³¹ Although it was admitted that informal discussions of a general nature about the possibility of a joint A.P.O.C.-Gulf venture in Kuwait had taken place, the Foreign Office stated that 'they have not been able to trace any record of any definite approval having been given here on behalf of H.M.G. to any such scheme.'³²

The India Office immediately went back to Fraser and tactfully requested details of 'the nature of the approval to which you referred and the date on which it was given.'³³ Obviously annoyed by the India Office's uncooperative attitude and unable to

produce any written confirmation of government approval of the joint venture, Fraser suggested that Cadman, who had the reputation within the company of being able to sway the government in difficult situations such as this, should call on the India Office personally to explain the position. It seems that whereas the government were finally prepared to take active action to ensure that British interests, particularly A.P.O.C., would obtain the Kuwait oil concession, the company in its own interests had presented the government with a *fait accompli*. The consequences of this, if accepted, would be a further penetration of American oil interests into the only territory in the Persian Gulf where A.P.O.C. could secure the concession independently of I.P.C.

However, before seeing whether Cadman succeeded in securing government approval for the competitors to join forces in Kuwait and thus obviously to the last phase of the long negotiations for the Kuwait oil concession, it is extremely important to ascertain whether or not the government were presented with a *fait accompli*, to examine how the Anglo-American joint venture evolved and finally what stipulations were imposed on the joint company by the British Government in order to secure its interests. By so doing, a further insight will be gained into Britain's objectives in the Persian Gulf and a determination that

British interests should secure the region's oil concessions even if it meant revoking a promise given to the United States Government. Light will also be thrown on the new pattern of relations which developed between the British Government and its 'national champion' which was in complete contrast to that of the early period.

PART IV

THE FUSION OF INTERESTS

1. 'If you can't beat them, join them'

The British Government were first acquainted as early as January 1932 with the idea that A.P.O.C. might take up the Kuwait oil concession jointly with Gulf on a fifty-fifty basis. While A.P.O.C.'s geologists were surveying Kuwait's territory, and its directors still considering whether to compete seriously for a concession in Kuwait, Wilson broached the subject with the Petroleum Department. This A.P.O.C. director, who favoured the idea of going into Kuwait and was soon to leave the company to join Parliament, explained that a joint venture might provide a reasonable way out of the difficulties for A.P.O.C. and the government. His reasoning was based, as seen above, on the company's inability for internal reasons to compete against the terms offered by the Americans, and on the government's being pressed by the United States Government at the time to adopt an 'open door' for American interests in Kuwait.¹

In general the two companies, A.P.O.C. and Gulf, already enjoyed a broad understanding and close co-operation as partners in I.P.C. Therefore in A.P.O.C. circles it was felt that a mutually satisfactory agreement would not be too difficult to arrange. However as the company had not yet determined whether or not to enter the race in Kuwait no further reference to

the scheme was made either to the government or to Gulf.

Consequently, after A.P.O.C.'s board had finally decided to apply for a comprehensive concession in Kuwait, the company approached Gulf. In a letter dated 26 July 1932 A.P.O.C.'s representative in the United States tried to ascertain Gulf's intentions and position regarding an oil concession in Kuwait. He informed Wallace that A.P.O.C. had been interested in securing an oil concession in Kuwait since the early twenties and blamed the lack of support on the part of the British Government for their failing to obtain it previously. To substantiate his claim which, to use his words 'to an American.....may well seem incredible', he referred to the recent government decision to waive the nationality clause in the case of the Kuwait oil concession.

A.P.O.C.'s inactivity in Kuwait since 1926 was put down to the company's refusal to accept the high royalty and other conditions offered by Holmes as they considered they could have a prejudicial effect on the I.P.C. negotiations for the Iraq oil concession. As Gulf had a share in I.P.C., A.P.O.C.'s representative made a point of mentioning that his company's inactivity in Kuwait was directly beneficial to I.P.C.'s negotiations with the Iraqi Government and therefore beneficial also to Gulf. Finally he announced his

company's determination to secure the concession as it lay within their sphere of influence, and assured Wallace that A.P.O.C. had done nothing to determine the British Government's attitude towards Gulf's agent, the E. & G.S.²

The Gulf Oil Corporation's reply was totally unexpected. Wallace rejected A.P.O.C.'s claim that it was not supported by the British Government and stated that according to his information they had received support and highly preferential treatment from the government. He referred to his company's conviction that the British Government had introduced the nationality clause in the case of the Bahrein and Kuwait oil concessions only after being informed by A.P.O.C. of the American tag attached to the E. & G.S. As has been seen above, this accusation was ill-founded and had been initiated by the Syndicate, who blamed Gulf for revealing their agreement with the Syndicate to the other partner in I.P.C., ie. A.P.O.C.³ Emphasising his company's equally strong determination to secure the Kuwait oil concession, Wallace stated his hope that after A.P.O.C.'s policy had been reviewed by its 'more responsible officials' the Syndicate would receive the consideration to which it was entitled both from the British Government and A.P.O.C., referring once more to the close links between the two.⁴

This correspondence was reported to London, where

shortly afterwards negotiations between the two companies were resumed. While in London, Gulf's chairman met Cadman. At their meeting Colonel Drake raised the Kuwait issue and expressed surprise that A.P.O.C. should be hampering Gulf's efforts to secure the concession since 'the A.P.O.C. had been offered the territory and had declined it.'⁵ He was obviously referring to the negotiations between A.P.O.C. and the Syndicate in 1926 when the former rejected an option on all the Syndicate's holdings in the Persian Gulf.⁶

Not completely realising the very close links between Gulf and the E. & G.S., Cadman replied that Drake must be mistaken. A.P.O.C. had never refused to go into Kuwait and they considered the territory to be within their natural and particular sphere of influence. Cadman, in fact, restated A.P.O.C.'s long-standing conviction, brought to the government's notice as early as 1912-13, that their commercial independence rested on their controlling oil exploitation near their Persian oilfields.⁷

Acutely aware of the Foreign Office's deep anxiety to defuse the Anglo-American oil controversy in Kuwait, Cadman informed Oliphant of his conversation with Gulf's chairman. At their meeting Cadman reported on the two companies' present position and told Oliphant that on his coming visit to the United States he would most certainly raise the issue with Gulf's

directors. According to Cadman, A.P.O.C. considered that Gulf's activities in Kuwait were an infringement in spirit of a limitation agreement signed between the big oil companies not to overlap into each others zones.⁸ Not wishing to add further complications to an already complicated situation, Oliphant urged Cadman to avoid anything likely to aggravate Anglo-American relations.

As he had intended, Cadman raised the Kuwait issue once again with Gulf's directors during his visit to the United States in November 1932. At his meeting with Gulf's vice-chairman responsible for overseas operations, Cadman restated his company's position. However this time he was confronted with copies of the 1926 correspondence between A.P.O.C. and the E. & G.S. which implied that the former had indeed declined to go into Kuwait. Surprised and embarrassed by the accurate information obtained by Gulf from their associates, the E. & G.S., Cadman replied that Gulf would secure the Kuwait oil concession only 'over his dead body'.⁹

Back in London, Cadman informed the Foreign Office of his negotiations in the United States. However, shortly afterwards, he was asked by Oliphant to provide the Foreign Office with more details of the position of A.P.O.C.'s negotiations with Gulf. It seems that Cadman's previous report had been misinterpreted. J.H. Hall, who had been acquainted with the

oil issue since his days in the Colonial Office, gained the impression from his recent conversation with Cadman that A.P.O.C. and Gulf had practically agreed to share the proposed Kuwait oil concession on a fifty-fifty basis. However as the American Embassy were still pressing the Foreign Office hard on behalf of Gulf, the former was left with no alternative but to conclude that it was possible that Gulf did not consider the proposed arrangement with A.P.O.C. as near completion as Cadman did.¹⁰

In his reply Cadman told Oliphant that the situation was far from what Hall understood. He explained that he had given Hall only an

impression of what I thought might ultimately arise in connection with the Kuwait negotiations in view of my discussions with the Mellon Group.

Nevertheless, according to Cadman, A.P.O.C. intended to press ahead to the bitter end in order to secure the concession.¹¹ As they considered Cadman's answer still not sufficiently explicit, the Foreign Office assumed therefore that the negotiations between the two companies were still at a preliminary stage and that both sides were still trying to obtain the concession independently, irrespective of their negotiations to join forces. Nevertheless, the ministry decided to inform the India Office and the Admiralty of the current situation.

The India Office were alarmed by the possibility

of a joint Anglo-American venture in Kuwait. They opposed in particular a fifty-fifty share to include the actual exploitation of the concession which meant a large contingent of Americans in Kuwait. The Admiralty were equally concerned, as they considered such an agreement on a fifty-fifty share in Kuwait to be unacceptable without adequate compensating advantages for British interests elsewhere in the Persian Gulf. The Admiralty suggested that in return for allowing the Americans a 50 percent share in Kuwait the Americans should transfer to British interests their control of the Bahrein and El Hasa oil concessions.¹³ By allowing the Americans to participate in a consortium under British control in Kuwait they hoped in return to achieve British control over the Bahrein and El Hasa oil concessions, where the Americans had succeeded for the first time in obtaining an independent footing in the area. They recommended therefore that Cadman be informed that a joint Anglo-American venture in Kuwait would not be regarded as satisfactory by the British Government without their proposed arrangement for the oil concessions of Bahrein and El Hasa.

The Foreign Office were alarmed by the India Office and Admiralty's response. They immediately approached G. Rendel, who together with Cadman was responsible for presenting Britain's case against the cancellation of A.P.O.C.'s concession in Persia

before the League of Nations in Geneva. Rendel was asked to obtain a clear statement from Cadman as to A.P.O.C.'s position vis-à-vis the Gulf Oil Corporation regarding the Kuwait oil concession, and to explain the British Government's deliberations about a joint venture. At their frequent meetings the Foreign Office representative obtained a clear picture from Cadman of A.P.O.C.'s policy in Kuwait.

Cadman reported that A.P.O.C. were determined to acquire a controlling interest in the Kuwait oil concession in one form or another, since they could not 'allow a rival group to operate so close, as it were, to their flank.' Therefore they would try to secure the concession and simultaneously try to come to some arrangement with Gulf on the basis of a fifty-fifty share. Nevertheless the Foreign Office representative was assured that the joint company would have to be British, with A.P.O.C. retaining the management of such a company and being entrusted with the exploitation work.

There were some difficulties, explained Cadman, which delayed a solution. On the one hand the Americans were suspicious that after securing the concession on this joint basis A.P.O.C. might refrain from developing it for some time. On the other hand, A.P.O.C. were concerned that if they secured the concession on this basis and developed it at once 'the Persian Government may revive the accusation that

they [A.P.O.C.] are frittering away their energies elsewhere than in Persia.' Consequently, according to Cadman, A.P.O.C. did not intend to pursue the matter until after their current negotiations with the Persian Government were concluded one way or another.¹⁴

In the report of his conversation with Cadman, Rendel concluded therefore that most of the fears expressed by the India Office and the Admiralty were unnecessary as A.P.O.C. were committed to preventing the Kuwait concession falling under effective control of the Americans. The Foreign Office was particularly relieved as Cadman promised that in any agreement reached with Gulf the exploitation work would have to be accorded to A.P.O.C.

Shortly afterwards, Cadman resumed his contact with Gulf. Before leaving for Teheran he met Mellon, who was to return shortly to the United States after concluding his term of office as the United States Ambassador. At their meeting on 1 March 1933 Cadman stated his conviction that the current state of affairs in Kuwait whereby the two companies were competing against each other would be costly in terms of royalty and development obligations to whichever concern ultimately secured the concession. He suggested, therefore, that the two companies settle their differences without any outside assistance, by which he meant the E. & G.S., and share the concession equally. Mellon

explained he was not fully aware of Gulf's current stand and promised to acquaint them with A.P.O.C.'s proposals.¹⁵

In the circumstances Cadman decided to leave the door open for Gulf and meanwhile to intensify A.P.O.C.'s competition for the concession. He informed A.P.O.C.'s representative in the United States of the situation, instructing him to continue the negotiations, while in Persia the company's representatives were instructed to press hard for the Kuwait concession in order to show the Americans that 'we are in dead earnest to secure the concession and shall go to any lengths to do so.'¹⁶

Gulf's uncompromising stand was mainly due to Holmes' over-optimistic reports from Kuwait. He had reported up to May 1933 that the Shaikh was determined not to grant the concession to A.P.O.C. As regards Gulf's prospects, Holmes had reported that the Shaikh wanted to close the deal with him but was being prevented from doing so by local British officials. Therefore, when A.P.O.C. approached Gulf to conclude a deal whereby the concession would be shared, they concluded that A.P.O.C. were willing to share it because the Shaikh was indeed favourably inclined towards the Syndicate. A.P.O.C.'s persistence was seen as a sign of weakness indicating their inability to secure the concession independently, and

this further encouraged Gulf to reject the proposed offer.

However all this had changed by mid-May when the Shaikh's sudden suspension of the negotiations for an indefinite period forced Gulf to reconsider its position. The Gulf directors assumed that the Shaikh's move was designed to raise the bidding still further and therefore saw the possibility of the bargaining continuing indefinitely.

Holmes' astonishment at the Shaikh's move and his report of the current setback served to strengthen the Gulf directors' belief that his previous optimism had been unfounded. Moreover the State Department's half-hearted support was very disappointing to the company, and with Mellon's departure from London they felt they might eventually lose the concession altogether.¹⁷ Consequently, during his stay in London Wallace approached A.P.O.C. to discuss the situation in Kuwait. He found A.P.O.C.'s directors more willing than ever before to come to some arrangement over Kuwait because the Persian dispute had already been solved to their satisfaction and their oil concession renewed for a further sixty years.¹⁸

For its part Gulf preferred to secure an independent oil concession on half of Kuwait's territory, thus leaving any scheme for a joint venture in abeyance. They were particularly afraid that because of A.P.O.C.'s

large supplies from Persia production in Kuwait would be restricted, thus depriving them of the full benefit of their half interest in the concession. To this proposal A.P.O.C. obviously could not agree as they wished to control the exploitation work and production in the whole of Kuwait territory which they considered essential and had already promised the British Government would be the case. Nevertheless the two companies agreed to continue their negotiations and meanwhile suspended any effort to secure the concession independently. The so-called 'standstill agreement' was signed on 23 May to cover the next three weeks but was subsequently extended to eight months, the period ultimately required to overcome the various difficulties in forming the joint concern - the Kuwait Oil Company.¹⁹

There were three main issues to settle before the final formation of the Kuwait Oil Company, especially as British dominance had to be secured. Firstly the Gulf Oil Corporation had to be released from its agreement with the E. & G.S. and in particular its commitment to pay the Syndicate one shilling over-riding royalty per ton which was regarded by Cadman as unacceptable and as 'little short of blackmail'.²⁰ Secondly it was vital to safeguard A.P.O.C.'s special interests and to agree on the method by which this would be achieved. Thirdly the British Government's approval and consent had to be obtained as

the Shaikh could negotiate only with a company approved by the British Government.

The agreement between the E. & G.S. and the Eastern Gulf Company was signed on 6 November 1933. It comprised twelve clauses and virtually released the two parties from their mutual obligations. The Syndicate was paid a total of £36,000 in return for releasing Gulf from a claim to any and all cash payments and royalties and giving an undertaking not to obtain at any time any concession in Kuwait for themselves or any other party. Nevertheless Gulf kept open an option to re-employ Holmes as their negotiator for the Kuwait oil concession as he was considered capable of safeguarding Gulf's interests in Kuwait and had great knowledge of local conditions.²¹

The agreement between A.P.O.C. and the Gulf Exploration Company, a subsidiary of the Gulf Oil Corporation of Pennsylvania, was signed on 14 December. It provided for the formation of a joint company structured on the basic principle of equality between the two partners. The Kuwait Oil Company was to be registered in London with a board of six directors to be nominated equally by A.P.O.C. and Gulf.

However A.P.O.C. succeeded in ensuring that they would control the quantity of oil produced in Kuwait by substituting oil from other sources. Clause eight of the agreement permitted A.P.O.C. to supply its partner with crude oil from alternative sources, i.e.

Iraq or Persia, in amounts which did not exceed the quantity which in the absence of such alternative supply Gulf might have required from Kuwait.²² This stipulation was immensely important to A.P.O.C. as it enabled them to control the amount of oil produced from Kuwait and to coordinate oil production from their various sources in the Gulf. In theory A.P.O.C. would be able to reduce Kuwait's production to a minimum to please the Persian Government or when production exceeded demand, or to boost production to a maximum. They were to start this latter tactic when their Persian oilfields were nationalised in 1951-4. This stipulation was of no commercial consequence to Gulf as it provided them with the full amount of crude to which they were entitled either from Kuwait or other A.P.O.C. sources, ie. Persia or Iraq. Nevertheless, realising the restrictive nature of clause eight on Kuwait's future production, the company was apprehensive that knowledge of this secret agreement could have a very adverse effect upon the Shaikh who might penalise them for accepting it.²³

Another important clause for A.P.O.C. bound the two partners reciprocally to ensure that Kuwait's oil would not be used to upset or injure either company's marketing position directly or indirectly at any time or place. Consequently as this agreement bound only the two partners in the Kuwait Oil

Company and not the parent companies, a further agreement, similar to the principal agreement, was signed between the Gulf Oil Corporation and A.P.O.C. and its subsidiaries thus ensuring complete security for each group's markets. This latest undertaking, however, was of immense importance and later caused Gulf considerable difficulty. In effect it meant that their share of Kuwait's production could not be sold in any market in which A.P.O.C. was directly or indirectly interested, ie. Europe and the East, and therefore they had to sell a large amount of it unrefined.

A.P.O.C. were naturally satisfied with the agreements reached with Gulf and considered them to safeguard their special interests. Finally, after keeping the British Government in the dark since the 'standstill agreement' was signed, they approached the government for its approval. It seems that A.P.O.C. had decided to inform the government and ask for its blessing only after reaching an agreement with their rival and it is quite obvious why the company chose to pursue such a policy.

As has been seen, Cadman was aware of the India Office's and in particular the Admiralty's unrealistic demands for British interests if the British Government agreed to a joint Anglo-American venture in Kuwait. Therefore, as an ex-government official, he realised that it would be impossible to negotiate with Gulf while simultaneously securing the various ministries'

consent on every stage of these delicate negotiations. The A.P.O.C. chairman knew of the deep division which existed between the various ministries concerned and therefore he counted on the Foreign Office and the Petroleum Department, who wanted a settlement to the Anglo-American oil controversy in Kuwait, to carry the India Office and the Admiralty after being presented with a fait accompli. To reject the Anglo-American venture in Kuwait or to create too many difficulties for A.P.O.C. would be unacceptable to the government, as Cadman was aware, since the alternative would be a purely American company securing the concession, most probably Socal. This was especially so in view of the fact that A.P.O.C. was the only British oil company interested in Kuwait and of the British Government's undertaking to the United States Government that the Americans would be free to compete in Kuwait on equal terms.²⁴

The government representatives present at the 11 December meeting were therefore surprised when Fraser announced the understanding reached between A.P.O.C. and Gulf. As a result arrangements were made for Cadman to visit the India Office to substantiate Sir William Fraser's claim that the proposed agreement for a fifty-fifty exploitation in Kuwait had been specifically approved by the government.

At his meeting with the deputy Under-Secretary in

the India Office on 4 January, Cadman related his previous discussions with the Foreign Office and the Petroleum Department. Although the India Office were aware that no official approval had been given for the agreement reached between British and American interests, they accepted Cadman's claim that 'there was sufficient reason for the A.P.O.C. to assume that a fifty-fifty arrangement with the Gulf Corporation would not be objected to by H.M.G.'²⁵ As seen above, A.P.O.C.'s undertaking to secure the exploitation work in Kuwait was given only verbally to the Foreign Office and therefore was unknown to the India Office.²⁶ However it was agreed that the government would not be committed in advance to approval of a concession being granted by the Shaikh of Kuwait to a joint concern unless they were satisfied that the government's interests were adequately safeguarded. In order to appease the India Office Cadman indicated A.P.O.C.'s readiness to meet the government's requirements in every way possible but made sure it was understood that this held good only provided no objection was raised by Gulf.

It seems that the British Government intended to impose much more stringent stipulations in Kuwait than those agreed for Bahrein, which were now considered to be of very little value.²⁷ The Admiralty in particular insisted that at least 50 per cent of the oil obtained should be refined either in Kuwait

or at some Indian port, i.e. in British territory; that the plant should be capable of producing fuel oil suitable for Admiralty use and that the government should retain the right of pre-emption in case of emergency.²⁸ By now, especially after the discovery of oil in Bahrein, the Admiralty considered it had been a most serious mistake to allow the Americans into Bahrein without safeguarding Britain's oil interests. They particularly appreciated now the special value of an oil supply which, without fear of political complications, could be protected in war by a minimal force compared with that required to protect the Anglo-Persian oilfields.

The India Office wanted to limit as far as possible the number of Americans in Kuwait and make their appointment subject to government approval. The strongest opposition to the entry of the Americans into Kuwait was expressed by the political resident, who suggested to the India Office that A.P.O.C. be told categorically that the British Government 'cannot agree to Shaikh giving concession to the group unless exploitation on the spot is British.' Fowle, who could not be considered in any way prejudiced against A.P.O.C., by now had become very critical of the company which, to use his words, 'appear to have adopted distinctly evasive tactics' in their present negotiations with the British Government. In parti-

cular, he accused the company of trying 'to bluff that H.M.G. had agreed to fifty-fifty exploitation on the spot.'²⁹ It seems that the relative positions of the government ministries had changed considerably in order to suit their own objectives. The Foreign Office and the Petroleum Department had now become A.P.O.C. supporters while the Admiralty and the British officials in the Persian Gulf had become critical of the company.

However the various ministries and in particular the India Office and the Admiralty soon became aware of their inability to force A.P.O.C. to agree to all the stipulations they desired. It became obvious that it would be much more difficult to secure agreement to stipulations designed to safeguard the British Government's interests from a purely American company, especially from Socal which had obtained the Bahrein concession with fewer strings attached and was interested in Kuwait, than from a combine which was 50 per cent British-owned. The menace of Socal, Ibn Saud's favourite, entering the field in Kuwait after obtaining the Bahrein and El Hasa Concessions always posed a threat. This forced the British Government to compromise and to conclude their negotiations with A.P.O.C. in a relatively short time. (Although officially representatives of Gulf and A.P.O.C. conducted the negotiations with the British Government, in practice Cadman and

his deputy were in charge of them.)

