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'Persia: Memorandum Respecting the Revision of the Anglo-Russian Convention of 1907'

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About this record

This file consists of a Foreign Office memorandum (author unknown), followed by an annex written by Charles Murray Marling, British Minister at Tehran.

The file concerns the revision of the Anglo-Russian Convention of 1907. The convention divided Persia into three areas: a Russian sphere in the north, a British sphere in the south-east, and a remaining neutral zone.

The memorandum refers to a recent invitation by the Russian government for Britain to enter into possession of practically the whole of the neutral zone. It discusses the possibility of negotiating for a considerable area of the current Russian sphere to be included in the new British territory. The memorandum suggests that Britain's efforts should be concentrated on the towns of Ispahan and Yezd (both of which lie in the Russian sphere) or in the last resort, on Yezd alone. The memorandum goes on to suggest that, as a counterpoise to Russia's cession, Britain might wish to surrender to Russia the oil-bearing districts in Kermanshah, which are located in the Russian sphere, but which currently belong, 'in a more or less undeveloped state', to the Anglo-Persian Oil Company.

Also discussed is the possibility of Britain agreeing with Russia to limit the activities of the Imperial Bank (Persia's state bank), which currently has nine branches in the Russian zone, to the neutral zone of Persia. The memorandum suggests that such a course of action would hardly be possible unless Britain would be prepared to pay an indemnity to the Imperial Bank for the loss of its branches. However, it is argued that this action

would give Britain a valuable lever in its efforts to have Ispahan included in the new British territory.

In the annex which follows on from the memorandum, Charles Murray Marling recounts a brief meeting with Sazonof [Sergei Dmitrievich Sazonov], the Russian Foreign Minister, in Petrograd [Saint Petersburg], who reportedly stated that Russia wishes to retain both the district and town of Ispahan, in order to protect Russian trade in the Russian sphere from British merchants.

Marling suggests that it would be both in Britain's and in Russia's interests for Ispahan to be included in the new British sphere, on the grounds that to do otherwise would result in a partition of the Bakhtiari tribe's territory. Such a partition, Marling argues, would divide the tribe into 'British' and 'Russian' parties, and would result in both parties possessing a common grievance against Britain.

Marling questions the extent to which the inclusion of Ispahan within the Russian sphere would benefit Russian trade. He speculates on the real reason for Russia wishing to retain the territory, before emphasising the importance of Ispahan, both to Britain's interests in the oilfields of Bakhtiaristan, and to its future position in Mesopotamia.

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PERSIA.

MEMORANDUM RESPECTING THE REVISION OF THE ANGLO-RUSSIAN
CONVENTION OF 1907.

PART 2 of the memorandum of the Political Department of the India Office sets forth so comprehensively the British desiderata in Persia that there is little comment to offer from the point of view of the Foreign Office, unless it be a fear that all these requirements can scarcely be regarded as any longer within the range of practical politics.

The genesis of the present discussion does not lie in any new suggestion by Russia that the two Powers should allocate afresh the whole of Persia into two spheres, to be assigned to one or other of them. On the contrary, it is to be found in an invitation made by the Russian Government to His Majesty's Government to enter into possession of practically the whole of the *neutral* sphere.

To accept this offer and in the same breath to ask for a considerable area of the present Russian sphere can scarcely be held likely to facilitate our negotiations.

It is accordingly submitted that the line of demarcation now advocated by the Government of India should be abandoned at the outset, and that, so far as the inclusion of territory in the new British sphere is concerned, our efforts should be concentrated on the towns of Ispahan and Yezd, or, in the last resort, on Yezd alone.

The great importance to British interests of recovering our position and freedom of action in Ispahan is emphasised in the India Office memorandum both as regards the Bakhtiari and our approach to the oil-wells and the Persian Gulf, and some notes to this effect which His Majesty's Minister at Tehran has just furnished on the subject are annexed hereto.

As a counterpoise to this cession on the part of Russia, an offer might be made to surrender to her the oil-bearing districts in the neighbourhood of Kermanshah, which at present belong, in a more or less undeveloped state, to the Anglo-Persian Oil Company.

