

## Re-sourcing History

### Oil and the Great War, 1914-1923



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## Headlines

- Conversion of navies from coal to oil power.
- The emergence of a "military-industrial complex".
- Oil as a new factor in determining great power status ("energy security").
- A new race for natural resources drives a new form of imperialism.
- Oil-bearing territories (e.g. Mesopotamia) as war aims.
- Co-option and "capture" of national governments by oil company lobbyists

## Further reading:

Jonathan Conlin, "The Battle for Oil in the First World War", *History Today* 68.1 (Jan. 2018).

## Source 1: Oil and naval power

Please rub it into him [First Sea Lord Winston Churchill] and don't forget that the very reason urged by these timid rabbits and silly ostriches against the adoption of oil fuel is really the very reason for its adoption because every ocean is covered with peripatetic oiling stations to replenish our warships at sea and as it is the 'sine qua non' [prerequisite] of our National Existence that England should have complete and absolute command of the sea [inserted: or we starve!!!!] - it follows that these multitudes of 'oil-feeders' [i.e. oil tankers] therefore are safe from capture and can pursue their voyages in calm safety! What a vista of economy if only they would see it! What a vista of fighting efficiency! No more going into harbour to replenish coal fuel. You can't take in coal at Sea! but for oil you have only to take on board a floating hose on board in the heaviest weather - turn the tap - and in a few minutes (instead of hours as with coal) your fuel is replenished!

Source: Admiral "Jacky" Fisher to Marcus Samuel (Shell Transport and Trading), 5 Dec. 1911. Reading University Special Collections, Henriques Papers, RUL3270, Box 60.

## Commentary:

In 1912 the Royal Navy committed itself to convert its fleet from coal- to oil-power, after several years of experimentation and deliberation. Admiral Fisher was the strongest lobbyist for the conversion, and this letter captures both his boyish enthusiasm and impatience with his superiors. His correspondence with the head of the British oil company Shell shows that he appreciated the value of having pressure applied from outside as well as inside government. Many of his fellow Admirals were prepared to admit the advantages of oil, but were concerned that Britain did not have domestic sources of oil: although Scottish oil shales were well-known, the technology to exploit them did not yet exist, nor did the offshore oil rigs which tapped North Sea oilfields from the 1970s onwards. Britain's coal deposits, by contrast, were plentiful. Once extracted, this coal was transported and stored in "coaling stations" scattered across the British empire. Here Fisher is arguing that oil tanker ships are a kind of moving "coaling station", able to evade enemy capture. The question of where the oil was to come from, however, is not raised here. In 1911 most of Britain's oil came from the United States or Russia. How secure would this supply be in time of war?

## Source 2: Winston Churchill buys an oil company

[Royal Dutch-Shell] have combined gigantic oil properties all over the world...In the Dutch East Indies, Sarawak, Borneo, Brunei, New Zealand, Russia, Egypt, Mexico, California, Trinidad-in all those quarters they have already established a control or partial control of the oil supply, and it is their policy - what is the good of blinking at it - to acquire control of the sources and means of supply, and then to regulate the production and the market price. They have long looked towards the Persian [oil]field, which is the only large uncompromised area of supply we can discover at present outside America, and, if this Bill and this policy were to fail, there is no doubt whatever in my mind or in the minds of those on whose advice I rely, that amalgamation or merger of the Anglo-Persian with the Shell...would probably take place in a very little while. We have no quarrel with the "Shell." We have always found them courteous, considerate, ready to oblige, anxious to serve the Admiralty, and to promote the interests of the British Navy and the British Empire - at a price...But it seems to me that our relations might become, from our point of view, even more pleasant, if, instead of being compelled, as we might easily be, to accept whatever price they might think it right to charge, we had an independent position.

Source: Winston Churchill, speech in the House of Commons, 17 June 1914.  
*Hansard* 5th ser., vol. 63, cc1150-1151.

### Commentary:

From having been a sceptic, by 1914 Churchill recognized the strategic importance of oil, and in this speech to the House of Commons as First Lord of the Admiralty he is urging MPs to agree to the British state purchasing a 51% stake in an oil company: Anglo-Persian. This was a truly remarkable step for a British government to take. For over a century the British state had espoused *laissez-faire* capitalism: the public good was best served indirectly, by the action of the "invisible hand" of free markets, rather than the direct action of government officials. By investing in a private company the British government was indicating that some commodities were too important to be left to free-market forces alone. Churchill's action would be widely hailed as a masterful stroke of statesmanship, protecting the Admiralty from exploitation by Royal Dutch-Shell and other oil "trusts". On closer inspection, however, the purchase is better seen as a government bailout: in 1914 Anglo-Persian was almost bankrupt and struggling with the technological challenges involved in refining the crude oil it pumped from southwestern Persia. It persuaded Churchill to invest by arguing that, without such support, it would be obliged to merge with a rival oil company, Royal Dutch-Shell. By further misleading Churchill into thinking that Royal Dutch-Shell was "German controlled" (it was in fact Anglo-Dutch), Anglo-Persian used widespread concern at German aggression to strengthen its case for state support. Despite this injection of capital Anglo-Persian failed to provide the expected oil supplies during World War One.