Indeed, within a month of negotiations commencing the political agreement, as it was called, was practically agreed upon; and even before it had been signed by the parties concerned the negotiations in Kuwait were reopened with the government's blessing. Cadman showed great skill in negotiating with the government and achieved considerable concessions. By then he had gained the reputation in company circles of being a trouble-shooter with the ability to present the company's case successfully to the government and to win its support. Although primarily dealing with the India Office, he urged the Foreign Office and the Petroleum Department privately to help him overcome that less cooperative ministry. Holmes' appointment, for instance, caused considerable disagreement between the government and the Kuwait Oil Company representatives. Because of Holmes' great local influence and close relationship with Gulf, he was appointed on behalf of the Americans to negotiate for the concession in Kuwait. The British Government objected strongly to this action as they had gone to considerable lengths to remove him from the Persian Gulf. Therefore Cadman had to take this issue up with the British Government.³⁰

On the one hand, he asked the Foreign Office 'to help to get the other departments concerned to accept Major Holmes',³¹ while at the same time he

told the India Office quite bluntly what the consequences would be if Holmes' appointment were rejected by the British Government. From the point of view of successful negotiations with the Shaikh, explained Cadman, it might be better to accept Gulf's nominee rather than employ an American national. In any case, if Holmes were to be replaced, continued Cadman, his capacity and opportunities for intrigue might be very dangerous and therefore it was better to keep him under tight control.³²

A.P.O.C.'s chairman also considered that Gulf might suspect A.P.O.C. of being behind Holmes' rejection as he was known to be suspicious of A.P.O.C., and therefore Cadman pressed the British Government hard to accept the Gulf nominee. He succeeded in his efforts and it was agreed that in negotiations with the Shaikh Holmes would occupy a secondary position to that of A.P.O.C.'s nominee and be replaced at the first sign of his causing trouble. (Although Cadman promised this to the India Office, he was fairly sure that Holmes would not play a secondary role as his experience, knowledge and cordial relations with the Shaikh since 1923 were far greater than those of the young Chisholm.)

Another difficult point at issue with the British Government was the Admiralty's stipulation that at least 50 per cent of the oil obtained should be refined either in Kuwait itself or some Indian port. The com-

pany argued that they would not be able to find adequate markets for this refined oil and therefore it was stated that A.P.O.C. would have no interest in the concession if it were made subject to a refining clause. The company's policy was to build refineries near the company's big markets in Europe, using the Abadan refinery to supply the eastern market.³³ When they were approached on the issue by A.P.O.C., the Foreign Office immediately let the India Office have their view. They stated that it would be 'a thousand pities if negotiations with the company were allowed to break down' and indicated their support for the company.³⁴ Consequently a 'compromise' was found giving the company the right to choose whether or not to build a refinery in Kuwait.³⁵

From this account it seems that A.P.O.C. were in a very strong position vis-à-vis the British Government who desperately wanted to maintain British interests in Kuwait; and this was eventually reflected in the final clauses of the political agreement. The provisions of the agreement signed on 5 March may be summarised as follows:-

- a) A provision stipulating that the importation of foreign personnel to Kuwait be subject to the British Government's consent, such consent not being unreasonably withheld if required for the efficiency of the company's operation.
- b) A provision that one of the superior local employees

be designated, subject to the approval of the British Government, chief local representative to be responsible for the company's local relations with the Shaikh.

- c) A provision safeguarding the British Government's right to select sites for defence purposes, aerodromes, telegraphs, wireless or development of harbours.
- d) A provision for pre-emption of oil produced in Kuwait in time of war.
- e) A provision leaving the company free to decide whether the oil produced in Kuwait should be disposed of in the form of crude oil or of finished products.
- f) A provision barring the company from transferring the concession to any other company without the British Government's consent in writing, thus ensuring against a repetition of events in Bahrein where the Syndicate transferred the concession to a purely American company.³⁶

The signing of the political agreement, i.e. the British Government's approval for the Kuwait Oil Company to negotiate with Shaikh Ahmad, naturally initiated the last phase in the long and complicated negotiations for what was to become later one of the most productive oilfields in the world. As the Kuwait Oil Company represented the two companies who had previously been competing for the concession and was the only company approved of and supported by the British Government,

there was little prospect of the concession going to another company. Although the financial terms had yet to be negotiated with the Shaikh, all concerned in London agreed nevertheless that within a few weeks he would grant the concession to the British Government's nominee for relatively low payments as no further competitor approved by the British Government existed.

However, the Shaikh was still determined to secure the best terms possible, and although handicapped by the 1913 oil convention which bound him to negotiate only with the company approved by the British Government, he still had the last word. Therefore, to the surprise of all concerned the negotiations between the Kuwait Oil Company and the Shaikh continued for ten months and the concession was eventually secured only on relatively high financial terms compared with those initially offered.

2. The British Government Nominee:

The Kuwait Oil Company

As already indicated the Kuwait Oil Company's representatives were hurriedly sent off to Kuwait to reopen the oil negotiations, and despite the political agreement still being under consideration the British Government sanctioned their departure. The government was particularly anxious to get the concession concluded before any other company, notably Socal, entered the field to compete against the Kuwait Oil Company. They considered that Socal's success in Bahrain, where they had recently discovered additional oil, made it all the more necessary to facilitate an early agreement between Shaikh Ahmad and the Kuwait Oil Company.¹

A.P.O.C. for their part were generally anxious to get the negotiations for the Kuwait oil concession out of the way quickly as they wanted to approach the Shaikh of Kuwait afterwards on behalf of I.P.C. with a view to securing the Kuwait-Saudi Arabia Neutral Zone oil concession.² In particular they were aware of the possibility that Shaikh Ahmad might not receive their representatives, Holmes and Chisholm, too favourably, and would instead bring in Socal in order to revive competition for the Kuwait oil concession.

A.P.O.C.'s nominees on the Kuwait Oil Company's board were aware of Socal's prestige in the Persian Gulf, particularly after this company had granted Ibn

Saud such favourable financial terms for the El Hasa oil concession. Therefore, as they considered that without strong political support the Shaikh might attempt to exploit the situation by bringing in Socal as a bidder, A.P.O.C. recommended that the India Office make it abundantly clear to the Shaikh that the British Government would not approve proposals from any other quarter for his concession. Furthermore, they suggested that he should be advised to close with the Kuwait Oil Company who were offering generous financial terms and were best equipped to exploit his territory.³

Consequently while Holmes and Chisholm were on their way to Kuwait, the India Office instructed the political resident to inform the Shaikh that the British Government would welcome a successful result to his negotiations with the Kuwait Oil Company in the near future. The India Office emphasised to the local officers - Fowle and Dickson - that the government stood firmly behind the Kuwait Oil Company particularly 'in order to diminish the risk of the Shaikh turning towards Socal.'⁴

Having received the government's instructions, the political resident made a personal visit to Kuwait. He told the Shaikh on 16 February of the formation of the Kuwait Oil Company and that Holmes and Chisholm were to approach him shortly to reopen the oil negotia-

tions on behalf of this joint concern. However he warned the Shaikh not to commence negotiations until he had received formal permission from the British Government which would be forthcoming shortly. The reason for adopting this cautious attitude was due to his and Dickson's experience in dealing with the Shaikh. Both believed that formal strong support for the Kuwait Oil Company by the British Government might produce negative results, as on previous occasions, and place an unnecessary strain on relations between them and the Shaikh. Dickson in particular resented the period when the Shaikh had suspected him of being an A.P.O.C. agent and had consequently ceased all consultation with him over the oil issue. Therefore at the same time as instructing the Shaikh to wait for the British Government's formal consent, Fowle advised the India Office that 'too enthusiastic a backing of the Kuwait Oil Company by H.M.G. may have an opposite effect to what is desired.'⁵

The following day, before leaving for Bushire, the political resident met Holmes and Chisholm who had just arrived. He informed them of his recent discussion with the Shaikh and requested them to keep Dickson fully in touch with the situation as it developed. Fully appreciative of the delicate situation, Holmes and Chisholm avoided the oil issue altogether during their initial meeting with the Shaikh. For his part, although exceedingly cordial and genuinely

pleased to be dealing with these two, (he had initially suggested, as seen above, dividing his territory between the interests they respectively represented),⁶ the Shaikh also avoided the oil issue as he was still waiting for the British Government's formal consent to negotiate freely for the commercial terms of the concession. Therefore it was only on 22 February that the oil negotiations were resumed after their suspension in May 1933, the British Government's consent having been received.⁷

However, to his astonishment, the Shaikh quickly realised that he was being offered considerably less favourable terms by the joint concern than those last offered by the two partners separately. The Kuwait Oil Company was offering Rs.200,000 when the concession was signed and Rs.2.10 annas royalty per ton of oil 'exported and sold' compared with Rs.400,000 initial payment by A.P.O.C. and Rs.3.8 annas per ton of oil 'won and saved' offered by the Syndicate/Gulf.⁸ The Shaikh reasoned that if his concession had been worth the sums offered previously by the two companies separately there was no reason why it should not be worth that to them jointly.

It seems from a meeting which followed soon after with the political agent that the Shaikh's great enthusiasm for the joint concern had been short-lived. On 25 February he met Dickson and this time confided to him his difficulties over the oil issue, in contrast

to his previous conduct of keeping the political agent in the dark. He told Dickson of the Kuwait Oil Company's latest offer, stating his anger and surprise at their impudence in offering him such paltry terms. He intimated that he was going to tell the Kuwait Oil Company's representatives to 'clear out and leave Kuwait unless they could see their way to talk sense' and offer reasonable terms. He made it clear that he was not prepared to be bullied by the Kuwait Oil Company, who were behaving as though they had eliminated all competition from the field through being supported by the British Government. Consequently he conveyed to Dickson his intention of frightening the Kuwait Oil Company by informing them of other oil companies, in particular Socal, who would be willing to bid for his concession and offer a 'fair and decent price'.

Although the political agent agreed that the Shaikh had every right to secure the best terms possible from the Kuwait Oil Company he was quick to respond to the Shaikh's plan. He told Shaikh Ahmad that the British Government 'had 'no use' for the Socal' and therefore he should 'be very careful indeed not to allow them to come into the field as bidders against the Kuwait Oil Company.' Naturally surprised by the prompt and firm response, the Shaikh promised Dickson that although he might manipulate and even coerce the Kuwait Oil Company, he would grant the concession only to a company approved by the British

Government. Nevertheless he insisted, as always, on having a free hand to negotiate the commercial terms with the company. Finally the Shaikh asked Dickson not to disclose their conversation to Holmes and Chisholm as his bargaining position might thus be considerably compromised.⁹

Two days later, the Shaikh summoned Holmes and Chisholm to find out why the Kuwait Oil Company had made a less favourable offer than either of those made separately by A.P.O.C. or the Syndicate. He referred to the omission of various favourable considerations offered previously, particularly the initial payment of Rs.400,000, the royalty of Rs.3.8 annas and Holmes' remaining resident in Kuwait on behalf of the concessionary company. 'Speaking with considerable and unusual heat' the Shaikh expressed his profound disappointment with the attitude of his personal friends, Holmes and Chisholm, and threatened to turn to other interested companies, particularly Socal.

Because of the Shaikh's intransigent mood, the two negotiators decided to withdraw, proposing to explain the new situation shortly.¹⁰ They had anticipated the Shaikh's hostile response in that they had already unsuccessfully advised the Kuwait Oil Company in London to raise the proposed terms. They already knew that it would be impossible for them to conclude an agreement with Shaikh Ahmad on the present terms

in view of the previous offers made by A.P.O.C. and the Syndicate separately and the recent terms accorded to Ibn Saud and the Persian Government.¹¹ However as their personal integrity was now at stake through their being accused of breaking faith with the Shaikh, they decided to approach him individually to explain the situation.¹²

Upon meeting the Shaikh on 28 February, Chisholm did as much as he could to appease him, saying that the new offer contained new advantageous terms to counterbalance those submitted earlier by A.P.O.C. As regards Cadman's original offer of an initial payment of Rs.400,000, he reminded the Shaikh that it had been conditional upon immediate acceptance and had therefore become null and void when rejected.¹³ Holmes adopted a different approach from that of Chisholm because he was particularly alarmed by the Shaikh's hostile attitude towards him personally. He told the Shaikh that the terms initially offered by the Kuwait Oil Company should be considered as a springboard from which negotiations could be launched and promised personally to do all he could to persuade the company to raise the terms being offered. By so doing Holmes hoped, and in this he was proved correct, to reestablish the most friendly relations he had previously enjoyed with Shaikh Ahmad and to re-gain his confidence, both of which were essential

for Holmes to achieve his personal goals, more details of which will be given below.

Meanwhile in London, alarmed by the Shaikh's apparent 'stubbornness' and by the possibility of Socal entering the field while negotiations had not been concluded, the various ministries considered ways of facilitating an early agreement between the Shaikh and the Kuwait Oil Company. The Foreign Office suggested informing the Shaikh that the British Government could not allow the bargaining process to continue indefinitely. They now insisted on active support for the Kuwait Oil Company and therefore wanted the Shaikh to be told decisively and formally that the government 'wish the concession given to the Kuwait Oil Company.'¹⁴

However the India Office, the principal ministry responsible, thought it impractical to tell the Shaikh to grant the concession to no company other than the Kuwait Oil Company, considering that this would produce a very unfortunate reaction on the part of the Shaikh. As seen above, they had been advised by Fowle and Dickson not to over-emphasise the strength of the British Government's support for the Kuwait Oil Company. The two officers in the Persian Gulf knew of the Shaikh's long-standing suspicion of the government regarding the oil concession and of his conviction that it was a commercial and not a political issue.

Furthermore, according to Fowle, committing the government totally to the Kuwait Oil Company would mean taking on trust that the financial terms offered by the Kuwait Oil Company were fair and generous although the Shaikh considered them to be far from his expectations.¹⁵ The British Government had not yet been provided with the actual figures offered to the Shaikh and indeed every revised draft sent to them by the company up to October 1934 omitted the financial terms as it had been agreed that they were not to be involved in the commercial negotiations.¹⁶

Therefore the political resident had proposed instead warning the Shaikh that the government would 'not consent to the grant of the concession to any company which is not (like the Kuwait Oil Company) at least 50% British', which in practice would have the same effect as the statement proposed by the Foreign Office but without antagonising the Shaikh unnecessarily.¹⁷

The India Office, in backing this view, told the Foreign Office that in a matter such as this they must be guided by Fowle, who was aware of the Government's policy and was in close touch with the Shaikh personally. The India Office warned that if the Shaikh were to be presented with an ultimatum to grant the concession only to the Kuwait Oil Company he might in the circumstances decide to suspend the negotiations yet again and declare that 'he would give the concession to no-one', while in reality he would later approach Socal

for an offer.¹⁸ It seems that by now the various government officials had become aware of the Shaikh's different tactics and were therefore anxious to avoid repeating previous mistakes.

However the Foreign Office still had reservations about the proposed course of action. They argued that the political resident's suggestion might fail to achieve the government's object of excluding Socal since it would always be possible for them to erect some kind of British facade and apply for the concession under this guise. They also considered that a written communication on the lines proposed might cause difficulty with the United States Government who would feel bound to take the matter up with the British Government in view of their having been promised that no discrimination against their nationals would be exercised in Kuwait.¹⁹

Their proposal, however, ie. active support for the Kuwait Oil Company, was considered less likely to provoke an American protest since Gulf, on whose behalf the United States Government had originally intervened, was now a participant in the Kuwait Oil Company on a fifty per cent basis, and was considered to have more influence in Washington due to Mellon's contacts there than Socal. Nevertheless after considerable consultation the Foreign Office reluctantly agreed that the Shaikh should be informed orally along

the lines suggested by the political resident. It thus acquiesced in discrimination against purely American interests in Kuwait, despite a previous commitment to the contrary made to the United States Government.²⁰ Accordingly, the political resident was instructed to inform the Shaikh that the British Government would approve only a company at least 50 per cent British as a candidate for his oil concession.²¹

In the Persian Gulf British Government officials were satisfied to be instructed on the above lines as they could continue to work for an early agreement between the Kuwait Oil Company and the Shaikh without being obliged to present the latter with an ultimatum and thus antagonise him and lose his confidence and trust once more. Dickson advised Holmes and Chisholm to ask the Shaikh 'point blank what he wanted and thought a fit figure for them to offer.' By so doing he anticipated that some progress could be achieved as the two negotiators could start bargaining downwards until arriving at a mutually satisfactory agreement. He told the Kuwait Oil Company's representatives that from the British Government's point of view it was essential that a quick conclusion to the negotiations be reached before any newcomer altered the then situation of a clear field with no competitors.

They decided to follow this advice; and subsequently the Shaikh promised to provide them with his proposed terms shortly. Thus on 13 March the Shaikh summoned Holmes' interpreter and gave him in writing his terms for the oil concession:-

- a) Initial payment of Rs.550,000 instead of Rs.200,000 offered.
- b) Rental payment of Rs.120,000 instead of Rs.65,000 offered.
- c) Royalty payment of Rs.3.12 annas instead of Rs.2.10 annas offered.
- d) Export tax of 5 annas instead of 2 annas offered.
- e) A local representative in Kuwait and a director on the company's board in London, both to be appointed by the Shaikh.²²

It seems that by demanding terms far higher than those anticipated or even discussed before, the Shaikh was set on bargaining for a deal at least as favourable to him as that offered separately by A.P.O.C. and the Syndicate.

Holmes, who was best acquainted with the Shaikh's 'psychological make-up' was particularly alarmed by the high royalty payment now demanded by him. He knew that A.P.O.C.'s directors on the Kuwait Oil Company board would never accept them, because if they did there would be serious repercussions elsewhere in the Middle East, particularly in Persia where a new agree-

ment had recently been concluded after a serious dispute which had involved the League of Nations.²³

Therefore Holmes considered it best to negotiate for a lower royalty whilst being prepared to raise the other payments initially offered. Holmes' view was shared by the political agent who also recommended that if the Shaikh would accept a reasonable royalty the Kuwait Oil Company 'should not waste time about the initial figure but should act big and generously.' However, Chisholm seemed to be keener on hard bargaining; thus he recommended that the Shaikh be persuaded to accept lower terms than those Holmes was prepared to offer.

By now relations between Holmes and Chisholm were strained and a mutual distrust began to develop. Chisholm, who had been instructed by A.P.O.C. to keep a close eye on Holmes, insisted on always meeting the Shaikh together with him. Holmes, on the other hand, complained that when both met the Shaikh the latter was 'as stiff-necked and non-committal as the proverbial poker' and therefore in turn insisted that each should meet the Shaikh separately.²⁴ Their different backgrounds also contributed to the growing tension between them, a tension which was to intensify considerably later on.

Holmes, then aged sixty and not a wealthy man, was desperately keen to conclude an agreement with

Shaikh Ahmad as he was counting on receiving some financial consideration from him after a successful conclusion to the negotiations. In fact, it became common knowledge in Kuwait and London that the Shaikh had promised Holmes a position, and indeed after the concession was signed he was nominated by the Shaikh in 1935 as his representative in London. Chisholm, on the other hand, had permanent and secure employment with A.P.O.C. and therefore was more concerned to achieve the best terms possible for his company rather than to please the Shaikh. Thus Holmes appeared to Chisholm and consequently to London to be less wholehearted in trying to reduce the Shaikh's demands, in particular the new demand for a highly-paid director in London.

As the two could not see eye to eye on the minimum terms which the Shaikh might eventually accept, as had been requested by London, they submitted separate reports. Holmes considered the Shaikh might ultimately agree to Rs.450,000 as the initial payment, Rs.90,000 as the rental and Rs.3.2 annas royalty, whereas Chisholm anticipated that it would be possible to reduce the terms further to Rs.425,000, Rs.80,000 and Rs.2.14 annas respectively.

As might have been expected the Kuwait Oil Company instructed them to settle on the best terms possible not exceeding, however, the initial and rental payments suggested by Holmes and royalty plus tax

exemption suggested by Chisholm.²⁵ They were also advised by the Kuwait Oil Company, on the insistence of A.P.O.C.'s nominees on the board, to keep the royalty and the tax exemption separate, as it was maintained that this would facilitate making that exemption permanent and lower the figure mentioned for royalty. As seen throughout, the company considered that the royalty question was more important than any other payment and therefore wanted to keep it as low as possible. Nevertheless, it soon became clear to Chisholm also that the Shaikh would never accept a royalty lower than those suggested by Holmes. London was therefore soon requested by the two negotiators to authorise an increase of the royalty proposed.

However, apart from difficulties concerning the commercial terms, the political agreement signed between the British Government and the Kuwait Oil Company was also causing considerable disagreement and delay. This agreement, which had been designed to secure the government's strategic and political interests in Kuwait, contained various features which were seen as undermining the Shaikh's position. Therefore, as it was aware of the Shaikh's sensitivity and suspicions, the India Office asked the political resident to advise on the 'tactics to be employed' and 'at what stage in his negotiations with the company' the Shaikh should be provided with a copy of the political agreement.²⁶ Fowle had proposed supplying him with a full text of

this before the company's representatives approached the Shaikh, as it would help to ease any underlying tension and create a good impression on him. Nevertheless, because of further consultation among the various ministries, the Shaikh was provided with a copy of this agreement on 12 April, long after he had commenced negotiations with Holmes and Chisholm.²⁷

Although accepting the British Government's right to safeguard their special interests in Kuwait, the Shaikh was annoyed by the agreement signed without his consent between the government and the Kuwait Oil Company. The fact that he was provided with a copy of the agreement only two months after becoming aware of its existence did not help to allay his suspicions. In particular, he was extremely unhappy about a provision to be inserted in the commercial agreement which subordinated it to the political one. He was alarmed that the government's ultimate control over the concession might gravely prejudice his prestige and undermine his independence.²⁸ He confessed to Dickson that he would become the laughing-stock of other rulers in the Persian Gulf, particularly Ibn Saud who would say

brother Ahmad is not allowed to make even a simple commercial agreement with a foreign business firm without the British stepping in and forcing him to insert certain by-your-leave clauses.

Quite apart from that the Shaikh also raised objections

to the fact that the Kuwait Oil Company was solely responsible for designating their chief local representative, subject only to British Government approval. He considered that as ruler of the state and granter of the concession he should have a say in the selection of the company's chief local representative.²⁹

However, the government's response to the Shaikh's objections was firm and prompt. Despite some reservations expressed by the local officers who sympathised with the Shaikh's grievances, the India Office instructed Dickson to secure the Shaikh's concurrence in full with the political agreement in due course. They insisted that the commercial agreement be subordinate to and controlled by the political agreement and refused to give the Shaikh any right of veto on the selection of the company's chief local representative.³⁰ Accordingly, the political agent met the Shaikh several times and explained in great detail the various clauses of the agreement and the reasons underlying them.