That Russia attaches great price to these wells was clearly shown in the summer of 1914, when His Majesty's Government invested some 2,000,000*l.* in that oil company. His Majesty's Ambassador at Petrograd was severely reproached by the Russian Minister for Foreign Affairs on the subject, and reported by telegraph that—

"M. Sazonof said that action taken by His Majesty's Government (in purchasing shares of Anglo-Persian Oil Company) had changed whole character of concession. He did not want oil. Russia had enough and to spare, and we were at liberty to develop all the oil areas in south marked on Blue Book map, but it was a different matter with those near Kermanshah. Russian public [*?*] opinion would never tolerate arrangement under which a company controlled by British Government could operate in Russian zone and virtually absorb whole of the neutral zone. He did not want to make difficulties, but he must ask us to state publicly that we would not avail ourselves of all the rights conferred on D'Arcy by the concession.

"I repeated all the arguments used in your above-mentioned telegrams, and insisted that nothing had been changed. His Excellency, however, adhered to what he had said, and, as his view of the matter is universally held here, he is not likely to give way.

"I would therefore venture to submit that it is advisable for us to offer Russia some satisfaction with regard to oil-wells in the north. We do not apparently intend to develop them for years to come, and there is such a large field open to us in south that it is worth company's while to make a little sacrifice to gain Russia's good-will.

"By article 9 of its concession Anglo-Persian Company is empowered to found subsidiary companies for the working of its concession, and Russian opposition would, I think, be disarmed were His Majesty's Government to undertake that when

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time comes for developing oilfields near Kermanshah, or any others that may be discovered to the north of those marked on Blue Book map as reported oil areas, an Anglo-Russian colony, somewhat on lines of Anglo-German company in Mesopotamia, should be formed for their exploitation. No term need be fixed for opening up of these oilfields, but if they are ever to be developed company would, I believe, gain by working in co-operation with, rather than in opposition to, Russia. It is the political rather than the economic side of the question that is of importance in the eyes of the Russian Government, and such a spontaneous offer on our part might dispose them to adopt a more conciliatory attitude with regard to larger question of their general policy in Persia."

While the question of supply is primarily a matter for the Admiralty to decide, the desirability of finding adequate compensation for Russia necessarily falls on the Foreign Office.

It is suggested that this oilfield in the neighbourhood of Kermanshah might be more appropriately used as a lever regarding Ispahan or Yezd than, as was proposed by the India Office memorandum, p. 5, as a counterpoise to railway activity as far as, or even beyond, Meshed.

This latter point of railway construction might be dealt with in connection with the fresh alignment of the spheres in the Zulfiqar triangle, especially in view of the probability that after the war the question of Russian finance will for a considerable time necessitate every possible economy.

The reference in point 5 of the Russian memorandum of the 22nd March to the desired priority of Russia's rights in the northern sphere "for financial and economic undertakings" is clearly aimed at the position in those regions of the Imperial Bank of Persia.

This company, incorporated in September 1889 upon the basis of a concession to Baron de Reuter, has for over twenty-five years been the State Bank with the monopoly of issuing notes. The concession is to be in force for sixty years, and empowers the bank to establish its head office ("siège social") at Tehran, and branches in other towns in Persia and abroad. The bank may also undertake on its own account, or on account of third parties, all sorts of business, financial, industrial, or commercial, on condition that none of these undertakings be contrary to the treaties, laws, usages, or religion of the country, and that previous notice thereof be given to the Persian Government. Certain additions to the concession were made on the 27th July, 1889, but these do not affect the right of the bank to establish branches in towns of Persia. According to the "Statesman's Year Book" for 1915, the bank has branches at Tabriz, Resht, Kazvin, Meshed, Ispahan, Yezd, Shiraz, Kerman, Hamadan, Seistan, Kermanshah, Bushire, Mohammerah, Ahwaz, and Sultanabad; and agencies at several other towns.

By the convention signed at St. Petersburg on the 31st August, 1907, England and Russia engage not to seek or to apply for concessions of a political or commercial nature, such as railways, banks, telegraphs, roads, transport, insurance, &c., within the sphere left to the other of these two countries, nor to oppose, either directly or indirectly, demands for such concessions supported by the other of the two countries within its particular sphere. By article 3 of this convention it is provided that all existing concessions in the two spheres are maintained.