### Source 3: A military-industrial complex?

Another factor of increasing importance in the recent conflict of nations has been the competition between groups of financiers and concessionaires, organized upon a "national" basis, to obtain exclusive or preferential control in the undeveloped countries for the profitable use of exported capital. Closely related to commercial competition, this competition for lucrative investments has played an even greater part in producing dangerous international situations. For these financial and commercial interests have sought to use the political and forcible resources of their respective Governments to enable them to obtain the concessions...they require for the security and profitable application of their capital.

Source: John A. Hobson, *Towards International Government* (London: George Allan & Unwin, 1915), p. 135.

### Commentary:

The Liberal thinker John A. Hobson's landmark book *Imperialism* (1907@) identified a profound shift in the nature of empire. From being a source of cheap raw materials as well as an outlet for excess population, empires had now become a place to export the vast profits which had accumulated within developed nations. This surplus capital could not be invested at home, and so sought more profitable outlets in less developed parts of the world. By creating rival economic "spheres of influence" and stoking economic nationalism financiers and investors were guilty of provoking diplomatic squabbles. In his later book, *Towards International Government* Hobson explicitly blamed these financiers for starting the Great War. He advanced a vision of a post-war world order in which international bodies would allocate scarce natural resources in an equitable manner. Lenin read and admired this book's portrayal of a capitalist military-industrial complex, even as he derided Hobson's faith that democracy and inter-national cooperation could contain it.

### Source 4: Oil executive's hatch a plot

We must do all we can to take advantage of the current difficulties faced by the French, by the current scarcity of oil in France, in order to put ourselves on good terms with the French government and gain its sympathies....It would be a master stroke if we could at one and the same time push Standard Oil [of New Jersey] to the wall while gaining the French government's trust.

Source: Calouste Gulbenkian to Henri Deterding, 15 May 1917. Royal Dutch-Shell Archives, The Hague SHA 195/33c.

### Commentary:

In early 1917 Britain and France experienced acute oil shortages owing to German submarine attacks on oil tankers crossing the Atlantic. As the war ground on military leaders had looked to new technologies and tactics in their search for a "knock-out" blow: these technologies (e.g. the tank, high-explosives) and tactics relied on oil. Whereas the French armed forces owned 316 oil-powered lorries, planes, ships and cars in 1914, by war's end they had 97,279. This led the French to set up a state oil agency in 1917 and propose a state oil monopoly (i.e. making the state the sole supplier of the French market). Here we see two oil executives associated with Royal Dutch-Shell discussing how they can take commercial advantage of this situation. Royal Dutch-Shell's successful lobbying of French government officials presented the Anglo-Dutch firm as a reliable ally of France, while their American rival, Standard Oil of New Jersey, was portrayed as selfishly opposing the monopoly plan. By exaggerating the extent of the shortages Royal Dutch-Shell even managed to get the French government to ask American President Woodrow Wilson for help. Wilson ordered Standard Oil to redeploy its tankers from Asia to the Atlantic. This helped Royal Dutch-Shell, which was losing market share in Asia to Standard Oil.

## **Source 5: The emergence of "energy security"**

[German/Austrian proximity to Romanian oilfields will give them an advantage] when oil becomes the main motive power for commercial purposes. It is thus essential for this country to obtain, before this war is concluded, a secure hold on the Middle Eastern Oil Fields, and the matter is one which cannot be treated as a merely commercial venture, but must be envisaged as a national responsibility which is without parallel and which permits of no half measures or ill-considered action.

Source: "H.G.N", 'Draft Note for the Persia Committee', 14 Feb. 1918. The National Archives, POWE33/41.

### **Commentary:**

Unlike Britain and France, Germany and Austria-Hungary had oil-bearing lands on their doorstep, in Galicia and Romania. The powerful German bank Deutsche Bank had invested heavily in Romanian oil before 1914. Although British special forces succeeded in blowing up or otherwise sabotaging many Romanian oil wells prior to the German invasion of @, German engineering expertise soon brought them back on stream. This unidentified official has clearly drawn lessons from this experience, while also predicting that oil products would become as vital to peacetime "commercial" life as they had already become to the war effort. He (it is almost certainly a he) argues that the British must gain a "hold" on Middle East oil, although quite how that "hold" is to be secured is unclear: by invading oil-bearing lands ("boots on the ground")? By creating a state-controlled oil company? Surprisingly, control of oil-bearing lands only became an official war aim six months later: some ministers and officials felt that such a war aim was too "imperialistic" to be defensible.

## Source 6: The British conquer Baghdad

Since the days of Hulagu [13th-century Mongol ruler], your city and your lands have been subject to the tyranny of strangers, your palaces have fallen into ruins, your gardens have sunk in desolation and your forefathers and yourselves have groaned in bondage. Your sons have been carried off to war not of your seeking, your wealth has been stripped from you by unjust men and squandered in distant places....O people of Baghdad, remember that for twenty-six generations you have suffered under strange tyrants, who have ever endeavoured to set one Arab house against another in order that they might profit by your dissensions. This policy is abhorrent to Great Britain and the Allies, for they can neither be peace nor prosperity, where there is enmity and misgovernment.