As it became clear to the Shaikh that the British Government's stand was very firm he endeavoured to avert at least the publication of the disputed clause. He told Dickson that he had no objection to the British Government 'tying him up as much as she chose both in the political agreement or by other

secret document'; what in fact he feared most was this being made public on the conclusion of a satisfactory agreement with the Kuwait Oil Company.³¹ As he appreciated the Shaikh's difficulties, the political agent suggested, and it was agreed by London, that the control clause be confined to a secret letter to be exchanged between the government and the Shaikh, while the Kuwait Oil Company would be sworn to secrecy. Consequently the Shaikh finally accepted the political agreement in full.³² (Later nevertheless, as will be seen below, he again raised the subject of the chief local representative's appointment, this time with the Kuwait Oil Company however, and he ultimately succeeded in securing the right to select this representative himself, pending the government's approval.)

Although Shaikh Ahmad yielded reluctantly to British Government political pressure, he was determined not to do so vis-à-vis the Kuwait Oil Company. To them he expressed a far greater firmness and determination designed to secure better financial terms than those being offered. In his relations with the company he was helped by Holmes, as seen above, and by a new development which he ably exploited to the full.

On 11 April the Shaikh was approached by another company offering him more advantageous terms for the

oil concession than those proposed by the Kuwait Oil Company. Very gratified that another company had come forward to bid against the Kuwait Oil Company, particularly at that time and in the light of its being one hundred per cent British controlled, he promised the company's representative that he would consider their offer. At the same time he met Holmes and Chisholm and informed them of the arrival of a new company, the name of which he refused to divulge, and warned them of the consequences of their not accepting his terms.

Holmes and Chisholm were impressed by the Shaikh's firm attitude, realising that it would be useless to continue their bargaining process. They considered that their superiors in London had no conception of the difficult atmosphere in Kuwait and still less of the suspicious mental 'make-up' of the Shaikh. They felt that their hands were being unnecessarily tied by London and therefore considered that now the Shaikh had been approached by another company the success of their negotiations was in jeopardy. They suggested proceeding to London to explain and emphasise the seriousness of the situation in person, justifying this move by saying that unless the agreement were reached on the Shaikh's latest terms, arrived at only after hard bargaining for two months, no further progress could be made in Kuwait.³³ By so doing they

hoped to impress the Shaikh with their personal endeavours, to convey his views to London and to give the political agent time to heal the ill-feelings created by the political agreement.

However the Kuwait Oil Company, in full agreement with the British Government, turned them down and rejected any idea of suspending the negotiations for two or three months. Both the government and the company were anxious to conclude the unexpectedly long negotiations as soon as possible; and therefore the two representatives were instructed to continue the bargaining process on the terms previously authorised until a satisfactory conclusion was reached.

The British Government did not take seriously Shaikh Ahmad's statement about a new British company being interested in the concession, particularly in view of the Shaikh's previous admission to Dickson of his intention to frighten the Kuwait Oil Company and his adamant refusal to disclose the company's name.³⁴ Therefore it was considered in Whitehall that the Shaikh might have invented the new one hundred per cent British company in order to extract better terms from the Kuwait Oil Company.³⁵ Nevertheless, as a precautionary measure enquiries, which proved negative, were made as to whether the British Oil Development Company, the only other partly owned British company to have oil interests in the region, ie. Iraq, was interested.³⁶ Furthermore, the govern-

ment instructed the political resident to ascertain whether the Shaikh had been approached by an outside company and to remind him that 'he is not to negotiate with any new company without prior consultation with H.M.G.'³⁷

By now the two negotiators, particularly Holmes who believed the Shaikh had indeed been approached by another company, feared the worst, ie. the Shaikh turning to the new company and breaking off negotiations with the Kuwait Oil Company. They therefore redrafted the oil agreement to suit the Shaikh's latest demands without authorisation from London. Draft No.4 as it was called, accorded the Shaikh a royalty of Rs.3.4 annas, an initial payment of Rs.450,000 and a rental payment of Rs.85,000. In addition it included three important provisions which particularly outraged both the British Government and the Kuwait Oil Company later:-

- a) A provision that the selection and appointment of the chief local representative should rest entirely with the Shaikh in consultation with the British Government.
- b) A provision according the Shaikh a director in London at a salary of not less than £1,800 per annum to be paid by the company.
- c) A provision according the Shaikh royalty on oil tonnage 'won and saved' and not on oil tonnage

'exported and sold', the formula offered by the company.³⁸

Having secured the Shaikh's agreement to this draft the two negotiators sent it to London for the Kuwait Oil Company's approval.

As might have been expected the Kuwait Oil Company were furious with their representatives' conduct, particularly that of Holmes whose hand was clearly to be seen behind the various provisions. They promptly rejected this fourth draft and indicated to Holmes and Chisholm that serious thought was being given to sending out two company principals to continue the negotiations. Simultaneously the government was informed of the situation, special reference to the Shaikh's renewed demand to select the chief local representative being made.

While both the government and the company were assessing the situation the latter was informed that the Shaikh had presented their representatives with an ultimatum. According to Holmes and Chisholm, the Shaikh had now stated firmly that unless the company 'accept draft no.4 in toto he would not be prepared to discuss the matter further with them at present', and therefore negotiations would be suspended until after the summer.³⁹

This latest development stunned the Kuwait Oil Company's directors who could not understand the reason

for the Shaikh's sudden decision to suspend negotiations and to ask the two negotiators to leave Kuwait. They could only assume that there was some reason which had not been made clear to them for his insistence on breaking off negotiations for three months despite the considerable progress already made.⁴⁰ Therefore they immediately approached the British Government to discuss the situation, which seemed to have taken a turn for the worse. The Kuwait Oil Company informed the India Office that in the circumstances they had no option but to comply with the Shaikh and to recall Holmes and Chisholm for consultation. It appears they agreed to suspend the negotiations because they considered their position and interests to be secure in view of the Shaikh's promise not to entertain or discuss any offer from other parties for three months. The India Office, averse to the negotiations being suspended, urged the company to delay a decision until further information about the situation had been received from the political authorities in the Persian Gulf.

On 8 June, after receiving the political resident's report, the India Office summoned the Kuwait Oil Company representatives for consultation. At their meeting the India Office presented Fowles's view of the situation in Kuwait from which it was apparent he considered Holmes to be the 'nigger in the wood pile'.⁴¹ Holmes was blamed for the latest difficulties which were due

mainly to his working with the Shaikh on his own behalf so that he might become the Shaikh's representative either locally or in London. Therefore it was suggested that the company should recall Holmes as soon as possible, leaving Chisholm to continue the negotiations.

Faced with such a blunt accusation, the company's representatives admitted that they also suspected Holmes of advising the Shaikh in order to secure personal gain from the concession. Although Chisholm had added his signature to the reports received from Kuwait it was considered that Holmes might have had secret consultation either directly or otherwise with the Shaikh before meeting him jointly with Chisholm. Eventually as the British Government desired the negotiations to be continued and concluded without any interruption, it was agreed that the company should consider two alternatives: 'either the company principals should go to Kuwait themselves, or they should at once recall Major Holmes.'⁴²

Four days later another meeting took place between government representatives and the company, the Foreign Office being represented. The company stated their decision to withdraw Holmes and leave Chisholm to continue the negotiations. In accordance with his previous undertaking Fraser assured the government that Holmes would not be sent back to Kuwait if the suspicions about him proved to be well founded. Accordingly,

on the same day - 12 June - Chisholm was instructed to continue the negotiations while Holmes was asked to return to London. However, in order not to raise the Shaikh and Holmes' suspicions, the latter was promised he would return to Kuwait after a brief period of consultation in London.⁴³

Indeed, there is no doubt that Holmes informed and advised the Shaikh secretly, leaving Chisholm out in the cold. Chisholm himself acknowledged that 'Holmes' appreciation of the situation at that time was more perceptive than' his own. He attributed it however, to 'some sixth sense', which might well have been the result of Holmes' eleven years close relations with the Shaikh.⁴⁴

Nevertheless, London's plan was foiled by the Shaikh. In the circumstances he felt he could not accept the withdrawal of Holmes alone, whose position vis-à-vis his principals would be weakened and greatly undermined if Chisholm were to stay in Kuwait to continue negotiations. Therefore while Holmes took immediate steps to leave Kuwait the Shaikh threatened to withdraw his undertaking not to negotiate with other parties in the meantime unless Chisholm accompanied Holmes to London. Faced with this threat the Kuwait Oil Company had no choice but to instruct Chisholm to leave also, after securing British Government approval.⁴⁵

Whether or not Holmes possessed some 'sixth sense'

the Kuwait Oil Company found it increasingly difficult to remove him as a negotiator in Kuwait, despite their growing suspicion and dismay at his activities. By now his close relationship with and influence on the Shaikh were undisputed and it was recognised that only he had the ability to conclude the negotiations. Dickson, who was on leave in London at the same time, also supported the view that Holmes was the best negotiator to end the negotiations successfully. At a meeting held in the India Office the Kuwait Oil Company's representatives heard Dickson's assessment of the situation. He told those present that the Shaikh needed careful handling now that he knew 'that his horse was apparently so valuable' and that Holmes, whatever his faults was 'very skilfull in his handling' of the Shaikh.⁴⁶ It was agreed, therefore, by both the government and the company that Holmes should accompany Chisholm to Kuwait to continue the negotiations.

Now that Holmes' position had been decided, the Kuwait Oil Company considered the terms to be offered the Shaikh after the summer. The two negotiators, particularly Holmes who regarded the possibility of a new company entering the competition as very serious, advised acceptance of draft no.4 in full. The Kuwait Oil Company could not agree to this in view of the high royalty being demanded. They agreed to pay for a representative in London in lieu of a director, but refused

to pay Rs.3.4 annas royalty per English ton of oil 'won and saved'. Draft no.4 was revised in the form of Draft no.5; and although according to the Shaikh some of his demands it fell short on the matters of the royalty and the director.⁴⁷ Both the British Government and the Kuwait Oil Company were optimistic that on their return Holmes and Chisholm would quickly arrive at an agreement with the Shaikh. They were assured by Dickson that a friendly reception awaited the two negotiators now that the political difficulties had been overcome and the company was now offering the Shaikh better terms than before. However, as had been the case on other occasions, the Shaikh was not to conform with London's expectations. He was still determined to secure his latest demands and intended to exploit every means possible in order to force the Kuwait Oil Company to yield completely, particularly over the royalty payment.

As the only company permitted by the British Government to negotiate with the Shaikh, the Kuwait Oil Company felt confident of securing the concession on favourable terms. They insisted on a much lower royalty from that last offered by the Syndicate hoping their negotiators, Holmes and Chisholm who knew the Shaikh well, would succeed. However as Holmes joined the Shaikh in his efforts to raise the terms being offered, the company found itself in an increasingly

difficult position. Eventually, with the arrival of a new mysterious competitor in the field the situation was complicated yet further, but now for the British Government as well as for the company.

3. The Unexpected Rival and the Signing of the Concession

While the Kuwait Oil Company finalised Holmes and Chisholm's return to Kuwait with a certain degree of optimism, Shaikh Ahmad was engaged in reviving competition for his concession. Despite having been warned in April against negotiating with any other company without the British Government's consent, he was not prepared to relinquish his contact with the other company showing interest in the concession.

On 2 September he informed them that he was ready to grant a concession based on the terms offered, provided he was allowed by the British Government to do so.¹ However, since he was aware that he 'did not quite play the game by H.M.G.' he urged the company to submit a copy of the draft concession for the government's consideration and approval.² By so doing the Shaikh hoped to justify his conduct vis-à-vis the British Government and simultaneously spell out to the Kuwait Oil Company the better terms being offered for his concession.

A month later, still unaware of what had taken place in Kuwait during their absence, Holmes and Chisholm reached Basra. Under instructions to delay their arrival in Kuwait in order to allow the political agent time to settle the question concerning the appointment

of the chief local representative once and for all, they remained there three days. During that time rumours came to Holmes' attention of a mysterious British company offering every condition demanded by the Shaikh for the concession, including the down payment, the annual payment, the royalty, a director in London and the selecting of the chief local representative. These rumours alarmed him considerably, in particular the innuendo that this late arrival on the scene had practically concluded a concession agreement with the Shaikh.

On arriving in Kuwait Holmes immediately approached his old friends and informants with a view to substantiating these rumours. To his profound disappointment he confirmed that the Shaikh was indeed negotiating with a British company called Traders Limited (Traders) through their Iraqi representative - J. Gabriel, who was also one of the Shaikh's legal advisers.³ The fact that Holmes knew of no oil interests being held by Traders together with Gabriel's longstanding and close ties with A.P.O.C. in Iraq, led him to conclude immediately that this company was acting as A.P.O.C.'s agent.⁴

It seems that Holmes felt no great need for any substantial evidence to reach the conclusion that A.P.O.C. was the hidden hand behind Traders. As A.P.O.C. had insisted all along on an unreasonable royalty for the Shaikh he believed they were now playing a double game

of ostensibly negotiating through the Kuwait Oil Company but simultaneously doublecrossing their American partners by negotiating exclusively through Traders. Surprisingly, this far-reaching suspicion was independently arrived at by Dickson. The political agent, who in the past had persistently endeavoured to secure the Kuwait oil concession for A.P.O.C., could neither, however, accept nor approve such underhand dealing on the part of A.P.O.C. Therefore he now accused them of 'hindering progress from the start with the deliberate intention of preventing the Shaikh from giving the oil concession to the Kuwait Oil Company', whilst biding their time for a deadlock in negotiations at which point they would 'walk off with the prize' through Traders.⁵

Consequently, Holmes secretly contacted the Americans to warn them of their partner's devious plan. In a letter to be delivered via his wife in London he informed Stevens from Gulf of his findings and the conclusions he had been forced to arrive at. He explained that the English customarily managed to 'salve their conscience' when involved in the questionable deals by deluding themselves that such action would benefit their country. To emphasise this point to the Americans he quoted Disraeli: 'My country right or wrong. I hope she may always be right but either way still my country.' As a way out of the present difficulties Holmes suggested to the Americans that they influence their partner to

accept forthwith the Shaikh's terms, as they had been specified in draft no.4, and thus clinch the deal. This, according to him, would be the only way of thwarting A.P.O.C.'s plan, because if the British Government became aware 'that I had given the game away I would be in a very awkward position.'⁶

Holmes believed that A.P.O.C. and the government were co-conspirators in this plot and therefore he urged the Shaikh to work closely together with him to prevent the English stabbing the Americans in the back. Evidently he succeeded, as it is quite clear that Chisholm was hardly being consulted by the Shaikh now and indeed was deliberately excluded from the increasingly frequent meetings which were taking place between Holmes and the Shaikh. Chisholm, who claimed that he and consequently A.P.O.C. knew nothing of Traders until December 1934, when they learnt of their activity from the British Government, admitted that his personal relations with the Shaikh 'were never the same after October 1934.'⁷

After six weeks of hard bargaining the Shaikh finally suggested two alternative offers from which the Kuwait Oil Company must choose:-

- a) A royalty of Rs.3.4 annas including tax exemption based on the 'won and saved' formula, with payments of Rs.475,000 on signature and Rs.95,000 rent.
- b) A royalty of Rs.3.6 annas including tax exemption

based on the 'exported and sold' formula, with payments of Rs.600,000 on signature and Rs.100,000 rent.⁸ (It is obvious from these two alternatives that the Shaikh was very much aware of the financial advantages to be gained from the 'won and saved' formula; and therefore it is conceivable that Holmes' knowledgeable advice lay behind this demand.)⁹ In the event of either offer being accepted, the Shaikh agreed to having a representative in London in lieu of a director, thus narrowing the gap further between him and the Kuwait Oil Company. Consequently, the two negotiators informed London of the Shaikh's final terms recommending that alternative (a) be accepted for settlement.

However in London the situation was far from straightforward, as the Americans were becoming increasingly suspicious of their partner and the British Government. Although Chisholm claimed that Holmes' theory was immediately dismissed by the Americans as fantastic, the record proves the contrary. The India Office later gained the impression and indeed admitted that

the effect of theintervention of Traders Limited has been to arouse not unnatural suspicion of the attitude of H.M.G. in the minds of the American partners. 10

The American position was somewhat delicate. They lacked concrete evidence to substantiate Holmes' claims, and it was considered that an attempt to obtain such

evidence openly would lead to a deterioration of relations within the Kuwait Oil Company and might also lead to the revelation of secret information which had been provided by Holmes.¹¹ Thus instead of approaching A.P.O.C. directly other channels and methods of enquiry had to be employed.

At a meeting held at the India Office on 24 October Guy Stevens asked whether the British Government knew of any other company wishing to compete for a concession in Kuwait. As the answer was negative Stevens felt sure he had made no progress whatsoever in his enquiries about Holmes' accusation, nor had he been able to thwart his partner's plan. A.P.O.C. appeared to know nothing of Traders and still were not prepared to grant the Shaikh a higher royalty and thus clinch the deal. Despite some pressure from the government indicating that the royalty being offered to the Shaikh was lower than that granted to the Shaikh of Bahrein in 1925, A.P.O.C.'s nominee on the Kuwait Oil Company's board emphatically stated that 'the other terms were much more generous than in Bahrein', and refused to revise them upwards.¹²

However, an unforeseen and dramatic development precipitated a sudden change in A.P.O.C.'s attitude and consequently the acceptance of the Shaikh's final terms by the Kuwait Oil Company. On 19 November the Foreign Office was approached by Lord Lloyd on behalf

of Traders. Lloyd, who later became the Secretary of State for the Colonies, informed the Foreign Office that the company had secured an oil concession from Shaikh Ahmad 'subject to the approval of H.M.G.' He told the head of the Eastern Department that in his view oil exploration in the Gulf should as far as possible be kept under purely British control and therefore urged the government to lend one hundred per cent support to this company competing against an Anglo-American combine.¹³

This startling request for government support of Traders came as a bombshell to the Foreign Office and naturally reintroduced the old embarrassing question of Anglo-American rivalry in Kuwait. Rendel appreciated the political influence Lord Lloyd might wield among right-wing conservative members of Parliament and felt uneasy at the thought he might pillory the Foreign Office for their past deference to the Americans. Therefore he explained that the Foreign Office were only indirectly concerned in this matter which, in fact, was the responsibility of the India Office.

Surprised and deeply concerned when told of Lord Lloyd's visit to the Foreign Office and in particular of the fact that the Shaikh had committed himself to another company, the India Office immediately instructed the political resident to investigate the situation in detail. Fowle was informed that 'a serious

situation would arise' if the Shaikh had indeed promised the concession to Traders and was instructed to provide as a matter of urgency any information which might throw light on Lord Lloyd's allegations.¹⁴ Three days later, the India Office received a short reply from the political resident, who stated that the Shaikh of his own accord had informed Dickson of an approach made by a totally British-controlled company but that the Shaikh in turn had referred this company to the government for approval.¹⁵

Before the British Government were able to assess this complicated situation Lord Lloyd returned to the scene. He told representatives of the Foreign Office and the India Office that he intended raising the matter in Parliament because he felt strongly that there was a real danger of the Americans establishing themselves in Kuwait as in other parts of the Persian Gulf. It was his view, with which others in Parliament agreed, that Britain's position and interests in the Persian Gulf were being gravely threatened by the weakness of the government in agreeing to the admission of American oil concessionaires. Therefore he urged the representatives of the Foreign Office and the India Office to agree to influence the Shaikh jointly in order to guarantee the concession going to a purely British company and not an Anglo-American combine.

Explaining the government's position vis-à-vis the

Shaikh and the Kuwait Oil Company, Lord Lloyd was warned that any premature publicity about the oil question in the Gulf might well have precisely the result which he wanted to avoid, particularly in Qatar where British and American competition was in progress and the Shaikh was being pressed secretly by the British Government to grant the concession to A.P.O.C.¹⁶ Nevertheless, apprehensive of being attacked in Parliament for being biased in favour of a combine half owned by Gulf, and also of the furore which could well ensue from such an accusation at a time when American penetration was not only evident but making substantial progress, the India Office promised to give Traders a sympathetic hearing before any decision concerning the Kuwait oil concession was taken by the government.

Consequently, the next day two directors of Traders met India Office officials to present them with the company's application.¹⁷ Traders represented commercially sound British interests - a list of associated companies was submitted - and it was on this basis that they sought government approval and support for their application. They submitted a copy of their draft concession which granted the Shaikh better terms than those offered by the Kuwait Oil Company, together with a translation of a letter from the Shaikh in which he stated his readiness to grant them a concession

pending British Government approval.¹⁸

The India Office now found itself in an extremely awkward and embarrassing situation which they attributed mainly to the Shaikh's conduct. On the one hand, in view of their close relations and past negotiations with the Kuwait Oil Company they felt it would be impossible at this advanced stage of the proceedings to switch their support to another company, even though it was purely British. On the other hand, however, they wanted to avoid laying themselves open to the slightest suggestion that they were discriminating against a purely British company which in fact was offering better terms to the Shaikh than those of its Anglo-American competitor. It was decided to assess the situation very carefully, including any action which should be taken with the Shaikh in view of the breach of trust he had committed by dealing secretly with Traders, whilst reserving for the time being any statement to the Kuwait Oil Company about another application having been submitted for the Kuwait oil concession.¹⁹

However, the Americans on the Kuwait Oil Company board who knew

of the fact that an all-British company had applied.....and that Parliamentary pressure might be brought.....in favour of an all British company

were now quite certain of an A.P.O.C./British Government plot.²⁰ Therefore at a meeting held at the India Office

on 12 December Stevens was determined to ascertain by hook or by crook the validity of Holmes' accusation. He reported the substantial progress which had been made lately in the financial discussions with the Shaikh, stating that the gap between him and the Kuwait Oil Company had been considerably narrowed. Nevertheless, he provocatively suggested that the Kuwait Oil Company might adjourn negotiations in order to press the Shaikh to accept a lower royalty if the government could confirm their latest statement that 'no application had in fact been received from any other competitor.'