On the other hand, the Russian company (Banque d'Escompte), though an offshoot of the Russian Ministry of Finance, has never been a successful undertaking, and is now in very low water. Last year the two banks came to an arrangement, at the instance of the Russian Bank, regarding a minting contract for the Persian Government. The Russian Bank is, however, exceedingly jealous of the position and good standing of the Imperial Bank, and loses no opportunity of endeavouring to thwart the latter's successful business operations.

The Imperial Bank, with its head office at Tehran, and with nine branches (out of fifteen) in the present Russian sphere, would have every reason to protest with justice against any limitation in the Russian sphere of its activities as the State Bank.

The Russians have no similar institutions in either the present British or present neutral sphere. If, then, His Majesty's Government decide eventually in any way to meet the Russian request and to limit the Imperial Bank's activities to the remainder of Persia—a course which it is submitted could not be viewed without considerable alarm regarding the prosperity of one of the soundest British interests in the Middle East—such cession could be used as a most valuable lever with regard to the inclusion of Ispahan in the new British sphere.

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It would, however, hardly be possible to take such a course, unless His Majesty's Government were prepared to pay to the Imperial Bank of Persia an indemnity for the loss not only of their branches but even of the removal of their head office from the capital of the country! Such an indemnity would be difficult even to compute.

August 31, 1915

ANNEX.

Notes by Mr. Marling.

WHEN I was passing through Petrograd I saw M. Sazonof, who, in speaking on the subject of the disappearance of the neutral zone in Persia, insisted very firmly on the desire of Russia to obtain a modification of the present limits of the Russian sphere, so as to include the Ispahan district as well as the town. He intimated that this extension was required so as to protect Russian trade in the Russian sphere from the competition of British merchants, and hinted that if we desired a *quid pro quo* we might take Yezd. He also wished the extreme eastern end of the present limits to the Russian sphere to be brought a little southward for military reasons, which "he could not explain, as he did not understand them."

M. Sazonof was quite vague as to the area of the Ispahan districts, but at the Russian Legation here I have heard that Kumisheh, some 45 miles away on the Shiraz road, would be included; I have no other indication as to the remainder of the area desired, but the mention of Kumisheh makes it look as though a very considerable tract may be contemplated.

The justification put forward for this claim seems to me to be totally inadequate, and I urge that, instead of Russia being allowed to push further south, Ispahan and a certain area north should, in our interests—and even partly in Russian interests also—be included in our sphere.