Source: Lieutenant-General Sir Frederick Stanley Maude, "Proclamation of Baghdad",  
17 March 1917.

### Commentary:

The Ottomans had conquered Baghdad back in 1534, during a period of dramatic expansion which saw Ottoman forces besiege Vienna just five years before. The Ottomans were Turks, and hailed originally from central Asia. Since the mid-nineteenth century Britain had sought to control the Persian Gulf and its surrounding lands as a means of protecting British India from its greatest rival: Russia, whose own empire was expanding south into the Caucasus and Afghanistan. In 1914 modern-day Iraq (then known as Mesopotamia) was still nominally part of the Ottoman Empire, even though its economy was firmly part of a British economic "sphere of influence". When the Ottoman Empire decided to join the Germans, therefore, the British invaded, using largely Indian troops to "liberate" Mesopotamia. General Maude's proclamation is grandiloquent, and the British were indeed welcomed as liberators of a kind. Having invaded, however, Britain inherited the challenge of knitting together the many different communities of Mesopotamia - Shia Muslims and Sunni Muslims (both Arab by ethnicity, but far from allied), Kurds, Armenians and Jews - into a stable whole: into a sovereign nation-state named Iraq.

## Source 7: Imperialism as Trusteeship

The British and French governments] had no legal ground for disposing of and dividing the oil of Mesopotamia without consulting the other powers concerned, and especially without consulting the natives of the country...In Persia [Anglo-Persian] failed to find oil trial after trial, each failure require the raising of fresh funds under great difficulty. Each new trial was a case of double the money or quits....I do not agree with some of our oil men and our politicians when they assume that the Mesopotamia oil fields are an Eldorado. I do not believe that oil can be found without a great deal of previous outlay of money, much discouragement and wise direction. The physical difficulties are far greater than are generally supposed. In addition we have enormous political and strategical difficulties. In the first place the oil must be taken to the Mediterranean; one pipe line only should be built; that one line will carry all the oil Mesopotamia is ever likely to produce. We cannot have other pipe lines because they cannot be protected...As for the political difficulties, I do not think the conditions will be such as to permit oil development in the usual manner, i.e. by means of private corporations...By education, training and experience I am democratic in feeling...Nevertheless, under the circumstances prevailing, or which are likely to prevail in this country, I believe that the oil can best be developed by a monopoly.

Source: Mr. Sheffield, Report of Interview with Lieut. Col. A.T. Wilson, Acting Civil Commissioner of Mesopotamia, Sept. 20, 1920. National Archives and Records Administration, RG59 890G.6363/8.

### Commentary:

Many if not all British imperial officials took their mission seriously, in so far as they felt a sincere duty to serve the long-term interests of the communities they were appointed to administer, mentoring them and assisting their development until such time as new self-governing nation-states emerged. A veteran with extensive experience of service in British India, Colonel Arnold Wilson was appointed Civil Commissioner for Mesopotamia in 1918. His comments to an American oil prospector sent out by the mighty Standard Oil of New Jersey is remarkably, almost irresponsibly, candid in setting out Wilson's disgust for the British oil industry's machinations. Although the British-controlled Turkish Petroleum Company claimed rights to Mesopotamia's oil under an agreement with the Ottoman government signed in June 1914, as the acting governor of the region Arnold is unwilling to recognize that British company's rights, or even the policy of Anglo-French collaboration in oil development enshrined in the 1920 San Remo Oil Agreement. He views his own role as that of "trustee of the interests of the future Iraqi state", and thereby recognizes the Iraqis' stake in their nation's oil future - even though the actual kingdom of Iraq was only established by the British (under League of Nations mandate) in 1921.

## Source 8: Whose oil?

No one company should have monopoly of our oil. We wish Iraq [formerly known as Mesopotamia] to greatly benefit of its resources and that the exploitation of such deposits be conducted in such a manner [as] should leave no ground for foreign interference in the administration of our country.

Source: *Istiklal* ["Independence", Turkish-language newspaper, Istanbul] 19 Dec 1923

## Commentary:

The war against Germany and Austria-Hungary may have ended in 1918, but elsewhere conflict continued: the Allies joined "White" Russian forces against the Communist "Reds", while in the Middle East the Turks, Kurds and several other communities also continued fighting, resisting attempts by the Allies to impose their own borders on the region. In 1923 the Turks still claimed the oil-bearing northeast corner of the new Kingdom of Iraq (created by the British under a League of Nations mandate in 1921). Here we can see an early example of so-called "resource nationalism", in which a nation seeks to control its natural resources as a means towards economic self-determination. The oil industry is, however, a capital-intensive industry which demands considerable technological know-how: the new Republic of Turkey had almost no capital and little know-how to invest in developing its own oil. It therefore relied on foreign investment. Debates over the terms under which foreign firms would exploit "our oil" persist today. Given the strategic importance of oil, the extensive lobby-power exerted by powerful western oil firms and the vast sums they invest, one might well wonder if this journalist's call for "non-interference" was realistic.