It seems that at last the Americans had succeeded in pinning down the British Government, because in view of Traders' recent application the India Office could not give such confirmation and could not assure the Americans as requested that 'no other competitor would be allowed to enter the lists.' Consequently the India Office reluctantly admitted that another application for the Kuwait oil concession was currently under consideration. When pressed hard for further information and an explanation of the exact position and attitude of the government, the India Office representatives stated only that it was the government's policy to give full and fair consideration to all parties involved, including the Shaikh.

Faced with what was considered to be a shift in the British Government's attitude, as the Kuwait Oil Company had been led to believe and indeed had acted

as though no other competitor would be permitted, Stevens announced at the meeting that the Kuwait Oil Company was now ready to accept the Shaikh's latest terms in full and to instruct their negotiators to clinch the agreement with him. He obviously assumed that in view of the political agreement signed between the Kuwait Oil Company and the British Government a commercial agreement with the Shaikh would resolve the complications caused by Traders' application. Despite the company's sudden decision Stevens was informed however that the 'signature by the Shaikh and the approval of H.M.G. were two different things' and therefore the Kuwait Oil Company should not take the government's approval for granted.²¹ This new non-committal attitude adopted by the government was explained by the need to examine very carefully every application for the concession in order to safeguard the Shaikh's interests, a reason often used by the British Government when it suited its purpose.

In view of the altered circumstances A.P.O.C.'s nominees on the Kuwait Oil Company's board had no choice but to agree with their American associates and accept the final terms demanded by the Shaikh. Any refusal at this crucial stage to accept his terms forthwith, when it was known that all concerned were aware of the rival application, would have had serious implications within the Kuwait Oil Company and would have jeopardised any prospect of securing the concession.

Therefore on 13 December Holmes and Chisholm were instructed by telegram to accept the Shaikh's final demands and to sign the oil concession on behalf of the Kuwait Oil Company.²²

Ironically, however, it was at this late stage that the Shaikh of Kuwait suddenly gave a clear indication of his intention to grant the concession to the Kuwait Oil Company regardless of the company's decision to accept his final terms in full. In contrast to his previous behaviour, which had been characterised by procrastination in order to gain better terms, the Shaikh suddenly became exceedingly anxious to conclude the deal with the Kuwait Oil Company despite the fact that he had no knowledge yet of the company's latest decision. On 12 December, a day before Holmes and Chisholm were instructed to sign the oil agreement on the Shaikh's terms, he informed Gabriel that there was no need for the latter to visit Kuwait because he had already decided to grant the concession to the Kuwait Oil Company.²³ This completely unexpected move, which surprised the British Government in particular and was obviously unknown to the Company, calls for some explanation as it reflects the large degree to which the oil concession had become politicised and the true nature of relations between the British Government and the Shaikh.

The Shaikh well knew that he had not followed British Government instructions. He had secretly

carried on negotiations with Traders and had eventually accepted their offer despite having been explicitly warned that the government expected him to consult them before entering into discussions with any other company. Indeed, after learning the true situation the government indicated extreme displeasure with his behaviour, which was considered to be undermining Britain's position in the Persian Gulf. Moreover, in view of Traders' direct negotiations with the Shaikh the American partner in the Kuwait Oil Company had expressed some doubt as to the extent to which British Government approval was necessary for the granting of an oil concession in Kuwait. The India Office felt that it had been outwitted by the Shaikh and was apprehensive about the repercussions of this on neighbouring shaikhdoms. In particular anxiety was felt that the Shaikh of Qatar might now grant a concession 'to the Standard Oil or some other wholly American company' and present the British Government with a *fait accompli*.²⁴ Indeed, he had already indicated that he had no intention of entering into any serious negotiations with A.P.O.C. as he was being encouraged to do by the British Government, pending the final outcome of the negotiations for the Kuwait oil concession.²⁵

Consequently, the British Government considered various ways of consolidating their control over Shaikh Ahmad, among them the 'conclusion of a formal treaty

with Kuwait.....under which the Shaikh's hands would be much more tightly tied than now.'²⁶ It seems that the loose arrangement existing between Britain and Kuwait, ie. 'an independent Arab state under British protection, but not a British protectorate', had been designed so that Britain would not be fully committed and would thus have a certain degree of flexibility. This was now having a boomerang effect on the safeguarding of government interests.²⁷ Consequently, it was suggested that in the meantime the Shaikh be warned that

support would be removed from him and possibly even that the question of succession may have to be considered if there is any similar incident in the future

particularly regarding the Neutral Zone oil concession.²⁸ However before any action was taken the political resident was instructed on 4 December to proceed immediately to Kuwait to obtain the Shaikh's explanation as to the circumstances 'in which he took this action in face of warning conveyed to him by Dickson.'²⁹

Although the Shaikh was asked to explain his behaviour on 14 December, two days after he had spontaneously decided to break off negotiations with Traders, there is no doubt that he had learnt unofficially from Dickson of the delicate situation developing in London since Lord Lloyd's intervention on behalf of that company. Dickson, who knew of the British Government's deliberations and its conviction that a serious situation would arise if the Shaikh committed himself to Traders, probably

advised the Shaikh to close the deal quickly with the Kuwait Oil Company. He assumed, and was proven right, that a quick decision by the Shaikh to grant the concession to the Kuwait Oil Company would ease the growing anger in London towards him and solve the British Government's difficulties vis-à-vis Traders and their powerful political sponsors.

Support for this conclusion can be found in Dickson's admission that he had endeavoured to 'save the Shaikh's bacon to some extent with H.M.G.' and in the fact that later he strongly advised the government against rebuking the Shaikh, saying it would only 'handicap me in dealing with the Shaikh in respect of other important matters that are due to come up.'³⁰ Dickson's close relations with the Shaikh and his confidential advice during the last phase of the negotiations no doubt determined the Shaikh's decision, as in Holmes' case, to reward Dickson with the post of chief local representative upon his retirement in 1936.

This attitude, which reflected the common danger of identifying with the local ruler's view for the sake of good relations and in the genuine belief that such an assessment of a situation was correct, had a further implication. Dickson's relations with Holmes had improved considerably as both shared by now a common goal - that of facilitating an agreement between the Shaikh and the Kuwait Oil Company. Evidently the political

agent went even further and revealed to Holmes but not to Chisholm secret information received from London advising him of the British Government's difficulties over Traders' application - the same information he had given the Shaikh.³¹

Nevertheless, despite the apparent willingness for different reasons demonstrated by both the Shaikh and the Kuwait Oil Company to sign an oil agreement forthwith, the India Office was still insistent on an inter-departmental conference to decide whether or not to approve such an agreement. In view of Traders' powerful political sponsors they felt they could not take a decision on such a sensitive matter without consulting and obtaining the concurrence of the other ministries concerned.

On 19 December representatives of the India Office, the Foreign Office, the Admiralty and the Petroleum Department met to consider the government's attitude towards the two applications for the Kuwait oil concession. The India Office suggested approving that of the Kuwait Oil Company because the Shaikh had now accepted it and in view of the government's past relations with and commitment to the Kuwait Oil Company. The Foreign Office accepted this view believing it would be impossible for the government to act against the Kuwait Oil Company in view of the involvement of the United States Government in the history of negotiations

for the concession. However, in order not to embarrass themselves vis-à-vis Lord Lloyd and his conservative supporters in Parliament and in view of the possible publicising of their past deference to the Americans, they suggested, as in previous cases when it had suited their interests, that

H.M.G. should not themselves veto the application of Traders Ltd. but should fix the responsibility on the Shaikh, which could easily be done in view of His Excellency's recent communications to that company.

The Admiralty also accepted the line suggested, as they regarded Traders as having close ties with the British Oil Development Company, which was under considerable foreign influence. The Petroleum Department went further and advised that Traders' application should be rejected, justifying this recommendation on the basis of A.P.O.C.'s right to special consideration by the government in the Persian Gulf.³²

Nevertheless Lord Lloyd's threat to raise the matter in Parliament was viewed with concern and given full consideration. It was with some relief that the meeting noted that because of his hostile attitude towards A.P.O.C. he intended attacking the government for refusing a fair opportunity to Traders to compete, but was not going to make an issue of the fact that in 1932 the government ought to have given strong support to a purely British company, A.P.O.C., against its American rival and to have refused to consent to an 'open door' policy for American interests in Kuwait. Therefore,

in view of Traders' direct dealing with the Shaikh, their absence of proven ability in and experience of oil exploitation on a large scale, and the Shaikh's recent decision, the various ministries felt they had sufficient grounds for justifying approval of the Kuwait Oil Company's application. Thus, although for different reasons best suited to each ministry's stance, the meeting recommended allowing the Shaikh to sign the concession with the Kuwait Oil Company.

It was with a certain degree of satisfaction that on 23 December the Shaikh did so, pleased with the commercial terms for which he had bargained so hard and genuinely hoping that relations with the British Government would return to an even keel without retribution from his 'protector'. Despite being handicapped by Britain's control and nationalistic oil policy, Shaikh Ahmad played a supremely clever game and was able to achieve far greater success than could have been expected in the circumstances. He was also more successful, for example, than the Shaikh of Qatar who later granted a concession to I.P.C.³³ He secured in full his final terms of Rs.475,000 on signature, Rs.95,000 annual rent and a royalty of Rs.3 and a tax exemption of 4 annas, based on oil 'won and saved'. This method of calculation for royalty, according to A.P.O.C.'s admission, accorded the Shaikh about 15-20 percent additional revenue.³⁴ In addition, apart from other benefits such as

free petrol and a paid visit to London and the right to select the chief local representative, he secured the right to nominate a representative in London to be paid by the company and to attend board meetings. However, as in the case of the other shaikhdoms the Shaikh's royalty was affected by Sterling devaluation because the agreement did not include a gold clause as in Iraq and Saudi Arabia, thus explaining the lower income he and other Shaikhs received compared with Saudi Arabia and Iraq.³⁵

Finally, what of Holmes' accusation of a joint British Government/A.P.O.C. conspiracy? The evidence shows beyond doubt that the government was not involved in such a scheme and treated Traders' application as a straightforward offer. With A.P.O.C. also there is no concrete evidence to substantiate Holmes' and Dickson's conviction. Having said that, however, there is certainly evidence of underhand dealing by A.P.O.C. Chisholm persistently claimed that he and consequently A.P.O.C. were not aware of Traders' application until 12 December, when the India Office in reply to a direct enquiry from Stevens reluctantly admitted having received another application for the Kuwait oil concession. This in turn would explain why A.P.O.C. took no steps to influence the government to reject Traders' application before that date and why they adopted a surprisingly low profile when the Americans tried to ascertain whether another application for the concession had indeed been

submitted.

However, in view of the circumstances such a claim is almost impossible to accept. It is certainly not a plausible argument that a large organisation such as A.P.O.C., with so many experienced employees in the field, could have failed for so long to come by this information, when it was uncovered by Holmes within days of his return to Kuwait. The A.P.O.C. argument is rendered even weaker by two facts. First, there is evidence to show that a company representative in Iraq passed the information about a new British company 'formed in Blackpool for the purpose of obtaining oil concession at Kuwait' as soon as this company appeared in the region.³⁶ Second, A.P.O.C. admitted to the British Government that they were at a loss to understand why the Shaikh wanted to suspend the negotiations for three months but nevertheless refrained from asking the government whether another company was competing for the concession.³⁷ There is no evidence of any such enquiry made by A.P.O.C. as regards another application before 12 December while the Americans had been trying desperately to extract this information from the British Government for some months.

Such a situation gives rise to suspicion in view of A.P.O.C.'s exceptionally close relations with the British Government and of Cadman's ability to mobilise support within government ministries. This in turn re-

flects once again the somewhat less than straightforward behaviour which characterised the company's attitude during the long negotiations for the Kuwait oil concession, particularly vis-à-vis its major shareholder - the British Government.

CONCLUSION

The signing of the agreement between the Kuwait Oil Company and the Shaikh ended one of the most complicated and prolonged negotiations for any oil concession in the Middle East. The negotiations spanned many years and involved numerous participants from the British Cabinet and most of the principal British Government ministries to the United States Government, the Shaikh Of Kuwait and various oil companies. The British Government interest shown in the Kuwait oil concession in 1913, when Shaikh Mubarak was asked to give an undertaking to grant the concession only to a British Government nominee, continued up to the moment when Shaikh Ahmad signed an agreement with the Kuwait Oil Company in 1934. This direct government involvement, events in neighbouring states and oil company policy explain why so many years elapsed before an oil concession was signed. Moreover, the Shaikh's determination to obtain better terms than those initially offered by government and company also caused delay and complicated matters further.

Apart from presenting a full history of the oil concession, the detailed account given above furnishes an insight into the complexities of emerging British foreign oil policy and its confrontation with local and global opposition. This case study therefore provides

an opportunity to outline the characteristics of government behaviour, relations between parent governments and major oil companies and the political development of the Persian Gulf states during the inter-war period.

When the decision-making process within the British Government is considered one realises how many ministries were involved and how varying were the attitudes they adopted. This diversity of opinion resulted in an apparent lack of coherent government policy in the Persian Gulf. While the Foreign Office presented the British Government's attitude regarding the ownership of oil concessions in the Persian Gulf at international level, the British officials who implemented that policy were instructed by other ministries whose views were at variance with those of the Foreign Office. This reinforced the impression of vacillation.

The important role of the officials in the Persian Gulf and London in government decision-making has been emphasised throughout. The advice given by the British officers in the Persian Gulf was highly regarded in London, and in many instances decisions were made on the basis of such information. The problem was that these political officers were often influenced by their local environment. The political resident and the political agent were affected by the views and aspirations of the local rulers and attached greater importance to them than did their colleagues in London. Thus information

sent to London was in some cases particularly designed to promote these officers' proposals and convictions whilst other and conflicting relevant information was minimised. Furthermore instructions received from London were sometimes modified to suit local aspirations, a fact which emphasises once again the important role played by these British officials.¹

Equally important was the decisive role of the ministry officials compared with that of the politicians in formulating the various ministries' attitudes. The various secretaries of state were rarely involved in the process of formulating their ministry's view and were approached by their subordinates only when the oil issue was to be presented in Cabinet or in order to exert strong pressure on the other ministries concerned. The oil issue was dealt with exclusively by civil servants and therefore despite changes in government and political personalities the basic attitudes of the various ministries remained constant over long periods.

This diversity of opinion within the British Government had also to be taken into account when analysing relations between parent governments and oil companies. Relations between the British Government and A.P.O.C. (British Petroleum) changed considerably over this period. From a total dependence by A.P.O.C. on government goodwill and therefore a readiness to comply with government wishes, a situation developed in

which even the government realised that the company was sacrificing government interests to secure commercial benefits.

Two major factors contributed to the company's ability to achieve both special privileges and independence vis-à-vis the British Government; commercial success and Cadman's chairmanship. By the early thirties the company had become one of the three major companies controlling sales of petroleum outside the United States; and their strong position, acknowledged worldwide, had been secured by various agreements signed between the major oil companies aimed at sharing these oil markets. Consequently they became increasingly less dependent on the British Government for the backing so desperately required in 1914, i.e. financial assistance, a large oil fuel contract and diplomatic support, and now considered their government connection to be burdensome rather than beneficial.²

The strong position the company had established in the Middle East had deterred any other British oil company from competition, with the result that A.P.O.C. had become the only purely British oil concern interested in the Persian Gulf oil potential. This in turn strengthened A.P.O.C.'s position vis-à-vis the British Government, which desperately wanted from 1933 to prevent American interests, particularly the Standard Oil Company of California, which had already secured the Bahrein and Saudi Arabian concessions, from securing

oil concessions particularly in Kuwait, Qatar and the Trucial Coast. The government was therefore obliged to place increasing reliance on the company to secure the remaining oil concessions, either independently or through I.P.C.

Furthermore Cadman's knowledge of government procedure as a former government employee was of immense benefit to A.P.O.C. Always aware of each ministry's view and objectives, Cadman achieved a far greater independence from and influence on the government than had been thought possible in 1914. By playing one ministry off against another he was able to secure retrospectively government approval of and support for a controversial agreement he had concluded with Gulf which accorded them a fifty per cent share of the Kuwait oil concession at a time when the British Government were adamant about limiting American penetration into the region.

Cadman gained the reputation in the company circles of a trouble-shooter with the ability to present the company's case successfully to the government and to gain its support. His behaviour should also be viewed in the context of his having been nominated to succeed Greenway only after strong government pressure on the company's directors.³ This did not result in his compliance with government wishes as had been hoped by the government and indeed as might have been expected, but rather in a greater determination to

demonstrate to his colleagues his independence of government control.

By the early thirties therefore, the British Government became identified with the company and was alleged to determine company policy abroad when in reality it exercised very little control over the company. The latter pursued its objectives as did any other commercial concern, with scant attention to political considerations, especially the delicate and embarrassing position of its major shareholder, ie. the government. The unsatisfactory nature of such government-company relations was fully realised only in the late forties when a complicated and serious situation developed in Persia. The government then felt the full impact of its obligation to support the company against the Persian Government despite disagreement with the company's policies and activities. In 1946 Bevin, the Labour Foreign Secretary, complained that anything the company did 'reacts upon the relationships between the British Government and Persia' and that 'as Foreign Secretary I have no power or influence to do anything at all.' ⁴

Without doubt, these factors within the British camp contributed to the development of the alarming situation in the Persian Gulf described and criticised by Lord Lloyd in October 1934. However, although government policy fluctuated considerably, causing confusion both in London and the Persian Gulf, Britain secured what was believed to be her paramount interest.

When all factors are considered it seems that Britain's concern over American entry into the Persian Gulf was caused less by worries about oil supply than by the political repercussions of an American foothold in the region. Political considerations, ie. maintenance of political dominance, were supreme, and therefore when the British Government had no alternative but to allow Socal to obtain a concession in Bahrein because the agreement already signed contained no British nationality clause, they insisted on various stipulations designed to curb any potential American political influence. These stipulations were designed to safeguard Britain's political interests, ie. limit American influence on and contact with the Shaikh; but they bore no relation to securing British oil interests.

Thus when a similar situation developed in 1932 in Kuwait the British Government was prepared in the short term to allow American interests to compete on the same basis as in Bahrein. This 'open door' policy however was soon to change after Socal discovered oil in Bahrein and shortly afterwards secured an oil concession in independent Saudi Arabia.

The British Government immediately recognised the political danger of a strong and uncontrolled American foothold in the Persian Gulf. It felt politically threatened and it took positive steps to prevent Socal or any other American company from securing additional

oil concessions exclusively in the region. Therefore although promising the United States Government an equal opportunity for American oil interests in Kuwait, in reality the British Government acted differently and endeavoured to secure the concessions for a British company. Eventually during the thirties the remaining key oil concessions of the Persian Gulf, i.e. Kuwait, Qatar and the Trucial Coast, were all secured by British-controlled companies which, although containing American elements due to corporate arrangements, were still considered sufficient to safeguard Britain's interests, since they had signed special political agreements with the British Government.

Nevertheless it is widely believed that United States Government support was the decisive factor which facilitated the changing balance of oil concession ownership between rival American and British companies in the Persian Gulf. Although claiming to the contrary since 1945, an explanation for which will be given later, the State Department was not at all eager to become involved and repeatedly raise the issue of the Kuwait oil concession with the British Government. Whatever the complex situation faced by the British Government, which as seen throughout facilitated the progress of the American oil companies, the State Department took only very limited and unenthusiastic steps in support of American interests in the Persian Gulf.

Throughout this period United States policy in the region was limited to obtaining an 'open door' for American interests. The State Department was solely interested in this aspect of the rivalry between British and American oil companies and therefore once this objective was considered to have been achieved, whether in reality this was so or not, it showed little interest as to which company would eventually secure the concession. It did not insist that any particular concession be granted to any particular American company and in any case refused to support exclusive rights for American interests in negotiations with the British Government. The State Department refrained from taking any action despite being regularly informed by its representative in Baghdad that the British Government would oppose any further attempts by American oil companies to enter the region and was doing everything possible to frustrate the American group interested in the Kuwait concession.⁵

Moreover, despite what was believed to be breach of a promise by Britain in the case of Kuwait the State Department preferred to let the American group settle its difficulties independently rather than raise the matter again with the British Government. This stand was rooted in a State Department conviction that American interests had a better chance of gaining oil concessions in the Middle East in conjunction with British interests. This view eventually influenced

Gulf to compromise and join forces with the British company on unfavourable terms. To understand this attitude, which was in sharp contrast to that of the mid-forties, United States' objectives in the region during the inter-war period should be emphasised.⁶ The United States Government had no foreign oil policy and was not concerned with foreign oil. Moreover the State Department had no desire to challenge Britain's domination nor to increase United States influence in the region. State Department officials had neither political nor strategic objectives in the shaikhdoms which were viewed as falling within the British sphere of influence, and in view of the strong isolationist sentiments of the inter-war period they were in general loath to become involved in Middle East affairs. In any case, a small Near-Eastern Department within the State Department could hardly be considered adequate for a deep involvement in the region.

Eventually as the United States and British Government attitudes were characterised by isolationist and imperialist policies respectively it is hardly surprising to learn that in the British-controlled Persian Gulf American oil companies secured complete control only of the Bahrein concession.⁷

Finally, what of the influence of the oil issue in the region's political development? The various shaikhs realised the strategic and political importance of the oil concessions relatively early and set out to benefit

politically from this importance. This was particularly apparent in the case of Qatar, when the Shaikh secured a definite British commitment to defend his territory against Ibn Saud in return for his granting the concession to a British company. He induced the British Government to declare the territory an official British Protectorate, an action they had resolutely avoided for decades. For his part the Shaikh of Kuwait indicated the hope that in return for his granting an oil concession to British interests Britain would solve his problems vis-à-vis the Iraqi and Saudi Arabian Governments.