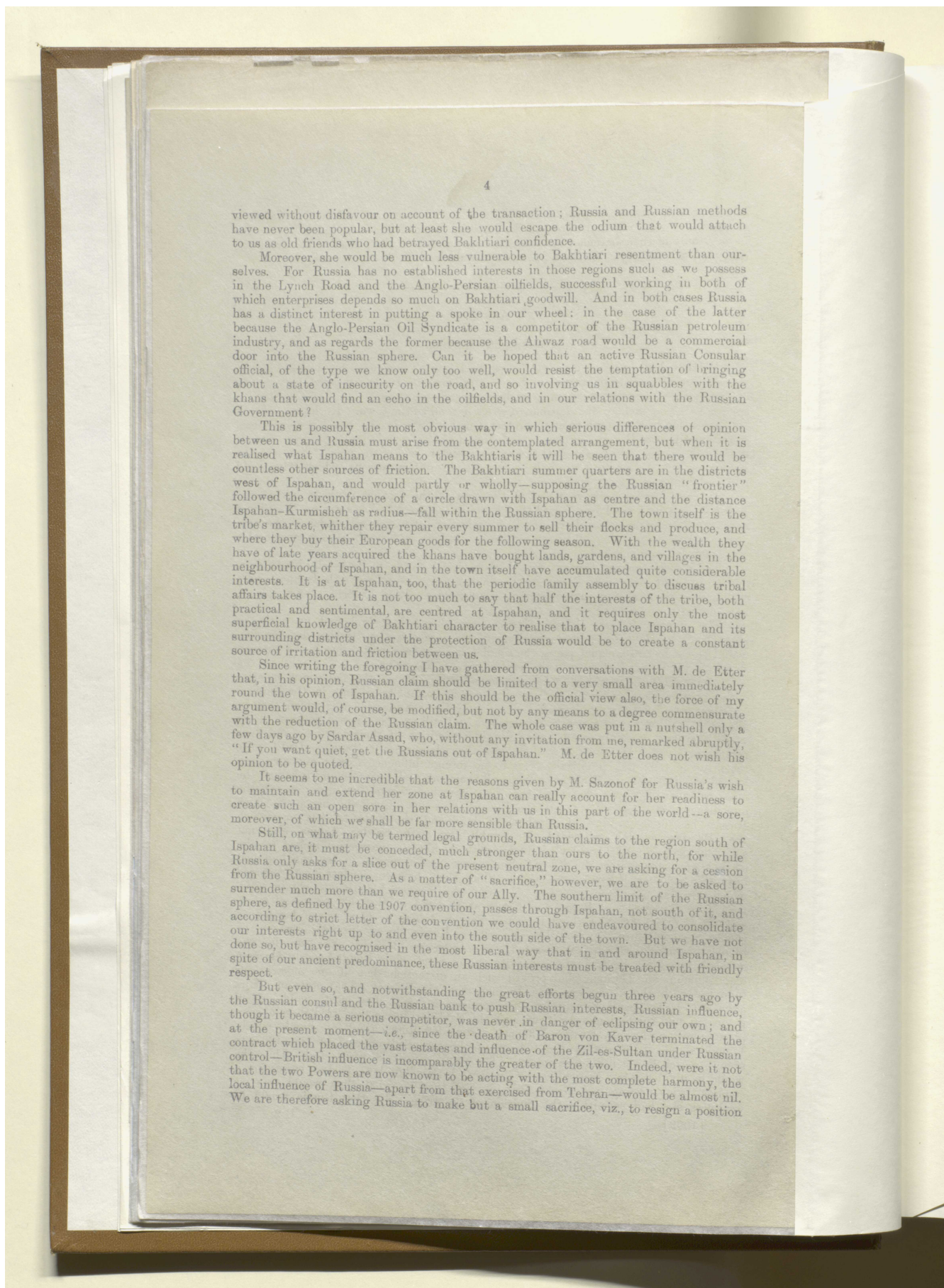
The reasons for our claiming Ispahan are almost entirely bound up with the position of the Bakhtiari, whose territory, if we accede to the Russian desideratum, would be cut in two unequal parts, the smaller and northern part being in the Russian zone, and the larger part, now in the neutral zone, falling to us.

Although by no means the most numerous tribe in Persia, the Bakhtiari, in spite of family squabbles, constitute probably the most important tribal unit in the Empire, and they have been taught the value of unity by the considerable rôle which they in late years, thanks to our support, have played, and still play, in Persian politics. They would therefore certainly resent very strongly a partition of their territory, and their resentment would be directed against us rather than against Russia. Until quite recently the tribe was practically open to no foreign influence except our own, and looked to His Majesty's Minister to settle all their internal quarrels and to adjust the nice balance of power between the two branches when the question of the appointment of the Ilkhani and the Ilbeggi came up. Even the big push which Russia has been making at Ispahan of late, and the intimate relations which the Russian consul succeeded in establishing with Sardar Ashjaa, did not seriously shake Sir W. Townley's influence with the khans (one section looked to him as their protector against the Zil-es-Sultan, whose vast interests in Ispahan had just been taken under Russian protection). Since then, however, events have occurred which furnish a useful object-lesson. To assist the Russian Legation to obtain satisfaction for the murder of Baron von Kaver at the end of May, I was constrained to agree to the application of the "Russian" Sardar Ashjaa as Governor of Ispahan to replace Sardar-i-Motesham, and this concession to Russia, the significance of which the khans misunderstood and exaggerated, gave them an idea that we were, for the moment, powerless, so that they got quite out of hand, while simultaneously German blandishments and German gold proved such an attraction that at one moment our influence with the khans was scarcely more than traditional. That state of affairs appears to be fast passing away, but the experience serves to show what would happen if Ispahan and the regions near it, with all the Bakhtiari interests centred therein, were placed under exclusively Russian influence, and we left Russia the "free hand," which, I understand, it is one of the objects of the proposed revision of the 1907 to secure to each Power in its own sphere. The result cannot be questioned. The tribe would be divided into "British" and "Russian" parties, but both parties possessing a common grievance against Great Britain, viz., that by what they would view as weakness she had permitted the division of the tribe. Not that Russia would be

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viewed without disfavour on account of the transaction; Russia and Russian methods have never been popular, but at least she would escape the odium that would attach to us as old friends who had betrayed Bakhtiari confidence.