In Qatar and Kuwait in particular the British Government insisted on the concessions going to British interests and not to American ones, as part of a campaign to curb Ibn Saud's influence also. They suspected that the inclination expressed by both shaikhs to follow Ibn Saud's lead was politically motivated and therefore they were determined to prevent Social in particular from obtaining these concessions.⁸ This was done despite the government's being aware that the British companies, ie. I.P.C. and the Kuwait Oil Company, would have little inducement to develop oil concessions rapidly so near their main oilfields in Iraq and Persia. This demonstrates once again that British Government policy was motivated mainly by political considerations and that far less importance was attached to local

interests. This restrictive attitude adopted by the British Government over the oil issue which was motivated by political objectives, was reflected in its general policy towards the shaikhdoms and contributed to the fact that independence came relatively late to this part of the world.⁹

FOOTNOTES

PREFACE

1. The ownership of oil concessions in the Middle East was considerably influenced by corporate agreements reached between the world's leading oil companies. The so-called Red Line Agreement, signed between A.P.O.C., Shell, Compagnie Française des Petroles and five American companies, provided that all agree to securing only jointly and through the Turkish Petroleum Company, (later called the Iraq Petroleum Company), oil concessions in Iraq, Arabia and the Persian Gulf except Kuwait.
2. Turner L., Oil Companies in the International System (London, 1978) pp.15-37
3. See for instance:

Hamilton C.W., Americans and Oil in the Middle East (Texas, 1962)

Longrigg S.H., Oil in the Middle East: its Discovery and Development (London 1968)

Shwadran B., The Middle East, Oil and the Great Powers (New York 1973)

Stocking G.W., Middle East Oil: A Study in Political and Economic Controversy (Nashville, 1970)

Tugendhat C., Oil, the Biggest Business (London, 1968)

A. Chisholm, the only survivor of the negotiations for the Kuwait oil concession, was asked by the Kuwait Government in 1970 to research and compile for them a documented record of the negotiations for the first Kuwait oil concession. This was commissioned in order to publish accurate information for students and historians of Kuwaiti affairs and to compensate for a lack of relevant contemporary records. (Reference to Chisholm's book, which was published in 1975, is made throughout particularly in instances where the evidence does not justify his record.)
4. In general all writers on Middle East oil have given

little attention to the quest for the Persian Gulf oil concessions. Negotiations for these concessions continued for more than a decade and yet the early stages during the 1920's in particular have hardly been considered or presented before. Early accounts suffered from the unavailability of British Government papers (the thirty year rule), while recent publications give no attention to Colonial Office papers. The Colonial Office was the ministry responsible for Persian Gulf oil up to 1932-33 and without reference to them the history of the region's oil development can not have been told in full.

For recent publications which neglect Colonial Office papers see:

Davies C., British Oil Policy in the Middle East 1919-1932 (Edinburgh Ph.D., 1973) pp.395-415

Muhammad Morsy Abdullah, The United Arab Emirates (London, 1980) pp.57-71

5. See publications of former oil company employees:

Chisholm A.H.T., The First Kuwait Oil Concession (London, 1975)

Hamilton C.W., Americans and Oil in the Middle East (Texas, 1962)

Longhurst H., Adventures in Oil: The Story of British Petroleum (London, 1969)

Longrigg S.H., Oil in the Middle East; its Discovery and Development (London, 1968)

The only detailed account of the Kuwait oil concession has been given by Chisholm who was one of the principal negotiators for the concession in 1932-34 on behalf of A.P.O.C. (B.P.). His account, which refers primarily to corporate rivalry in Kuwait and not to the broader issues of international oil politics, tended in general to overlook matters which could be embarrassing to his company and the Shaikh. This apart, however, his book contains copies of many documents of which all but a handful can be found in the Public Record Office, the India Library and the National Archives of the United States. This indicates that although he was given access to British Petroleum and Gulf Oil Corporation archives

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the companies are still secretive and denying publication of documents from their archives.

6. Although much more attention has been given recently to the evolution of American/Saudi relations, nevertheless little attention has been given to the United States intervention on behalf of American oil interests in Bahrein and Kuwait which initiated American penetration into Saudi Arabia. See for instance:

Anderson I.H., Aramco, the United States and Saudi Arabia (New Jersey, 1981) p.22

Baram P.J., The Department of State in the Middle East 1919-1945 (Pennsylvania, 1978) p.204

Miller A.D., Search for Security (Chapel Hill, 1980) p.14

Stoff M.B., Oil, War and American Security (New Haven, 1980) p.35

PART I

1. Early Considerations

1. Gillard D.R., 'Salisbury and the Indian Defence Problem 1885-1902', Studies in International History, Eds. Bourne K., and Watt D. (London, 1967) p.238
2. For detailed account of the way in which Britain established its supremacy in the Persian Gulf see:

Busch B.C., Britain and the Persian Gulf, 1894-1914 (Berkeley, 1967)

Kelly J.B., Britain and the Persian Gulf 1795-1880 (Oxford, 1968)
3. Busch B.C., Britain and the Persian Gulf, 1894-1914 (Berkeley, 1967) p.256
4. Graves P.P., The Life of Sir Percy Cox (London, 1941) pp.173-174
5. Mclean D., Britain and her Buffer State: The Collapse of the Persian Empire 1890-1914 (London, 1979) pp.7-13
6. Memo by Curzon, 19 Nov. 1898, cited Kelly J.B., 'Salisbury, Curzon and the Kuwait Agreement of 1899', Studies in International History, Eds. Bourne K., and Watt D. (London 1967) p.270
7. Count Kapnist, nephew of the Russian Ambassador to Vienna, planned and attempted in 1898 to obtain a railway concession from the Mediterranean coast to the Gulf at Kuwait. Although it later became evident that Kapnist had little serious influence or support the very idea of a Russian railway to the Gulf was enough to raise British hackles.

Wonckhaus, a German national, obtained an Oxide concession on Abu Musa, a small island lying off the Trucial Coast. The British pressed the Shaikh into cancelling his original concession, thus contributing to the tension with Germany.

See:

Busch B.C., Britain and the Persian Gulf, 1894-1914 (Berkeley, 1967) pp.369-372

McLean D., Britain and her Buffer State (London, 1979) pp.130-131

Staley E., 'Business and Politics in the Persian Gulf: the Story of the Wonckhaus Firm', Political Science Quarterly, 48 (1933)

8. Collection of Papers respecting the Attitude of H.M.G. in regard to the Baghdad Railway and the purchase of land at Kuwait. Sep.1907, ADM 127/28

Busch B.C., Britain and the Persian Gulf, 1894-1914 (Berkeley, 1967) pp.189-193

9. For the various agreements the Shaikh signed up to 1914 see L/P&S/18 B

10. McLean D., Britain and her Buffer State (London, 1979) pp.106-136

Platt D.C.M., Finance, Trade and Politics in British Foreign Policy, 1815-1914 (Oxford, 1968) pp.181-248

11. Hardinge to Lansdown, 30 May 1901, F.O. 60/731/16/9758

For accounts emphasising direct British Government intervention see:

Fatemi M.S., Oil Diplomacy (New York, 1954) pp.10-16

Fereidun Fesharaki, Development of the Iranian Oil Industry (New York, 1976) p.5

12. Kazemzadeh F., Russia and Britain in Persia 1864-1914. A Study in Imperialism (Yale, 1968) pp.448-580

13. McLean D., Britain and her Buffer State (London, 1979) p.127

14. F.O. to A.P.O.C., 20 Oct.1908, F.O. 371/497/33426
F.O. to D'Arcy, 2 Oct.1903, F.O.60/731

15. Barclay to Grey, 17 Mar.1909, F.O. 371/715/10023/10311
16. Grey to Cox, 23 July 1909, Ibid. 27814 & 29934
17. Jones G., The State and the Emergence of the British Oil Industry (London, 1981) p.131
18. Kent M., Oil and Empire: British Policy and Mesopotamian Oil 1900-1920 (London 1976) p.40
19. Churchill Sir W.S., The World Crisis (London, 1925-9) p.129
20. Jones G., The State and the Emergence of the British Oil Industry (London, 1981) p.10
21. Payton-Smith D.J., Oil: A Study of War-time Policy and Administration (HMSO, 1971) 7-12
22. Jones G., The State and the Emergence of the British Oil Industry (London, 1981) p.99
23. Jones G., 'The State and Economic Development in India 1890-1947: The Case of Oil', Modern Asian Studies, 13, 3 (1979) pp.359-360
24. Admiralty to India Office, 27 May 1904, ADM 116/3807
25. After the Concession Syndicate Limited discovered oil in Persia in 1908 a new company was launched - the Anglo-Persian Oil Company (A.P.O.C.). Most of A.P.O.C.'s shares were held by the Burmah Oil Company and when the British Government acquired in 1914 the majority shareholding in A.P.O.C., Burmah Oil Company became the second largest shareholder.
26. Admiralty to Foreign Office, 17 May 1911, F.O. 371/1247/15282/18952
Slade was later to play an important role in the company. See:
Jones G., The State and the Emergence of the British Oil Industry (London 1981) p.197

27. Jack M., (now Kent), 'The Purchase of the British Government's Shares in the British Petroleum Company 1912-1914', Past and Present, 39 (1968)
28. India Office to Admiralty, 8 Mar.1905, ADM 116/3807
29. Pearson and Son archives, Science Museum, Box C, 17/1 India
30. Jones G.G., 'The State and Economic Development in India 1890-1947: The Case of Oil', Modern Asian Studies, 13,3 (1979)
31. Government of India to Secretary of State for India, 17 Feb.1905, L/E/7/528 No.52
32. As Churchill later announced: 'It was the policy of the Foreign Office, the Admiralty and the Government of India to preserve the independent British oil interests of the Persian oil field, to help that field develop.....and above all, to prevent it being swallowed up by.....any foreign or cosmopolitan companies.'
Parl. Deb. Vol. LXIII 17 June 1914.

2. The New Era

1. Kent M., Oil and Empire: British Policy and Mesopotamian Oil 1900-1920 (London, 1976)

Jones G.G., The State and the Emergence of the British Oil Industry (London, 1981)
2. In Kuwait for instance the Burgan oilfield is considered to be the richest in the world.
3. Churchill Sir W.S., The World Crisis (London, 1925-9) pp.131-133
4. The Shell Group was formed in 1907 by the amalgamation of two of the largest Dutch and British oil companies:- Royal Dutch and the Shell Transport and Trading Company. Although the combine was 40% British, Greenway succeeded in influencing the British Government to believe that the company was foreign and therefore should be prevented from controlling oil concessions in the Middle East.
5. Jones G.G., The State and the Emergence of the British Oil Industry (London, 1981) p.147
6. Kent M., Oil and Empire: British Policy and Mesopotamian Oil 1900-1920 (London, 1976) p.34
7. The T.P.C. members were the British-owned National Bank of Turkey 50%, the Shell Group 25% and the Deutsche Bank 25%.
8. Kent M., Oil and Empire: British Policy and Mesopotamian Oil 1900-1920 (London, 1976) p.35
9. Foreign Office to Admiralty, 13 Sept, 1912, F.O. 371/1486/36674
10. Kent M., Oil and Empire: British Policy and Mesopotamian Oil 1900-1920 (London, 1976) pp.35-36
11. Admiralty to Foreign Office, 26 Sep. 1912, F.O. 371/

1486/40516

12. Kent M., Oil and Empire: British Policy and Mesopotamian Oil 1900-1920 (London, 1976) p.37
 13. Ibid. pp.40-42
 14. Foreign Office to Admiralty, 28 Nov.1912, F.O. 371/1486/49186
 15. Kent M., Oil and Empire: British Policy and Mesopotamian Oil 1900-1920 (London, 1976) pp.38-103
- Jones G.G., The State and the Emergence of the British Oil Industry (London, 1981) pp.147-174

3. The Making of a 'National Champion'

1. For the special role played by the British officers in the Persian Gulf see two accounts written by political officers:
Dickson H.R.P., Kuwait and her Neighbours (London, 1956)
Wilson A. South West Persia. A Political Officer's Diary, 1907-1914 (London, 1941)
2. Staley E, War and the Private Investor (New York, 1935) p.47
3. Cox to Government of India, 13 June 1912, L/P&S/10/339 No.2755
Government of India to Cox, 22 June 1912, Ibid.
4. Jones G.G., The State and the Emergence of the British Oil Industry (London, 1981) pp.167-168
5. Cox to Government of India, 26 Nov.1912, R/15/5/236 No.3154
6. Shakespear to Cox, 13 Nov.1912 & 7 Mar.1913, Ibid. C 13
7. Geological report on Kuwait's oil prospects, 7 May 1913, L/P&S/10/339 No.2496
8. Minute by A. Parker, 11 Aug.1913, F.O. 371/1761/16/36771
9. Foreign Office to India Office, Admiralty, Board of Trade, 20 Aug.1913, Ibid.
10. India Office to Foreign Office, 15 Sep.1913, F.O. 371/1817/20107/42576
11. Admiralty to Foreign Office, 4 Oct.1913, F.O. 371/1761/16/45492
12. Chisholm A., The First Kuwait Oil Concession (London, 1975) Note 6

13. Chisholm in his book, however, claimed that the geological survey had been carried out with the Shaikh's permission, a claim which the evidence does not substantiate. See:
Chisholm A., Ibid. p.3
14. Chisholm A., Ibid. Note 6
15. Political Agent, Bahrein, to Political Resident, 21 Feb.1914, L/P&S/10/339/no.1705
The innovatory character of these rather vague oil conventions escaped the notice of prominent writers on Middle East oil. See for instance:
Longrigg S.H., Oil in the Middle East: its Discovery and Development (London,1968) p.102
Monroe E., Britain's Moment in the Middle East, 1914-1956 (London,1963) p.105
E. Monroe overlooked the significance of the Shaikh's pledge and therefore refers only to Britain's entitlement to approve the nationality of the concessionaire and not to its right to choose the British company to secure the concession.
16. Khouja M.W. and Sadler P.G., The Economy of Kuwait (London, 1970) pp.11-12
17. Captain Lorimer to Government of India, 19 Dec.1914, R/15/2/13 No.83
18. Proceeding of the oil conference, 3-7 Jan.1914, L/P&S/10/410 No.771
19. Platt D.C.M., Finance, Trade and Politics, British Foreign Policy 1815-1914 (Oxford,1968) pp.126-129
Kent M., Oil and Empire: British Policy and Mesopotamian Oil 1900-1920 (London,1976) p.108
20. For details see:
Foreign Office to Silley's solicitors, 13 May 1914, F.O. 371/2115/188/22466
Minute by A. Parker, 2 Mar.1914, Ibid. 8985
Foreign Office to Admiralty, 6 Mar.1914, Ibid. 9659
Also various papers in F.O. 371/2115/188 Nos.24306,

25415 and 31125

As regards Lord Cowdray, see the archives of S. Pearson and Son, Science Museum, Box 13C Arabia and Foreign Office to Lord Cowdray, 29 Dec.1913, F.O./371/1761/16/57614

21. Calouste Gulbenkian - an Armenian who was a financial adviser to the Turkish Government and a director of the National Bank of Turkey. His 5% in T.P.C. earned him the name 'Mr. Five Per Cent'.
Hewins R., Mr. Five Per Cent (London,1957)
22. For more details see:
Cohen S.A. British Policy in Mesopotamia 1903-1914 (London, 1976) pp.231-279
Meijcher H., Imperial Quest for Oil: Iraq 1910-1928 (London,1976) pp.9-14
23. Minute by A. Parker 24 Oct.1913, F.O. 371/1761/16 48596
24. Kent M., Oil and Empire: British Policy and Mesopotamian Oil 1900-1920 (London,1976) pp.170-171
25. Shwadran B., The Middle East, Oil and the Great Powers (New York 1973)
Kent M., Ibid
Longrigg S.H., Oil in the Middle East: its Discovery and Development (London,1968)
26. Grey to Mallet, 31 Mar.1914, F.O. 371/2120/14157
Greenway to Foreign Office, 8 April 1914, Ibid 15558
27. This point is of immense importance as it reflects relations between A.P.O.C. and the British Government, ie. government control over the company's affairs, which were to change considerably during the twenties. Moreover it illustrates the subordination of oil interests to diplomatic considerations, which was to become more apparent later.
28. Minute by Parker, 8 May 1914, F.O. 371/2121/1067/ 20259
29. Kent M., Oil and Empire: British Policy and Mesopotamian Oil 1900-1920 (London 1976) pp.183-184

The transferred territories were considered Persian but under the rectification of the Turco-Persian frontier in 1913-14 were declared by the internationally constituted Frontier Commission to be Turkish territory.

30. India Office to Foreign Office, 6 Mar.1914, F.O. 371/2115/188/ 10195
31. Admiralty to Foreign Office, 20 Mar.1914, Ibid. 12434
India Office to Foreign Office, 13 Mar.1914, Ibid 11274
Board of Trade to Foreign Office, 12 Mar.1914, Ibid 11065

4. The War Years

1. An agreement between A.P.O.C. and the Admiralty, May 1914, ADM 116/1687D
2. Treasury to A.P.O.C., 20 May 1914, Ibid.
3. The agreement triggered off considerable resentment in Russia and Germany and among the British directors of the Shell Group. For details see: POWE 33/42 and F.O. 371/2077 Nos. 28134 & 29123
4. Foreign Office to Admiralty, 27 Sep. 1915, F.O. 371/2475/3884/123844
5. A.P.O.C. to Foreign Office, 2 & 11 Nov. 1914, Ibid. Nos. 66612 & 70310
6. Foreign Office to A.P.O.C., 23 Nov. 1915, F.O. 371/2475/3884/172576
7. Foreign Office to Admiralty, 28 Oct. 1915, Ibid. No. 155286
8. Kent M., Oil and Empire: British Policy and Mesopotamian Oil 1900-1920 (London, 1976) pp. 128-129
9. A.P.O.C. to Foreign Office, 22 May 1916, F.O. 371/2721/36846/100625
10. Foreign Office to Admiralty, Board of Trade, India Office and Treasury, 2 Mar. 1916, Ibid. 36846
11. Admiralty to Foreign Office, 15 April 1916, Ibid. 72085
12. Foreign Office to Admiralty, 14 Dec. 1914, F.O. 371/2426/103311 / 185185
13. Foreign Office to Admiralty, 2 Mar. 1916, F.O. 371/2721/36846/100625

14. Ibid.
15. Minute by Parker (F.O.), 17 Mar.1916, Ibid. 53167
16. Board of Trade to Foreign Office, 5 April 1916, Ibid. 65047
17. Foreign Office to India Office, 9 Mar.1916, Ibid. 36846
18. Memo by the Director of Contract, 10 Feb.1916 in ADM 1/8534/240
19. Admiralty to Foreign Office, 15 April 1916, F.O. 371/2721/36846/ 72085
20. Cox to political resident, Basra, 17 Oct.1915, R/15/5/236 No.566
21. A.P.O.C. to political agent in Kuwait, 20 Nov.1915, Ibid.
22. Wilson to A.P.O.C., Muhammerah office, 11 Dec.1916, Ibid. No.513
23. A.P.O.C. to Wilson, 21 Mar.1917, Ibid. No.415
24. Any further share issue would oblige the government to purchase a certain proportion in order for them to maintain their majority holding.
25. A.P.O.C. supplied the British Government between 1914-1922 with 5.4 million tons of fuel at a specially reduced price. The British Government estimated a saving of £21,900.000 due to its investment in the company. For several years there were bitter arguments between the government and the company on the final price for petroleum sold to the government. In CAB 27/180 and ADM 116/2318B.
The agreement between A.P.O.C. and Shell 1912-1922 committed the former to supplying the latter with large quantities of petroleum. During the war A.P.O.C. tried to enlist government support to free

itself from the agreement. For details see ADM 1/8446/13

26. A.P.O.C. to India Office, 10 Oct.1917, F.O. 371/2980/170294 /198935
27. India Office to Foreign Office, 18 Dec.1917, Ibid. 239862
28. Foreign Office to the Petroleum Executive (P.E.), 8 Jan.1918, Ibid.
29. Petroleum Executive to Foreign Office, 21 Jan.1918, F.O. 371/3264/14787
30. India Office to A.P.O.C., 5 Jan.1918, Ibid.
31. A.P.O.C. to Foreign Office, 16 May 1918, F.O. 371/3402/48330 / 87668
32. Kent M., Oil and Empire: British Policy and Mesopotamian Oil 1900-1920 (London,1976) p.143
Davenport E.H., and Cook S.R., The Oil Trusts and Anglo-American Relations (London,1923) pp.48-117
Bryson T.A., American Diplomatic Relations with the Middle East,1784-1975 (New Jersey,1977) pp.96-103
L'Espagnol de la Tramerye P., The World Struggle for Oil (London,1923)
33. Jones G., The State and the Emergence of the British Oil Industry (London,1981) p.249
34. DeNovo J.A., American Interests and Policies in the Middle East (Minneapolis,1963) pp.167-199
Nash G.D., United States Oil Policy 1890-1964 (Pittsburgh,1968)
35. Davies C., British Oil Policy in the Middle East 1919-1932 (Edinburgh Ph.D.,1973) pp.89-138
Kent M., Oil and Empire: British Policy and Mesopotamian Oil 1900-1920 (London,1976) pp.137-155
36. Kuwait 1908-1928, L/P&S/10/1271 No.5922

PART II

1. The Concession Terms

1. See p.22
Churchill Sir W.S., The World Crisis (London, 1925-9)
pp.130-147
2. For details of the Cairo Conference see:
Klieman A.S., Foundation of British Policy in the Arab World (London, 1970) pp.105-138
3. A.P.O.C. to Foreign Office, 12 May 1921, C.O. 727/3
No.26515

As the negotiations between the various participants of T.P.C. continued until 1928 and only then was the Red Line Agreement signed, A.P.O.C. was not yet bound by it and therefore tried in the meantime to secure independently all the Persian Gulf oil concessions. Later they had to transfer the Qatar oil concession to I.P.C. (formerly T.P.C.).
4. Since before the war A.P.O.C., as seen above, had endeavoured to secure Foreign Office commitment to its priority right to the Kuwait oil concession.
5. See pp.25-27
A.P.O.C. to Foreign Office, 12 May 1921, C.O. 727/3
No.26515
6. Ibid.
7. The Petroleum Department was a small and technical organisation formed to advise the British Government on oil matters. Initially it was part of the Board of Trade then transferred to the Mines Department and finally absorbed by the Power and Fuel Department.
8. Cox to Colonial Office, 10 Aug.1921, C.O. 727/3 No.54946
9. Trevor to Government of India, 8 Sep.1921, Ibid. No.50062

India Office to Colonial Office, 15 Dec.1921, Ibid.
No.62465

10. Petroleum Department to Colonial Office, 22Aug.1921,
Ibid. Nos.42023,54946 and 61288
11. Wilson to Cox, 22 Dec.1921, C.O. 727/4 No.6380
12. Trevor to Wilson, 10 Jan.1922, R/15/1/618 No.36
13. Colonial Office to A.P.O.C., 29 Mar.1922, L/P&S/10/
989 No.1356
Colonial Office to A.P.O.C., 3 July 1922, C.O. 727/4
No.30260
14. Colonial Office to A.P.O.C., 24 Dec.1921, C.O. 727/3
No.54946
Draft note for Persia Committee, 14 Feb.1918, POWE
33/83
Muhammad M.A., The United Arab Emirates (London,1980)
p.63
15. A.P.O.C. to Colonial Office, 6 Jan.1922, L/P&S/10 / 989
No.315
16. Ibid.
17. Colonial Office to A.P.O.C., 29 March 1922, C.O.727/4
No.13244
Colonial Office to Petroleum Department and India Of-
fice, 31 May 1922, Ibid. No.26521
18. Principal points agreed upon between the British Go-
vernment and A.P.O.C. F.O. 371/7717/12453
19. Colonial Office to India Office, 16 Oct.1922, C.O.727/4
No.45606
20. The Sultan of Muscat for instance in 1938 disputed and
challenged the British Government's translation of the
oil agreement of 1922. ADM 116/3939

21. A.P.O.C. to Colonial Office, 17 Oct.1922, C.O. 727/4
No.45606
22. Political agent to political resident, 9 Mar.1923,
R/15/1/618 No.241
23. Political resident to Colonial Office, 20 June 1923,
L/P&S/10/989 No.2936
24. Chisholm A.H.T., The First Kuwait Oil Concession
(London, 1975) p.4 & 98
25. Wilson to Knox, 28 April 1923, R/15/1/618 No.380
26. A.P.O.C. to Colonial Office, 6 Jan.1922, L/P&S/10/989
No.315
In Nejd for instance where A.P.O.C. faced competition
they were prepared to abide by a two-year exploration
licence for a much larger territory. In A.P.O.C. to
Colonial Office, 22 Feb.1923, C.O. 730/54 No.9659
27. Political resident to Colonial Office, 20 June 1923,
L/P&S/10/989 No.2936

2. Ibn Saud's Lead: the El Hasa Case 1923

1. For further details on the E.& G.S. and Holmes see:
Chisholm A.H.T., The First Kuwait Oil Concession (London, 1975)
p.93
Ward T.E., Negotiations for Oil Concessions in Bahrein
El Hasa (Saudi Arabia), the Neutral Zone, Qatar and Ku-
wait (New York, 1965) pp.10-12
2. Colonial Office to E.&G.S., 1 Dec.1921, F.O. 371/6258/
769/13264
3. For more details on Dr. Mann see C.O. 730/26 No.64143
4. Cox to Colonial Office, 20 Dec.1922, C.O. 730/26
No.64141
5. Ibid.
6. Note of interview between Sir P. Cox and Major Holmes,
1 Dec.1922, Ibid.
7. Ibid.
8. The Ojair conference, 22 November - 2 December, was to
settle Kuwait's boundaries with Nejd. See:
Troeller G., The Birth of Saudi Arabia (London, 1976)
pp.179-182
9. Cox to Colonial Office, 20 Dec.1922, C.O. 730/26 No.64141
10. Ibn Saud to Holmes, Dec.1922, Ibid.
11. Cox to Colonial Office, 20 Dec.1922, Ibid.
Mackie, A.P.O.C.'s representative, reported after mee-
ting Ibn Saud in April 1923 that it was largely through
Sir P. Cox's intervention that Ibn Saud had consented
to give the concession to the E.&G.S. See report by
J.B. Mackie, R/15/2/96 No.115
12. A.P.O.C. to Colonial Office, 5 Jan.1923, C.O. 730/54
No.1016

13. Minute by G.L. Clauson from the Middle East Division, Colonial Office, 12 July 1923, C.O. 727/5 No.34585
14. Minute by G.L. Clauson, 18 Jan.1923, C.O. 730/54 No.3336
15. Petroleum Department to Colonial Office, 25 Jan.1923, C.O. 730/51 No.4613
16. Colonial Office to A.F.O.C., 9 Feb.1923, Ibid.
17. Colonial Office to Cox, 2 March 1923, C.O. 730/54 No.9659
18. Cox to political agent, Bahrein, 12 March 1923, C.O. 730/39 No. 23174
19. Ibn Saud to Wilson, 3 May 1923, R/15/2/96 No.115
20. Report by J.B. Mackie, April 1923, Ibid.
21. Mackie to Ibn Saud, 1 May 1923, L/P&S/10/989 No.3014
22. Chisholm A.H.T., Op. cit., p.94
23. E.& G.S. to Colonial Office, 24 May 1923, L/P&S/10/ 989 No.2426
24. Wilson to Knox, 16 Aug.1923, R/15/1/619 No.732
25. Colonial Office to political resident, 13 July 1923, L/P&S/10/989 No.2694
26. For Britain's declared policy see: Colonial Office to political resident, 6 Sep.1923, in Chisholm A.H.T., op. cit. p.99 and in L/P&S/10/989 No.3396
For Cox's attitude towards the shaikhdoms see: Note of interview between Cox and Holmes in C.O. 730/26 No.64141
27. Colonial Office to political resident, 13 Oct.1923,

L/P&S/10/989 No.3776

28. Ibid.

29. Longrigg S.H., Oil in the Middle East; its Discovery and Development (London,1968)

Shwadran B., The Middle East, Oil and the Great Powers (New York,1973)

Stocking G.W., Middle East Oil; A Study in Political and Economic Controversy (Nashville,1970)

Tugendhat C., Oil, the Biggest Business (London,1968)

3. Competition for British Government Support

1. Chisholm A.H.T., The First Kuwait Oil Concession
(London, 1975) p.5
2. Political resident to political agent, 13 May 1923,
R/15/5/237 No.93
3. For A.P.O.C.'s offer see above p.76.
For E.& G.S.'s offer in full see C.O. 727/7 No.40065
4. Wilson to political agent, 28 Dec.1923, R/15/5/237 No.6
5. A.P.O.C. to Colonial Office, 17 May 1923, C.O. 727/7
No.26015
6. Colonial Office to political resident, 18 May 1923,
C.O. 727/6 No.1870
7. Political resident to Colonial Office, 20 June 1923,
L/P&S/10/989 No.2936
8. Ibid.
9. Political agent to political resident, 25 June 1923,
C.O. 727/5 No.39618
10. Shaikh of Kuwait to political agent, 23 June 1923, Ibid.
11. Political agent to political resident, 13 May 1923,
R/15/5/237 No.93
12. Political agent to political resident, 28 June 1923,
C.O. 727/5 No.39618
13. Political agent to Shaikh of Kuwait, 9 July 1923,
R/15/5/237 No.118
The same British Government attitude towards the Syndi-
cate was also adopted in Bahrein.
Political resident to Holmes, 3 Mar.1923, R/15/1/620 No.169

14. Political agent to political resident, 25 June 1923, C.O. 727/5 No.39618
15. Shaikh of Kuwait to political agent, 12 July 1923, R/15/5/237 No.120
16. E.&G.S. to Colonial Office, 10 Aug.1923, C.O. 727/7 No.40065
17. E.&G.S. to Colonial Office, 24 Aug.1923, L/P&S/10/989 No.3757
18. Colonial Office to A.P.O.C., 21 Sept.1923, C.O. 727/7 No.39119
19. Colonial Office to E.&G.S., Ibid. No.40065
20. Colonial Office to A.P.O.C., 21 Sept. 1923, Ibid.
21. A.P.O.C. to Colonial Office, 28 Nov.1923, C.O. 727/7 No.58360
22. Colonial Office to A.P.O.C., 19 Dec.1923, Ibid.
23. Knox to Colonial Office, 10 July 1923, L/P&S/10/989 No.2694
24. The Colonial Office agreed to the Shaikh granting the Neutral Zone concession in October 1923, but the Shaikh was informed only in April 1924. See political agent to political resident, 3 Jan.1923, R/15/5/237 No.53
25. Political agent to Shaikh of Kuwait, 6 Dec.1923, R/15/5/237 No.177
26. Political resident to Wilson, 7 Jan.1924, L/P&S/10/989 No.896
27. This attitude of the Shaikh led the political resident to report that the Shaikh 'has still no intention of having anything to do with the A.P.O.C.' See: political resident to Colonial Office, 9 Jan.1924, Ibid.

28. Political resident to Colonial Office, 28 Mar.1924, Ibid. No.2451
29. Ibid.
30. Colonial Office to A.P.O.C., 27 May 1924, R/15/5/238 No.139
31. A.P.O.C., Mohammerah office, to political agent, 23 July 1924, Ibid. No.159
32. Political agent to A.P.O.C., Mohammerah office, 5 Dec.1924, Ibid, No.284
33. Political agent to political resident, 27 Jan.1925, R/15/1/620 No.104
34. For further details on Williamson see: Chisholm A.H.T., The First Kuwait Oil Concession (London, 1975) pp.109-110
35. A.P.O.C., Mohammerah office, to political agent, 9 Feb.1925 R/15/5/238 No.32
36. Political agent to political resident, 27 Jan.1925, R/15/1/620 No.104
37. Chisholm A.H.T., op. cit. p.7
38. Political agent to Cox, 5 Jan.1922, F.O. 371/7717 No.12453
Political agent to Vice-Consul, Mohammerah(for Wilson), 13 July 1923, C.O. 727/5 No39619
39. Political resident to Colonial Office, 28 Feb.1925, C.O. 727/10 No.13488
40. Colonial Office to A.P.O.C., 24 Mar.1925, C.O. 727/11 No.12314
Political resident to Holmes, 3 Mar.1925, R/15/1/620 No.169
41. It is interesting to note the way in which Cox

regarded the Gulf states in an interview with Holmes.
He said that

the Arab potentates in this region
eg. Nejd, Bahrein, Kuwait, qua lo-
cally independent rulers, were in
fact the creation of Great Britain,
and that H.M.G. were bound to mother
them as unsophisticated Arabs and to
safeguard their interests, whether
commercial or political, against all-
comers whether British or foreign.

Note of Interview between Cox and Holmes, 1 Dec.1922,
C.O. 730/26 No.64141

4. A Victorious Syndicate

1. See p.101
2. Minute by Hall, 9 June 1925, C.O. 727/11 No.25312
E.&G.S. to Colonial Office, 18 June 1925, Ibid. No.27834
3. Colonial Office to Petroleum Department, 6 July 1925,
Ibid.
4. See pp.76-77
5. Minute by Hall, 24 July 1925, C.O. 727/11 No.27834
6. A.P.O.C. to Colonial Office, 15 May 1925, L/P&S/10/990
No.3868
7. Petroleum Department to Colonial Office, 16 Mar.1925,
L/P&S/10/993 No.904
8. Colonial Office to Petroleum Department, 29 July 1925,
C.O. 727/11 No.27834
The Muscat oil concession 1925 in POWE 33/521. The
concession was for an initial period of two years
and consequently no attempt to renew it was made by
A.P.O.C. after a preliminary survey which was not
promising.
9. Colonial Office to Petroleum Department, 14 Aug.1925,
C.O. 727/11 No.34865
10. Colonial Office to E.&G.S., 3 Sept.1925, Ibid. No.40002
11. Colonial Office to political resident, 3 Sept.1925,
Ibid.
12. Political agent, Bahrein, to political resident, 30
Oct.1925, R/15/1/649 No.1059
13. The only source of drinking water in Bahrein was a
network of undersea springs from which the pearl-

diving natives gathered fresh water by the use of skin bags and boats. In 1924 a long succession of storms made this procedure difficult and the islands were in dire straits when Holmes offered to drill two water wells. See C.O. 727/10/ No.49551

14. Political resident to Wilson, 1 Dec.1925, R/15/1/649 No.1090
15. The Bahrein oil concession in C.O. 732/34 No.59115
16. See above p.84
17. Agreement between Holmes and the Shaikh of Bahrein, 12 May 1923, (clause 8) in C.O. 727/11 No.27834
18. Holmes to political resident, 18 Jan.1926, R/15/5/238 No.22
19. The British Government felt it could not refuse the explicit request of the Persian Government that British protection should be extended to include Persian nationals, as other foreign nationals in Kuwait. However the Shaikh refused to delegate jurisdiction over Persians in Kuwait to the political agent. For details see F.O. 371/11445/768 /1170
20. Political resident to Colonial Office, 31 Oct.1925, C.O. 727/10 No.49551
21. It should be noted that even the Standard Oil Company of California, which eventually secured the Bahrein oil concession in 1930, faced considerable difficulties in marketing the oil produced in Bahrein. Eventually the company sold half its share in 1936 to the Texas Company which had marketing outlets in the East.
Blair J.M., The Control of Oil (New York, 1976) pp.34-37
'Kuwait Oil', India Office memo, 20 Dec.1934, L/P&S/12/3812 No.7813
22. A.P.O.C. to Colonial Office, 30 Oct.1925, C.O.727/11 No.49227
23. Minute by Hall, 5 Nov.1925, Ibid.

24. Political agent to political resident, 5 Jan.1926, R/15/1/621 No.1253
25. Chisholm A.H.T., Op. cit., Note 32.
26. Wilson in a private letter to the political agent, Kuwait, 12 April 1926, R/15/5/238 No.49
27. Memo by Holmes, 29 Dec.1937, Ward's collection, Summit, New Jersey.
28. Ward T.E., Negotiations for oil Concessions in Bahrain, El Hasa, the Neutral Zone, Qatar and Kuwait (New York, 1965)
The material regarding Ward's involvement was provided by his son T.E. Ward Jr. Ward was born in England in 1889. From 1910 he was involved in oil exploration in Trinidad and by 1923 had founded Oilfield Equipment Company in New York city. His company was principally engaged in export distribution of United States oil industry equipment for oil exploration, drilling and refining and as such he had close contact with many oilmen.
29. Larson H.M., Knowlton E.H. and Popple C.S., New Horizon, The History of the Standard Oil Company of New Jersey 1927-1950 (New York, 1971) pp.38-50
30. From 1922 a group of American oil companies, including the Gulf Oil Corporation, negotiated for a share in T.P.C. For details see:
Davies C., British Oil Policy in the Middle East 1919-1932 (Edinburgh Ph.D., 1973) pp.119-146
31. See pp.117-118
32. It should be noted that from the beginning the Americans agreed to operate in the Persian Gulf through a Canadian company and it was not the result of a compromise between the British and American governments as is widely believed and reiterated. See for instance:
Anderson I.H., Aramco, the United States and Saudi Arabia (New Jersey, 1981) p.23
33. Ibn Saud was engaged in establishing his authority

in Central Arabia. He was proclaimed King of the Hejaz in 1926 and in 1927 the Treaty of Jeddah was signed with Britain recognising the Kingdom of Hejaz and Nejd as a sovereign state. See:

Helms C.M., The Cohesion of Saudi Arabia (London, 1981) pp.215-222

Troeller G., The Birth of Saudi Arabia (London, 1976) pp.216-231

34. Ward T.E., op. cit. pp.72-74
35. Holmes to political agent, Bahrein, 3 May 1928, R/15/5/238 No.313
36. Ward T.E. op. cit. p.75
37. In effect the agreement of 1928 formed part of the 1914 Foreign Office reconciliation agreement between the various parties competing for the Mesopotamian oil concession. It became obvious, particularly to the British, that T.P.C.'s promise of a concession in 1914 and the question of the boundaries of the former Turkish Empire stood or fell together and therefore the initial restrictive clause was continued. For details see F.O. 371/13028/94/330
The Americans, on the other hand, were willing to comply with such a restriction as it gave them the right to participate in oil exploration in a large area, ie. the Persian Gulf and Arabia, which 'would be difficult for American companies to go into unless under some friendly arrangement with the British....' In State Department memo; conversation with Guy Wellman, 28 Jan.1925, 891.6363
This in turn is in contrast to the view of I.H. Anderson who claimed in his recent book that the restrictive Red Line Agreement was the price the Americans had to pay in order to gain access to Iraq's oil.
Anderson I.H., Aramco, the United States and Saudi Arabia (New Jersey, 1981) p.198
38. Ward T.E., op. cit. pp.94-99
39. Ibid. p.106
40. The decision made by Gulf's directors to offer the Bahrein option to T.P.C. alarmed Holmes as he realised that the secrecy about the Syndicate's agree-

ment with the Americans could not be sustained any longer. For the significance of this see p.143

41. Political agent, Kuwait, to Holmes, 29 Nov.1928,
R/15/5/238 No.379

PART III

1. The Bahrein Precedent

1. Holmes to political agent, Bahrein, 8 Dec.1927, R/15/1/649 No.102
2. The geological survey was in accordance with the agreement signed between the Syndicate and the Gulf Oil Corporation on 30 Nov.1927.
3. Holmes, being a British subject, was surprised to learn in 1922 that the British officials in the Persian Gulf knew all along the true purpose of his arrival in the area. For an interesting account see:
Freeth Z. and Winstone V., Kuwait, Prospect and Reality (London,1971) pp.109-111
4. Political resident to Colonial Office, 2 April 1928, L/P&S/10/993 No.3299
5. The Colonial Office was also assured shortly afterwards by A.P.O.C. that the Americans were not interested in Bahrein and this indicates that even A.P.O.C. were unaware of the actual situation.
Minute by the Colonial Office, 30 July 1928, C.O. 732/34 No.59115
6. Minute by Hall, 1 June 1928, Ibid.
7. Colonial Office to political agent, 19 June 1928, L/P&S/10/993 No.3299
8. Britain's stand was well-known to the Syndicate from 1922. See p.112
9. Ward T.E., Negotiations for Oil Concessions in Bahrein El Hasa, the Neutral Zone, Qatar and Kuwait (New York,1965) p.103
10. Minute by Hall, 17 Oct.1928, C.O. 732/34 No.59115

11. E.&G.S. to Colonial Office, 22 Oct.1928, C.O. 732/34 No.59115
12. Colonial Office to E.& G.S., 23 Nov.1928, Ibid.
13. Political resident to Colonial Office, 21 Jan.1929, F.O. 371/13730/281/1128
The agreement with the Shaikh of Bahrein provided for an exploration licence for two years and its extension for a further period of two years subject to the consent of the Shaikh and the British Government. However it also provided for a two year prospecting licence to be granted on application either after the expiry of, or whilst the exploration licence was in effect.
14. E.& G.S. to Colonial Office, 19 Dec.1928, C.O. 732/34 No.59115
15. T.P.C. was offered the Bahrein option on 30 October 1928 but the Dutch and British representatives flatly rejected it and also objected to the Gulf Corporation operating the concession independently. The main reason for A.P.O.C.'s opposition to T.P.C. or Gulf becoming involved in oil exploitation in the Persian Gulf was due to their over-production in Persia. In view of a world oil glut the company had refrained from any extension of its operation in Persia and in fact had shut down productive wells in consideration of world over-production. Obviously any further production in the Gulf would have complicated their position in Persia where they were being urged to expand production. This policy of A.P.O.C., ie. to delay production in the Persian Gulf area, was reflected in their attitude in Iraq, Kuwait and Qatar. See p.322
Blair J.H., The Control of Oil (New York,1976) p.81
16. T.P.C., which changed its name to the Iraq Petroleum Company (I.P.C.) in 1929, was dominated by British interests. A.P.O.C. had a 23½ per cent share, the chairmanship and an addition of 10 per cent of the total oil produced. (In 1931 this was reduced to 7.5 per cent.) The Shell Group, which also had a 23½ per cent stake, was 40 per cent British thus bringing Britain's share to about 34 percent. Moreover under the convention signed between Britain and Iraq the company had to remain a British company.