Moreover, she would be much less vulnerable to Bakhtiari resentment than ourselves. For Russia has no established interests in those regions such as we possess in the Lynch Road and the Anglo-Persian oilfields, successful working in both of which enterprises depends so much on Bakhtiari goodwill. And in both cases Russia has a distinct interest in putting a spoke in our wheel: in the case of the latter because the Anglo-Persian Oil Syndicate is a competitor of the Russian petroleum industry, and as regards the former because the Ahwaz road would be a commercial door into the Russian sphere. Can it be hoped that an active Russian Consular official, of the type we know only too well, would resist the temptation of bringing about a state of insecurity on the road, and so involving us in squabbles with the khans that would find an echo in the oilfields, and in our relations with the Russian Government?

This is possibly the most obvious way in which serious differences of opinion between us and Russia must arise from the contemplated arrangement, but when it is realised what Ispahan means to the Bakhtiaris it will be seen that there would be countless other sources of friction. The Bakhtiari summer quarters are in the districts west of Ispahan, and would partly or wholly—supposing the Russian "frontier" followed the circumference of a circle drawn with Ispahan as centre and the distance Ispahan-Kurmishbeh as radius—fall within the Russian sphere. The town itself is the tribe's market, whither they repair every summer to sell their flocks and produce, and where they buy their European goods for the following season. With the wealth they have of late years acquired the khans have bought lands, gardens, and villages in the neighbourhood of Ispahan, and in the town itself have accumulated quite considerable interests. It is at Ispahan, too, that the periodic family assembly to discuss tribal affairs takes place. It is not too much to say that half the interests of the tribe, both practical and sentimental, are centred at Ispahan, and it requires only the most superficial knowledge of Bakhtiari character to realise that to place Ispahan and its surrounding districts under the protection of Russia would be to create a constant source of irritation and friction between us.

Since writing the foregoing I have gathered from conversations with M. de Etter that, in his opinion, Russian claim should be limited to a very small area immediately round the town of Ispahan. If this should be the official view also, the force of my argument would, of course, be modified, but not by any means to a degree commensurate with the reduction of the Russian claim. The whole case was put in a nutshell only a few days ago by Sardar Assad, who, without any invitation from me, remarked abruptly, "If you want quiet, get the Russians out of Ispahan." M. de Etter does not wish his opinion to be quoted.

It seems to me incredible that the reasons given by M. Sazonof for Russia's wish to maintain and extend her zone at Ispahan can really account for her readiness to create such an open sore in her relations with us in this part of the world—a sore, moreover, of which we shall be far more sensible than Russia.

Still, on what may be termed legal grounds, Russian claims to the region south of Ispahan are, it must be conceded, much stronger than ours to the north, for while Russia only asks for a slice out of the present neutral zone, we are asking for a cession from the Russian sphere. As a matter of "sacrifice," however, we are to be asked to surrender much more than we require of our Ally. The southern limit of the Russian sphere, as defined by the 1907 convention, passes through Ispahan, not south of it, and according to strict letter of the convention we could have endeavoured to consolidate our interests right up to and even into the south side of the town. But we have not done so, but have recognised in the most liberal way that in and around Ispahan, in spite of our ancient predominance, these Russian interests must be treated with friendly respect.

But even so, and notwithstanding the great efforts begun three years ago by the Russian consul and the Russian bank to push Russian interests, Russian influence, though it became a serious competitor, was never in danger of eclipsing our own; and at the present moment—i.e., since the death of Baron von Kaver terminated the contract which placed the vast estates and influence of the Zil-es-Sultan under Russian control—British influence is incomparably the greater of the two. Indeed, were it not that the two Powers are now known to be acting with the most complete harmony, the local influence of Russia—apart from that exercised from Tehran—would be almost nil. We are therefore asking Russia to make but a small sacrifice, viz., to resign a position

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which, though legally reserved to her, she has only recently endeavoured to make good.