17. Minute by Colonial Office, 28 Dec.1928, C.O. 732/34 No.59115
18. Memo on the oil interests in the Persian Gulf, June 1928, L/P&S/10/993 No.5518
19. Petroleum Department to Colonial Office, 2 March 1929, C.O. 732/39 No.69035
20. India Office to Colonial Office, 13 March 1929, C.O. 732/39 No.69035
21. Political agent, Bahrein, to political resident, 17 Dec.1928, L/P&S/10/993 No.1081
22. Although the various ministries still considered I.P.C.'s entering Bahrein as a possible solution to their difficulties, this option was no longer available as the Standard Oil Company of California, which was not a member of I.P.C., had already acquired the Gulf Oil Corporation's option for the Bahrein oil concession.
23. Minute by Hall, 5 March 1929, C.O. 732/39 No.69035
24. Colonial Office to Admiralty, Foreign Office, India Office, 24 March 1929, F.O. 371/13730/281/1513
25. Longrigg S.H., Oil in the Middle East: its Discovery and Development (London,1968) p.102
Miller A.D., Search for Security (Chapel Hill,1980) p.16
Sampson A., The Seven Sisters: The Great Oil Companies and the world they made (London,1976) p.84
Fanning L.M., American Oil Operations Abroad (New York,1947) p.92
Jacoby N., Multinational Oil: A Study in Industrial Dynamics (New York,1974) p.35
Wilkins M., The Maturing of Multinational Enterprise: American Business Abroad from 1914 to 1970 (Cambridge, 1974) p.214

26. In 1918-20 forecasts predicted a national shortage of oil, and a genuine belief that the Americans were entitled to a share in Iraq's oil as the spoils of war prompted an aggressive State Department response. For details see :
DeNovo J.A., 'The Movement for an Aggressive American Oil Policy Abroad 1918-1920', American Historical Review, LXI (1955/6)
27. The Gulf Oil Corporation sold its option for the Bahrain oil concession to the Standard Oil Company of California and was committed to securing British Government acquiescence to the transfer.
28. State Department to United States Ambassador, London, 25 March 1929, 863.6 Bahrain
29. State Department to United States Embassy, London, 28 March 1929, Ibid.
30. Memo by Atherton, 3 April 1929, F.O. 371/13730/281/1697
31. Persian Gulf: The Oil Situation, 8 Jan.1934, ADM 1/8773/57
32. As the Admiralty was not party to the negotiations between the British Government and the Syndicate, the right to pre-emption of the oil produced in Bahrain was not included in the stipulations agreed. The stipulations in Bahrain were initiated by the Colonial Office and the India Office and therefore were to safeguard Britain's political interests and as such were designed to control direct contact between the Americans and the Shaikh. However in Kuwait the Admiralty was party to the negotiations and succeeded in committing the Kuwait Oil Company to comply with this requirement.
33. Davenport E.H. and Cooke S.A., The Oil Trusts and Anglo-American Relations (London,1923) pp.70-123
Davies C., British Oil Policy in the Middle East 1919-1932 (Edinburgh Ph.D., 1973) pp.119-138
DeNovo J.A., American Interests and Policies in the Middle East, 1900-1939 (Minneapolis,1963) pp.167-196
Stivers W., 'International Politics and Iraqi Oil, 1918-1928: A Study in Anglo-American Diplomacy',

Business History Review, Vol.LV NO.4 (Winter 1981)

Denny L., We Fight for Oil (London,1928) pp.12-48

34. Memo by the Department: Bahrein oil concession and United States interests, May 1929, F.O. 371/13730/281/2521
35. Minute by Walton (India Office), 7 May 1929, L/P&S/10/993 No.3358
India Office to Foreign Office, 10 May 1929, F.O. 371/13730/281/2405
36. Viceroy to Secretary of State for India, 12 May 1929, Ibid 2452 & 3358
37. Minute by Bigg (Colonial Office), 12 April 1929, C.O. 732/39 No.69035
38. In 1929 two events conspired to challenge Britain's nationalistic oil policy. Firstly the case of Bahrein and the American request for a statement of the British Government's general policy on the operation of concessions by foreigners in territories such as the Persian Gulf. Secondly a request by the Governor of British Guiana that the government waive the restriction in that colony on the development of oil-bearing territory by foreign capital. For more detail see: F.O. 371/13740/252/3407 and pp.166-171
39. Minute by Hall (Colonial Office), 24 May 1929, C.O. 732/39 No.69035
40. Foreign Office to Atherton, 29 May 1929, Ibid.
41. State Department Memo, 15 June 1948, 890B 6363/6
Division of Near Eastern Affairs to Assistant Secretary of State, 1 Dec.1931, 890B 6363/3
42. Colonial Office to Foreign Office, 17 June 1929, F.O. 371/13730/281/3091
43. Meeting between Colonial Office and E.& G.S., 31 July 1929, C.O. 732/39 No.69035

44. Minute by Walton (India Office), 15 Aug.1929,
L/P&S/10/993 No.5331
45. Meeting between Colonial Office and E.& G.S., 8 Aug.
1929, C.O. 732/39 No.69035
46. Chisholm A.H.T., op. cit. note 46

2. In Pursuit of a 'Closed Door'

1. Gulf Oil Corporation to E.&G.S., 19 March 1930, E.&G.S. Board Minute, 30 Sept.1930, J. Janson's Collection, London
2. Political resident to Colonial Office, 1 Sept.1930, C.O. 732/45 No.79178
3. Political resident to Colonial Office, Ibid.
4. E.& G.S. to Colonial Office, 17 Oct.1930, C.O. 732/45 No.79178
5. See pp.156-157
6. For the Anglo-American controversy in Iraq see pp.61-62 and 154
7. CAB 24/215 No.1017 B, 16 Sept.1930
As early as 1920 a government paper stated that
while safeguards should be insisted on,
it seems to be a very doubtful policy
for a country like the United Kingdom
which depended more than any other both
on foreign investment and on drawing raw
material from foreign lands to set an
example of exclusiveness.
Memo of the Acquisition by foreigners of mining and
oil rights in British Dominions, 23 April 1920,
F.O. 371/4329/192310
8. For detail on the development of the international
oil industry see:
Larson H.M., Knowlton and Popple C.S., New Horizons:
History of Standard Oil Company of New Jersey (New
York, 1971) pp.303-318
Wilkins M., The Maturing of Multinational Enterprise:
American Business Abroad from 1914 to 1970 (Cambridge,
1974) pp.86-88 & 233-234
9. CAB 23/65 71 1930

10. Political resident to Colonial Office, 17 Sept.1930, C.O. 732/45 No.79178
11. Political resident to Government of India, 6 Feb.1932, R/15/1/639 No.193
12. Petroleum Department to Colonial Office, 28 Oct.1930, C.O. 732/45 No.79178
13. Sir John Cadman, who organised and directed the Petroleum Executive under Walter Long during the War and advised the Colonial Office on oil matters, had retired in October 1921 to join A.P.O.C. as technical adviser. However the British Government suggested to Greenway, A.P.O.C.'s chairman, that Cadman should be appointed managing director. Greenway replied on 27 September 1922 that 'there was very strong opposition to the proposal' and refused to appoint Cadman to the proposed post especially as shortly before the A.P.O.C. board had confirmed that D. Stewart was to succeed Greenway on his retirement. However the British Government continued to press upon Greenway Cadman's appointment explaining that his 'intimate knowledge of the oil policy of the government.....may be utilised to the best advantage of the company.' Consequently A.P.O.C. gave in and Cadman was invited to join the board. On 26 September 1925 Stewart resigned on grounds of ill-health and Cadman was nominated Greenway's successor. See POWE 33/96
14. Minute by James, 6 Nov.1930, C.O. 732/45 No.79178
15. A.P.O.C. to Admiralty, 26 July 1932, ADM/116/2901
16. Chisholm A.H.T., op. cit. p.19
17. See pp.123-126
18. Petroleum Department to Colonial Office, 20 Jan.1931, F.O. 371/15277/325/325
19. Political agent to political resident, 2 Sept.1930, R/15/1/638 No.1238
20. Political resident to Colonial Office, 9 Nov.1930, C.O. 732/45 No.79178

21. Colonial Office to E.& G.S., 31 Jan.1931, Ibid.
22. Minute by Shuckburgh, 11 March & 17 March 1931, C.O. 732/50 No.89178
23. Political agent to political resident, 21 May 1931, C.O. 732/50 No.89178
Political agent to political resident, 25 May 1931, R/15/1/639 No.784
24. This was admitted by Holmes a year later.
Political agent to political resident, 1 May 1932, C.O. 732/52 No.89026
25. E.&G.S. to Colonial Office, 4 Aug.1931, C.O. 732/50 No.89178
Minute by Shuckburgh, 21 Aug.1931, Ibid.
26. Colonial Office to Foreign Office, 10 Aug.1931., F.O. 371/15277/325/4142
27. India Office to political resident, 11 Aug.1931, R/15/1/639 No.964
28. Political agent to Wilson(A.P.O.C.), 25 Sep.1931, & 4 Nov.1931 R/15/5/239 No.120
29. Political agent to political resident, 3 Oct.1931, R/15/1/639 No.1500
Political resident to Colonial Office, 3 Nov.1931, C.O. 732/50 No.89178
30. Colonial Office's memo, Aug.1930, C.O. 732/45 No.79171
31. Conversation between political agent and Shaikh, 24 Oct.1931, R/15/1/639 No.1501
32. Political agent to political resident, 20 July 1928, R/15/5/238 No.349
33. Colonial Office to political resident, 28 Nov.1928, R/15/5/238 No.431
Political agent to political resident, 4 Feb.1929, R/15/1/638 No.86

34. Copy of the Shaikh's letter in Chisholm A.H.T., note 42
35. Political agent to political resident, 14 Sept.1931,
R/15/5/239 No.670
Political agent to political resident, 3 Oct.1931,
R/15/1/639 No.1500
Ibn Saud's trade blockade was kept in operation from
the early twenties in order to divert trade from Ku-
wait to his own ports on the Hasa coast. As regards
the Date gardens; Shaikh Mubarak was promised by the
British that his property in Mesopotamia would not
be subject to taxation. However the Iraqi Govern-
ment withdrew the exemption after the War. See:
L/P&S/10/992 No.1105
Freeth Z. & Winstone V., Kuwait, Prospect and Reality
(London,1971) pp.111-118
36. A.P.O.C. to Petroleum Department, 25 Aug.1931, C.O.
732/50 No.89178
37. Petroleum Department to Colonial Office, 10 Sept.
1931, C.O. 732/50 No.89178
38. Political resident to Colonial Office, 3 Nov.1931,
Ibid.
39. Wilson to Political agent, 28 Aug.1931, R/15/5/239
No.120

3. The United States Government Steps In

1. Gulf Corporation to Secretary of State, 27 Nov.1931, 890 B 6363/1
2. The Syndicate was told to the contrary. See above p.156
3. The exclusion of Kuwait territory from the former Turkish Empire was initiated by the British Government as early as 1914. See pp.40-42
4. The same practice was followed later in Saudi Arabia. See: Stoff M.B., Oil, War and American Security (London,1980) p.40
5. Wallace M. to Castle, 1 Dec.1931, 890 B 6363/3
6. Wallace M. to Secretary of State, 3 Dec.1931, Ibid. No.5
7. Chisholm A.H.T., op.cit. note 46
8. A.W. Mellon to Ambassador Dawes, 29 May 1929,
Memo for Dawes, 16 July 1929,
Memo for Atherton, 15 April 1929,
All in 863.6 Bahrein
9. For more details see:
Butler R., Dakin D. & Lambert M.E., Documents on British Foreign Policy 1919-1939. (H.M.S.O.) Second Series, Vol.IX; The Far East Crisis 1931-2
10. Foreign Office to Colonial Office, 12 Dec.1931, C.O. 732/50/ No.89178
11. Colonial Office to Foreign Office, 17 Dec.1931, Ibid. Colonial Office Minute, 12 Dec.1931, Ibid.
12. Foreign Office to Atherton, 22 Dec.1931, Ibid.
13. Chisholm A.H.T., op.cit. note 46

14. Minute by Oliphant, 1 Jan.1932, F.O. 371/15277/325/6414
15. Minute by Warner (Foreign Office), 2 Jan.1932, Ibid.
Minute by James (Colonial Office), 2 Jan.1932, C.O. 732/50 No.89178
16. Petroleum Department to Colonial Office, 7 Jan.1932, C.O. 732/52 No.98026
17. Colonial Office to Foreign Office, 13 Jan.1932, F.O. 371/16001/121/207
18. India Office to Foreign Office, 15 Jan.1932, F.O. 371/16001/121/261
19. Minute by Rendel, 30 Jan.1932, Ibid. 495
India Office to Government of India, 3 Feb.1932, Ibid.
20. Foreign Office to Colonial Office, 19 Feb.1932, C.O. 732/52 No.98026
21. Minute by James & Flood, 23 Feb.1932, Ibid.
22. Colonial Office to Foreign Office, 31 March 1932, F.O. 371/16001/121/1580
23. Viceroy to Secretary of State for India, 25 Feb.1932, Ibid. 1019
24. Foreign Office to Admiralty, 4 March 1932, F.O. 371/16001/121/1019
Colonial Office to Admiralty, 2 March 1932, C.O. 732/52 No.89026
25. Minute by the Admiralty, 10 March 1932, ADM 116/2901
For the Admiralty's general policy vis-à-vis the American navy see Roskill S., Naval Policy between the Wars, Vol.II (London, 1968) pp.134-163
26. Interdepartmental conference, 11 March 1932, F.O. 371/16001/121/1347

27. British Embassy to Secretary of State, 30 Dec.1935, 841. 6363/412
In July 1936 the United States recognised Britain as a reciprocal country under the Mineral Leasing Act of 1920 and subsequently British interests (A.P.O.C.) were allowed to enter North America for oil exploration.
28. Interdepartmental conference, 11 March 1932, F.O. 371/16001/121/1347
29. Admiralty to Foreign Office, 14 March 1932, F.O. 371/16001/121/1348
30. Admiralty's memo, 15 March 1932, Ibid, 1378
Ironically twenty years later the Abadan crisis, ie. the nationalisation of A.P.O.C.'s property in Iran, proved the importance of Kuwait's oil for Britain. See: Freeth Z. & Winstone V., Kuwait, Prospect and Reality (London,1971) p.177
Sampson A., The Seven Sisters: The Great Oil Companies and the world they made (London,1976) p.121
31. Minute by Warner (Foreign Office), 19 March 1932, F.O. 371/16001/121/1378
32. State Department to Atherton, 7 April 1932, 890B 6363/53
33. Atherton to Foreign Office, 29 March 1932, F.O. 371/16001/121/1549
34. CAB 24/229 C.P.120
CAB 23/71 20(32)
35. Secretary of State to Prime Minister, 8 April 1932, F.O. 371/16002/121/1733
36. Chisholm A.H.T., op.cit. Note 47
37. Minute by Oliphant, 11 April 1932, F.O. 371/16002/121/1897
38. A.P.O.C. to Shaikh of Kuwait, 13 April 1932, cited in Chisholm A.H.T., op.cit. Note 50

4. Oil: 'an Unclean Subject'

1. Minute by Warner, 27 April 1932, F.O. 371/16002/121/2064
2. Colonial Office to Foreign Office, 26 April 1932, Ibid.
3. Minute by Rendel, 26 July 1932, Ibid. 3589
4. Minute by Director of Plans, 10 June 1932, ADM 116/2901
5. Ibid.
6. Colonial Office to E.&G.S., 10 May 1932, C.O. 732/52 No.98026
7. Colonial Office to political resident, 9 May 1932, Ibid.
8. Wilson to Dickson, 29 April 1932, Ibid.
9. Political agent to political resident, 16 May 1932, R/15/5/239 No.306
10. Minute of Bushire Residency, 24 May 1932, R/15/1/621 No.332
11. Political resident to Colonial Office, 26 May 1932, Ibid. No.830
12. Political agent to political resident, 16 May 1932, R/15/5/239 No.306

Mr. Chisholm admitted his mistake to the writer at their meeting in August 1981. Chisholm claimed in his book that A.P.O.C. approached the Shaikh again on 29 April (Wilson's letter to Dickson) on learning that the British Government had waived the nationality clause. However as seen above the company had known of it since 11 April, two days before they wrote to the Shaikh informing him of the sudden withdrawal of their geologists from Kuwait and of

the fact that they were no longer interested.
Chisholm A.H.T., op.cit. p.21

13. See above p.218
14. Wilson to Dickson, 29 April 1932, C.O. 732/52 No.98026
15. The Foreign Office letter to the United States Embassy was sent on 9 April while the Colonial Office informed the Syndicate a month later on 10 May 1932.
16. Holmes believed that this sentence was deliberately incorporated by the British Government in order to cause him difficulties vis-à-vis the Shaikh. As seen above p.221 this was not the case.
17. Political agent to political resident, 1 May 1932, F.O. 371/16002/121/2828
18. Chisholm A.H.T., op.cit. p.21
19. Political resident to political agent, 13 May 1932, R/15/5/239 No.306
20. State Department Memo; Concession which the Gulf Oil Corporation is seeking in the Shaikhdom of Kuwait, 15 June 1932, 890B 6363/87
21. See p.160
For the full terms of the concession see Chisholm A.H.T., op.cit. Note 51
22. Political resident to Colonial Office, 26 May 1932, R/15/5/239 No.392
23. Political agent to Gass (A.P.O.C.), 21 June 1932, R/15/5/239 No.362
24. Political resident to Colonial Office, 31 May 1932, R/15/5/239 No.334
It seems that by now various British officials were

becoming aware of A.P.O.C.'s real objectives in Kuwait. Nevertheless they continued to support A.P.O.C. thus acting contrary to the Shaikh's interests and delaying oil exploration in Kuwait.

25. Chisholm A.H.T., op.cit. pp.22-23
26. Baghdad Consulate to State Department, 4 April 1932, 890B 6363/38
Interviewing Sir Philip Southwell, June 1981.
27. Political agent to political resident, 18 June 1932, C.O. 732/52 No.98026(I)
28. Chisholm A.H.T., op.cit. Note 61
29. Political agent to Gass(A.P.O.C.), 29 June 1932, R/15/5/239 No.362
30. Minute by Rendel, 26 July 1932, F.O. 371/16002/121/3589
31. Interdepartmental meeting, 5 Aug.1932, F.O. 371/16002/121/4112
R/15/1/621 No.1379
L/P&S/10/991 No.4234
32. Colonial Office to political resident, 24 Aug.1932, C.O. 732/52/no.98026(II)
33. Minute by Flood (Colonial Office), 27 Aug.1932, Ibid.
34. For the full draft concession see Chisholm A.H.T., op.cit. Note 63
35. Political agent to political resident, 18 Aug.1932, R/15/1/621 No.1359
The political agent had adopted a very unbalanced attitude and despite the government's declared neutrality, assisted A.P.O.C. in any way he could. Therefore it is ironic that later when the Shaikh stopped confiding in him concerning the oil issue, the political agent was surprised and complained to the political resident that he could not under-

stand why the Shaikh 'never yet asked me my advice or confided to me any of his difficulties' while on 'other matters I appear to have his complete confidence.'

See pp.273-274

36. Political agent to political resident, 23 Aug.1932, R/15/1/621 No.1369
37. Ibid.
38. Political resident to Colonial Office, 25 Aug.1932, C.O. 732/52 No.98026(II)
39. See p.238
40. Division of Near Eastern Affairs to Secretary of State, 22 March 1932, 890B 6363/45
41. State Department to Gulf Oil Corporation, 24 Aug.1932, 890B 6363/128
42. Gulf Oil Corporation to M. Wallace, 25 Aug.1932, Ibid./129
Gulf Oil Corporation to Secretary of State, 30 Aug. 1932, Ibid./131
43. Atherton to Foreign Office, 6 Sept.1932, Chisholm A.H.T., op.cit. Note 47
44. See p.198
45. Meeting, 15 Sept.1932, C.O. 732/52 No.98026(II)
46. Foreign Office to Atherton, 16 Sept.1932, Chisholm A.H.T., op.cit. Note 47
47. Colonial Office to political resident, 30 Sept.1932, R/15/5/240 No.781
48. Division of Near Eastern Affairs, 1 Oct.1932, 890B 6363/153

49. State Department to United States Embassy, London,
4 Oct.1932, 890B 6363/155
50. Minute by Vansittart, 18 Oct.1932, F.O. 371/16002/
121/5410
51. See above p.199
52. Kuwait oil concession, F.O. 371/16002/121/5764
Note by Sir George Rendel on the history of the ne-
gotiations and grant of the Kuwait oil concession,
7 July 1966, Ward Collection, Summit, New Jersey,
United States of America.
53. Foreign Office to Petroleum Department, 3 Nov.1932,
F.O. 371/16002/121/5764
54. Petroleum Department Memo, Ibid. 5883
The State Department, which also received a copy
through the Shaikh of Kuwait, considered it biased.

Not one favourable comment is made with
respect to the Syndicate's draft; on the
contrary, some of the Syndicate's offers
are twisted and misinterpreted in such
a manner as to make them appear unattrac-
tive even when they are obviously more
advantageous to the Shaikh than are the
terms of the A.P.O.C.'s draft.

Division of Near Eastern Affairs, 27 Feb.1933, 890B
6363/177
55. Foreign Office to United States Embassy, 11 Nov.1932,
F.O. 371/16002/121/5853
56. Admiralty to Colonial Office, 18 Nov.1932, C.O. 732/
52 No.98026(II)
57. Minute by Flood, 16 Nov.1932, Ibid.
58. Minute by Blaxter (Colonial Office), 12 Nov.1932,
Ibid.
59. Minute of Colonial Office, 20 Feb.1933, C.O. 732/
57 No.18119

As responsibility was soon to pass to the India Office, the Colonial Office disappeared altogether from the scene.

60. India Office to Colonial Office, 12 Nov.1932, C.O. 732/52 No.98026(II)
61. Minute by Flood (Colonial Office), 16 Nov.1932, Ibid.
62. Vansittart to Eyres-Mansell, 24 Nov.1932, F.O. 371/16002/121/6063
63. Committee of Imperial Defence, 2 Dec.1932, POWE 33/241
64. Division of Near Eastern Affairs, 27 Dec.1932, 890B 6363/167
65. Colonial Office to political resident, 22 Dec.1932, F.O. 371/16003/121/6830
66. Division of Near Eastern Affairs, 20 Dec.1932, 890B 6363/168

5. Second Thoughts on Policy

1. Minute by Director of Plans, 12 Dec.1932, ADM 116/2901
2. Admiralty to Commander-in-Chief, East India, 20 Dec. 1932, Ibid.
3. Political agent to political resident, 28 Dec.1932, R/15/5/240 No.956
4. Colonial Office to E.&G.S., 17 Jan.1933, L/P&S/10/992 No.392
5. Political resident to Colonial Office, 27 Dec.1932, Ibid. No.439
A.P.O.C. to political resident, 3 Jan.1933, C.O. 732/57 No.18119
6. Chisholm A.H.T. op.cit. p.29
7. Memo by the Division of Near Eastern Affairs, 27 Feb. 1933, 890B 6363/176 & 177
political agent to political resident, 22 March 1933, R/15/1/623 No.567
8. Political resident to political agent, 6 Feb.1933, L/P&S/10/992 No.904
9. Shaikh of Kuwait to political agent, 14 Feb.1933, L/P&S/10/992 No.1541
10. See above p.188
11. Political agent to political resident, 15 Feb.1933, R/15/1/623 No.351
12. Ibid.
13. Political agent to political resident, 22 March 1933, Ibid. No.567

14. Political agent to political resident, 1 Feb.1933, Ibid. No.276
15. Political agent to political resident, 2 Feb.1933, Ibid. No.274
Political agent to political resident, 3 May 1933, Ibid No.820
16. Political agent to political resident, 15 Feb.1933, Ibid. No.351
Political agent to political resident, 22 March 1933, Ibid. No.567
Political agent to political resident, 3 May 1933, Ibid. No.820
17. Meeting between political resident and Shaikh, 10 April 1933, R/15/1/623 No.956
18. Petroleum Department to Colonial Office, 16 Feb. 1933, F.O. 371/16835/12/1135
19. Political resident to India Office, private and personal, 20 Jan.1933, L/P&S/10/992 No.556
20. Admiralty to India Office, 3 March 1933, L/P&S/10/992 No.1399
21. Minute by Laithwaite(India Office), 3 March 1933, L/P&S/10/992 No.1399
Minute by Rendel(Foreign Office), 4 March 1933, F.O. 371/16835/12/1196
22. India Office to Admiralty, 13 March 1933, F.O. 371/16836/12/1389
Colonial Office to Petroleum Department, 22 Feb. 1933, L/P&S/10/992 No.1105
Colonial Office to A.P.O.C., 15 March 1933, F.O. 371/16836/12/1421
23. Colonial Office to political resident, 14 March 1933, Ibid. 1420
24. Minute by Rendel, 16 March 1933, F.O. 371/16835/12/1196

25. See pp.323-331
26. Chisholm A.H.T., op.cit. Note 79
27. Cadman visited Kuwait in 1913 as he was a member of the Slade Commission. See p.34
28. Political agent to political resident, 30 April 1933, R/15/5/241 No.238 and p.272
29. Minute by Rendel, 23 March 1933, F.O. 371/16836/12/1426
30. India Office to political resident, 1 April 1933, Ibid. 1678
31. Meeting of 26 April 1933, L/F&S/10/992 No.2607
Meeting of 3 May 1933, Ibid. No.2843
32. Chisholm A.H.T., op.cit. Note 86
33. Ibid. p.36
34. Minute by Warner (Foreign Office), 17 May 1933, F.O. 371/16836/12/2557
35. Chisholm A.H.T., op.cit. p.36
Political agent to political resident, 25 May 1933, R/15/1/623 No.981
36. Chisholm A.H.T., op.cit. p.35
37. Political agent to political resident, 9 May 1933, R/15/1/623 No.900
38. See p.102