M. Sazonof's reason for an extension of the Russian sphere demands examination. His Excellency believes that by this means Russian trade in the Russian sphere will be secured against the British competition under which it now suffers. I venture to think that the point is open to question. It is one that seems to resolve itself in a question of cost of transport.*

It may, I think, be assumed that as a consequence of the present war:—

1. The Khorremabad Railway will not be built.
2. The construction of the trans-Persian Railway will be indefinitely postponed, and that when built the trace of the line may be governed by quite different considerations from those obtaining in 1912-4.
3. We become virtual masters in Mesopotamia and Bagdad.

If assumptions 1 and 2 are admitted, the question is narrowed down to this: Can the British trader deliver his goods by the Bagdad-Khanikin route into the Russian sphere at a cheaper rate than the Russian merchant? The large transit trade—the preservation of which was the chief element in deciding His Majesty's Government to construct the Khorremabad Railway—via Bagdad, which is worth about 1,250,000*l.* per annum, proves that he can do so, and if this were possible under the régime of Turkish maladministration and obstruction, it will not be contested that if assumption 3 be conceded the British importer will be still better placed under the vastly improved conditions that our rule would achieve in Mesopotamia. Future railway construction, both Russian and British, has to be taken into account, but it is probable that any resulting change will be in favour of British trade—

1. Because railway construction in the comparatively flat country of Mesopotamia is far cheaper than through the highlands of Western Persia.
2. Our railway administration is cheaper and more efficient than Russian.
3. If the Willcocks schemes of irrigation are carried out, the vast export trade will enable import freights to be kept down.

It is then at least arguable that the inclusion of Ispahan in the Russian sphere will not do for Russian trade all that M. Sazonof expects, any more than as a matter of fact it does at present, though it would possibly secure this trade from our competition at Ispahan itself.

The advantage then is so small, and even doubtful, that the real reason of the Russian demand must be sought elsewhere.

Is it very far to seek? It is useless to blink the fact that from the abolition of the neutral zone and the recognition of the "free hand" the step to partition is short, and when partition comes about, all possibility of British competition in the Russian sphere will be set at rest by the erection of the Russian tariff wall. Thus, whatever the value of M. Sazonof's adduced reasons, they at most hold good for a limited period. The sore created by the division of the Bakhtiari tribe would however still remain, though by the force of the new circumstances it would eventually be healed by the drastic remedies of Russian administration in the East. It may, perhaps, be permitted to call attention to the fact that M. Sazonof is now ready to violate a principle which, during the Turco-Persian frontier negotiations of 1913, was to be held in special respect, viz., that that frontier should not be so traced as to place one part of a tribe in Persian territory and the other part in that of Turkey.

There is another aspect of the case which appears to me to merit study, viz., how the possession by Russia of so large and important a centre as Ispahan must be regarded in relation to our large and ever-increasing interests in the oilfields of Bakhtiari and to our future position in Mesopotamia. The question is one of politico-military

* The Russian Minister's reasons postulate that the two routes in the Russian sphere via Ispahan are more costly than that via Bagdad and Khanikin. I am not quite sure that this is the case, and my attempts to get authentic figures here have failed. In any case, freights vary constantly, but it must be conceded that—

- (1.) The irreducible charges owing to second customs examination and to double handling are higher on the Bagdad than on the other routes;
- (2.) That the traffic into Persia by Bushire-Ispahan alone (i.e., without counting in that by the Ahwaz route) is two and a half times greater than that by Bagdad;

but allowance must, of course, be made for the fact that the whole of the imports by Bushire and Ahwaz do not reach the Russian sphere.

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character, but it seems to me to involve interests that are likely to be of first-rate importance in the future.

It may be of use, in case His Majesty's Government decide to endeavour to obtain the cession of Ispahan from Russia, that I should indicate roughly what modification of the present limits of the Russian sphere would bring the whole of the Bakhtiari tribe within our sphere. Such a line would commence at or about Bultak, where longitude 50° east cuts the present Russian line, and then, running in the direction of Khonsar, would turn south-east-east, and follow a line roughly parallel to the present Russian, but 18-20 miles north of it, until it met the circumference of a circle drawn with a 25-mile radius on Ispahan as a centre. The sector of that circle would form our northern frontier until it met the existing Russian line—again on the east side of Ispahan. This line does not constitute a very large deflection of the present limits of the Russian sphere.

It does not include all the tribes that bear the name of Bakhtiari, but those that remain outside of it, to the north-west, are a distant branch, and have never stood in the same relations to us as have their connections further south.

C M. M.

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