6. The Richest Prize: Saudi Arabia

1. See pp.81-92
2. Kuwait Intelligence Summary, 10 Aug.1933, R/15/1/641
No.1556
Interview with Holmes & Janson, F.O. 371/17810/189/854
3. Conversation with Mr. Francis B. Loomis regarding
the interest of the Standard Oil Company of California
in El Hasa, 1 Dec.1932, 89OF 6363/3
4. See p.89
5. A. Ryan to Foreign Office, 11 April 1933, F.O. 371/
16871/487/2172
6. United States Consulate, Cairo, 89OF 6363/15
7. Blair J.M., The Control of Oil (New York,1976) pp.54-63
8. As regards A.P.O.C.'s policy see p.175. This problem
of over-production, its solution in the Persian Gulf
and its effect of production in Persia was illustrated
by the agreement reached between A.P.O.C. and Gulf
in Kuwait a few months later. See pp. 321-323.
In this respect it is interesting to note the Americans'
conviction, government and companies alike, that A.P.O.C.
actually dominated I.P.C. and 'did not want to see Iraq
fields enter commercial production as it would reduce the
opportunity of marketing oil from Persia.'
State Department Memo of conversation with Getty Oil
Company, 89OG 6363/7/4
9. Originally seven American oil companies were interested
but by 1928 only five were left to participate in the
American Near East Development Company which was accorded
23 1/2 per cent of T.P.C. For details see: Bryson T.A.,
American Diplomatic Relations with the Middle East 1784-1975
(New Jersey,1977) pp.96-109
10. Participation of the American group in T.P.C., 4 Feb.
1925, 891 6363 Iraq

11. Hamilton C.W., Americans and Oil in the Middle East (Houston, 1962) p.142
12. American Consulate, Baghdad, to State Department, 6 Aug. 1930, 890B 6363/31
13. For the concession terms see: Anderson I.H., Aramco, the United States and Saudi Arabia (New Jersey, 1981) p.25
14. Ibid. pp.27-28
15. It seems that the British Government hardened its attitude towards the Americans and in particular to the Standard Oil Company of California, and was determined to prevent any further oil concessions in the Persian Gulf going to them, especially those in which they had shown interest. Qatar's concession is a good example of this. At the time A.P.O.C., acting on behalf of I.P.C., negotiated for the Qatar oil concession. On realising the possibility that Ibn Saud might give active support to Socal to secure the Qatar concession, (the same argument used in Kuwait) the British Government promised the Shaikh of Qatar protection against landward aggression. On 23 February 1934 the Committee of Imperial Defence recommended that 'H.M.G. are prepared to give the Shaikh a guarantee in respect of unprovoked aggression by land in return for the grant by him of an oil concession to the A.P.O.C.' (This was contrary to the prevailing British policy of not extending commitments in the Persian Gulf, at least formally and publicly.) See CAB 53/3 No.29
For more details see F.O. 371/17798 and F.O. 371/17799
Later the Trucial chiefs were also pressured hard to sign their concessions to I.P.C. See: Muhammad Morsy Abdullah, The United Arab Emirates (New York, 1978) pp.62-71
The United States Government was aware of the British hostile attitude towards Socal but refrained from taking action. See: American capital investment in Saudi Arabia, report by L.B. Morris, American Consul General, Alexandria, Egypt 1937, 125 0090F/18.
Legation of the United States in Baghdad to State Department, 12 Dec. 1934, 790B 90F 15/12
16. A. Ryan to Foreign Office, 1 June 1933, R/15/5/242 No.688

17. See p.101
18. Political agent to Special Service Officer, Basra, 17 April 1933, R/15/5/241 No.335
Political agent to political resident, 27 April 1933, Ibid. No.392
Political agent to political resident, 5 June 1933, R/15/5/242 No.647
19. Only later did it become clear that Dickson was wrong. Holmes became in fact persona non grata in Ibn Saud's eyes because of the non-payment of certain dues claimed by the king when the Hasa oil concession petered out. By May 1934 the Foreign Office view had changed considerably as Rendel considered that 'Ibn Saud gave British interests every opportunity of tendering for the Hasa concession. He has given no indication of trying to make unnecessary difficulties for us and on the contrary his general policy has been to cooperate with us and rely on our support.' See Minute by Rendel, 28 May 1934, F.O. 371/17827/3396/3396
20. Political resident to Colonial Office, 21 June 1933, L/P&S/10/992 No.3692
21. Note by Sir Andrew Ryan, 16 Aug.1933, F.O. 371/16870/420/4837
22. Extract from letters from E.H.O. Elkington dated 7 June & 19 June 1933, F.O. 371/16837/12/3651
23. Nevertheless British interests held the biggest share - 33 $\frac{1}{3}$ per cent, the chairman was Cadman and the company was technically a British company as in Article 32 of its convention with the government of Iraq the company had to remain a British company registered in Great Britain, and the chairman had at all times to be a British subject.
24. India Office to political resident, 26 Aug.1933, R/15/5/242 No.1112
According to the Americans Holmes had been a source of embarrassment to Socal in view of his activities in Kuwait for Gulf. Therefore Socal was glad of the

opportunity which the India Office gave them of dispensing with Holmes' services. 9 Jan.1934, 890B 6363/37

25. Political agent to Shaikh of Kuwait, 29 April 1933, R/15/5/241 No.446
26. India Office to Sir Clive Wigram, 4 July 1933, L/P&S/10/992 No.3750
27. India Office to political resident, 3 July 1933, F.O. 371/16837/12/3695
28. Political resident to India Office, 28 Nov. 1933 L/P&S/10/992 No.7741
29. India Office to Petroleum Department, 30 Nov.1933, Ibid.
30. Interdepartmental meeting, 11 Dec.1933, F.O. 371/16837/12/7703
31. India Office to Foreign Office, 13 Dec.1933, L/P&S/10/992 No.8035
32. Foreign Office to India Office, 14 Dec.1933, Ibid. No.8054
33. India Office to A.P.O.C., 18 Dec.1933, Ibid. No.8205

PART IV

1. 'If you can't beat them, join them'

1. Minute by James(Colonial Office), 2 Jan.1932,
C.O. 732/50 No.89178
2. Jackson to Wallace, 26 July 1932, Chisholm A.H.T.,
op.cit. Note 65
3. See p.143
4. Wallace to Jackson, 8 Sept.1932,Chisholm A.H.T.,
op.cit. Note 65
The chief of the Near Eastern Division of the State
Department remarked after reading Jackson's 26
July letter;
I must confess that this is the first
time I have ever heard it suggested that
the British Government is backward in
according reasonably fair treatment to
the A.P.O.C., but I am always glad to
learn something new.
890B 6363/120
5. Chisholm A.H.T., op.cit. Note 76
6. See p.123
7. See pp.26-27
8. Minute by Oliphant, 13 Oct.1932, F.O. 371/16002/
121/5295
For the agreements signed between the major oil
companies during the thirties see:
Blair J.M., The Control of Oil (New York,1976) pp.54-76
9. Chisholm A.H.T., op.cit.p.27
10. Minute by Warner, 27 Dec.1932, F.O. 371/16003/121/
6830

11. Cadman to Oliphant, 31 Dec.1932, F.O. 371/16835/12/25
12. India Office to Foreign Office, 19 Jan.1933, Ibid. 413
13. Admiralty to Foreign Office, 27 Jan.1933, Ibid. 562
14. Rendel to Warner, 3 Feb.1933, Ibid. 723
15. Memo by A.W. Mellon, 1 March 1933, 683.6 Kuwait
16. Chisholm A.H.T., op.cit. Note 77
17. See pp.286-290
This in turn explains the harsh terms A.P.O.C. imposed on Gulf when eventually the two companies combined their forces.
18. For the new concession which accorded the Persian Government higher royalty see:
Elwell-Sutton L.P., Persian Oil (London,1955) pp.22-23
19. Chisholm A.H.T., op.cit. p.37
20. Minute by Oliphant, 23 Feb.1933, F.O. 371/16835/12/913
21. Ward T.E., op.cit. pp.233-239

The E. & G.S. retained their over-riding royalty in Bahrein but sold its right in Kuwait. During the sixties the over-riding royalty in Bahrein was worth about £136,000 per annum, whereas in Kuwait it was about £5,000,000.
22. Chisholm A.H.T., op.cit. Note 96
23. Anderson I.H., Aramco, the United States and Saudi Arabia (New Jersey,1981) pp.59-60
Department of State Memo, 4 Nov.1943, Petroleum Division of the United States, Box 1, lot 17

24. The only other purely British company which might have been interested in the region's oil potential was the Burmah Oil Company. However, despite inducement from A.P.O.C. in an attempt to by-pass the Red Line Agreement and the British Government, Burmah refused to extend their operation west of India. (The Burmah Oil Company was the second largest shareholder of A.P.O.C.). For more details see: F.O. 371/18916/452/6564 and Minute of the Petroleum Department, 28 Aug.1934, POWE 33/521
25. Note of interview, 4 Jan.1934, L/P&S/12/3808 No.145
26. See pp.316-317
27. As seen, p.160, due to the British Government's weak legal position in Bahrein the stipulations agreed were to secure Britain's political interests and not its oil interests.
28. Admiralty to India Office, 24 Jan.1934, L/P&S/12/3808 No.588
29. Political resident to India Office, 1 Feb.1934, Ibid. No.780
30. Meeting between Fraser and India Office officials, 3 Jan.1934, L/P&S/12/3808 No.101
31. Minute by Rendel, 13 Dec.1934, F.O.371/15837/12/7703
32. Note of Interview, 4 Jan.1934, L/P&S/12/3808 No.145
33. Interviewing Sir Philip Southwell, June 1981. He was an A.P.O.C. geologist who reported favourably about Kuwait's oil potential and later became the Kuwait Oil Company's managing director.
34. Foreign Office to India Office, 30 Jan.1934, F.O. 371/17808/160/160
35. This complete success by the company was achieved despite an Admiralty decision not to waive this requirement. ADM 1/8773

36. The political agreement cited in Chisholm A.H.T.,
Note 98
Similar political agreements were signed with
I.P.C. subsidiaries which secured the Qatar and
Trucial Coast oil concessions.

2. The British Government Nominee: the Kuwait Oil Company

1. Petroleum Department to India Office, 12 Jan.1934, L/P&S/12/3811 No.379
2. I.P.C. were nominated by the British Government for securing the Neutral Zone oil concession. See p.301
3. Extract from letter from Mr. Elkington to A.P.O.C.'s head office, London, L/P&S/12/3808 No.976
4. India Office to Political resident and political agent, 13 Feb.1934, Ibid.
5. Political resident to India Office, 16 Feb.1934, Ibid. No.1120
6. See p.272
7. Chisholm A.H.T., op.cit. p.45
8. Political agent to political resident, 14 March 1934, F.O. 371/17808/160/2034
9. Political agent to political resident, 1 March 1934, R/15/5/243 No.147
10. Chisholm A.H.T., op.cit. p.47
11. It should be noted that events in neighbouring countries were very much on the Shaikh's mind because if he secured less advantageous terms than other rulers it might be translated in such a way as to undermine his independence and status. A.P.O.C. in turn were also well aware of the close link as throughout they had considered the implication of a higher royalty in the Persian Gulf and Arabia on the Persian Government. There is no doubt that the favourable terms accorded to the Iraqi Government in 1931 by I.P.C. contributed to the cancellation of A.P.O.C.'s concession in Persia in 1932.

12. It was decided by Holmes and Chisholm that all their formal interviews with the Shaikh would be conducted jointly.
13. Chisholm A.H.T., op.cit. p.47
14. Foreign Office to India Office, 8 March 1934, R/15/5/244 No.113
15. Political resident to India Office, 26 March 1934, Ibid. No.115
16. A.P.O.C. persuaded the British Government that it was better this way as the government was in Loco parentis to the Shaikh on this matter and therefore should not be aware of the figures.
17. Political resident to India Office, 16 Feb.1934, F.O. 371/17807/160/1363
India Office to political resident, 7 March 1934, Ibid. 1479
18. India Office to Foreign Office, 12 March 1934, Ibid. 1616
Minute by Laithwaite (India Office), 9 March 1934, L/P&S/12/3811 No.1639
19. Foreign Office Memo on Kuwait oil, F.O. 371/17808/160/1201
20. Minute by Rendel, 1 March 1934, Ibid.
21. India Office to political resident, 14 March 1934, Ibid. 2034
22. Political agent to political resident, 14 March 1934, Ibid.
23. For details see:
Elwell-Sutton L.P., Persian Oil: A Study in Power Politics (London, 1955) pp.67-79
24. Political agent to political resident, 14 March 1934, F.O. 371/17808/160/2034

25. Chisholm A.H.T., op.cit. p.51
26. India Office to political resident, 13 Feb.1934, L/P&S/12/3808 No.976
27. India Office to political resident, 9 April 1934, F.O. 371/17808/160/2143
28. It is interesting to note that Dickson's daughter, Zahra Freeth, and Victor Winstone in their book 'Kuwait, Prospect and Reality', which gives a short description of the oil negotiations, missed altogether the importance of the issue and therefore claimed that 'in retrospect it is difficult to see what the argument was about.' See p.157
29. Political agent to political resident, 24 April 1934, F.O. 371/17808/160/2913
30. India Office to Political resident, 17 April 1934, Ibid. 2442
31. Political agent to political resident, 24 April 1934, Ibid.
32. Political resident to India Office, 11 May 1934, Ibid. 3173
33. Political agent to political resident, 3 May 1934, Ibid. 3426
34. See p.336
35. Memo by Laithwaite, 30 May 1934, L/P&S/12/3811 No.3620
36. The British Oil Development Company secured an oil concession from the Iraqi Government west of the Tigris river. The company consisted of some 50 per cent foreign interests. As I.P.C. felt threatened by this company they eventually took over their concession by secretly purchasing their shares.
See very strictly confidential report made by Pearson & Son. Pearson & Son archives, Box. C 13 Iraq, Science Museum.

37. India Office to political resident, 17 April 1934, F.O. 371/17808/160/2511
38. Draft No.4, Ibid. 3792
39. Record of discussion held at India Office, 8 June 1934, L/P&S/12/3811 Nos.3912 & 3793
40. It is quite possible that the Shaikh's sudden decision was influenced by Holmes revealing the fact that the Kuwait Oil Company was on the point of replacing himself and Chisholm by two company directors. See p.354
41. Minute by Rendel, 9 June 1934, F.O. 371/17808/160/3803
Political resident to India Office, 7 June 1934, L/P&S/12/3811 No.3823
42. Record of discussion, 8 June 1934, and India Office to political resident 8 June 1934, F.O. 371/17808/160/3860 & 3887
43. Record of discussion, 12 June 1934, L/P&S/12/3811 No.3999
India Office to political resident, 12 June 1934. F.O. 371/17809/160/3925
44. Chisholm A.H.T., op.cit. p.59
45. Note of interview, 15 June 1934, L/P&S/12/3811 No.4025
46. Minute by Laithwaite, 6 July 1934, Ibid. No.4678
47. Draft No.5, 26 Sept.1934, F.O. 371/17809/160/6049

3. The Unexpected Rival and the Signing of the Concession

1. Shaikh of Kuwait to Gabriel, 2 Sept.1934, cited in Chisholm A.H.T., op.cit. p.64
2. Political agent to political resident, 28 March 1935, R/15/1/645 No.49
3. The Shaikh's private secretary told Holmes initially of the Shaikh's negotiations with a company named 'The Trade Acts' which had powerful political support in London. See Chisholm A.H.T., op.cit. Note 118
4. Gabriel was in partnership with Mirza Muhammad who was A.P.O.C.'s legal adviser in Iraq.
5. Political agent to political resident, 17 Nov.1934, cited in Chisholm A.H.T., op.cit. Note 136
6. Holmes to Stevens, 15 Oct.1934, cited in Chisholm A.H.T., op.cit. Note 118
7. Ibid. p.68
8. Ibid. Note 129
9. See p.356
10. Minute by Laithwaite, 12 Dec.1934, L/P&S/12/3812 No.7298
11. Ironically Chisholm based his conviction partly on the fact that the Americans never informed A.P.O.C. of Holmes' accusation. See Chisholm A.H.T., op.cit. p.68
12. Draft Record, 24 Oct.1934, L/P&S/12/3811 No.6645
13. In 1940 Lord Lloyd became Colonial Secretary in Winston Churchill's first government. For his attitude to American interests entering the Persian

Gulf see introduction p.VIII and Minute by Rendel
(Foreign Office), 19 Oct.1934, F.O. 371/17811/189/
6294

14. India Office to political resident, 19 Nov.1934,
F.O. 371/17809/160/7003
15. Political resident to India Office, 22 Nov.1934, Ibid.
16. See p.297
It is interesting to quote the comments made by the
American Consul in Baghdad to the news that A.P.O.C.
had been granted the Qatar concession:
the Shaikh last year capitulated to
"gun-boat diplomacy" and granted the
A.P.O.C. the concession it demanded.
See 890B 6363/52
17. Traders Limited was a small company controlled by
P.L. Hunting who had various other interests,
among them a share in the British Oil Development
Company.
18. Chisholm A.H.T., op.cit. Note 139
19. Minute by Laithwaite, 13 Dec.1934, L/P&S/12/3811
No.7621
20. This secret information was provided by the political
agent through Holmes, see Chisholm A.H.T., op.cit.
Note 143
21. Meeting of 12 Dec.1934, F.O. 371/17810/160/7570
22. Chisholm A.H.T., op.cit. Note 145
23. Shaikh of Kuwait to Gabriel, 12 Dec.1934, cited in
Chisholm A.H.T., op.cit. Note 141
24. Minute by Laithwaite, 18 Dec.1934,
L/P&S/12/3812 No.7454

25. Foreign Office to India Office, 3 Dec.1934, Ibid.
26. Minute by Laithwaite, 18 Dec.1934,
Ibid.
27. Generally the British Government rejected suggestions of any declaration of a 'protectorate' over the Persian Gulf shaikhdoms partly because this was considered to overstretch British commitments. See Committee of Imperial Defence CAB 16/94
28. Minute by Laithwaite, 18 Dec.1934,
L/P&S/12/3812 No.7454
29. India Office to political resident, 4 Dec.1934,
F.O. 371/17810/160/7570
30. Political agent to political resident, 28 Dec.1934,
R/15/1/645 No.21
cited in Chisholm A.H.T., op.cit. Note 127
31. Chisholm A.H.T., op.cit. p.75 and Note 143
The argument put forward is that the Shaikh knew of the complicated situation which had developed in London, either directly from Dickson or from Holmes, before he was told officially on 14 December by Fowle. This explains his sudden decision to grant the concession to the Kuwait Oil Company on 12 December before even being aware that the company had accepted his royalty demand.
32. Meeting of 19 Dec.1934 cited in Chisholm A.H.T.,
op.cit. Note 150
33. The Shaikh of Qatar granted his concession to A.P.O.C. on behalf of I.P.C. on less favourable terms. For the concession terms see F.O. 371/19967/269/3883
34. Draft record of discussions, 8 June & 24 Oct.1934,
L/P&S/12/3811 Nos.3912 & 6645
It is interesting to note that in the various publications on the financial aspects of Middle East oil concessions, the formula of 'won and

saved' was not discussed.

Mikdashi Z.A., A Financial Analysis of Middle Eastern Oil Concessions 1901-65 (New York, 1966)

Al-Sabah Y.S.F., The Oil Economy of Kuwait (London, 1980) pp.37-42

Issawi C. & Yeganeh M., The Economics Of Middle Eastern Oil (New York, 1962)

35. Blair J.M., The Control of Oil (New York, 1976) pp.47-53

36. Muhammad Ahmad to Chisholm, 30 Aug.1971, cited in a confidential supplementary monograph to The First Kuwait Oil Concession by A.H.T. Chisholm. (Muhammad Ahmad was A.P.O.C.'s legal representative in Iraq.)

37. See pp.354-355

CONCLUSION

1. See p.102, 116, 186,267, 340 350
2. See pp.58 & 169
Policy regarding oil concessions in British territory,
Sept.1930, CAB 24/215
3. POWE 33/96
4. Minute by Bevin, 20 July 1946, F.O. 371/52735/7357
This pattern of government-company relations was to continue and therefore during the Abadan crisis a few years later the Foreign Office in particular was bitterly critical of the company but nevertheless continued to back A.P.O.C. vis-à-vis the Persian Government.
Sampson A. The Seven Sisters: The Great Oil Companies and the World they made (London,1976) p.120
5. American Consulate, Baghdad, to State Department, 27 June & 12 Dec.1934, 790B 90F 15/4 & 12
6. The State Department since 1945 claimed to have supported American oil interests vigorously during the inter-war period in the Persian Gulf, while the record presented throughout shows otherwise.
See:Memo by J.H. Loftus, 19 May 1944,Historical Review of the United States Foreign Oil Policy, Box 1, Petroleum Division, 1943-49
Also: Special Committee investigation petroleum resources, 27 & 28 June 1945, 78th Congress

This should be viewed in the context of a changing United States oil policy together with a dawning awareness of the region's huge oil reserves which began after 1942.

In view of the belief that American domestic oil reserves were being diminished by the war the United States Government set a course to correct the situation in which the western hemisphere, in particular the United States, had been producing a disproportionately large share of the world's oil supply. This emerging new oil policy necessitated a far greater direct political and economic involvement in the Middle East in order to support American oil interests there and ensure a rapid increase in Middle

East oil production to counter-balance production in the West.

Therefore with the new global order emerging after the war this new oil policy became one of the factors reflected in the United States' increased involvement in the region. It also explains why the State Department has claimed undue credit since 1945 for supporting its nationals vigorously in their successful attempts to obtain a large part of the Persian Gulf oil concessions, which only in the mid-forties were recognised as being extremely abundant and strategically important to the United States.

See: foreign petroleum policy of the United States, Petroleum Division, Box 1, lot 17

7. During the inter-war period the Kuwait, Qatar and Trucial Coast oil concessions were all secured by British-controlled companies which signed special political agreements with the British Government.
Muhammad M.A., The United Arab Emirates (London, 1980) pp.58-71
8. In an interesting interview with Colonial Office officials Holmes had to assure them that there was nothing political in the desire by the Shaikh of Kuwait to have American interests enter his principality.
9. Kuwait gained its independence in 1961, while Qatar not until 1971.

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