Petroleum, Politics, and Persuasion: Why the British Government Purchased 51-Percent of the Anglo-Persian Oil Company

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After receiving a concession to prospect and sell the petroleum contained in three-quarters of Persia, William Knox D'Arcy established the Anglo-Persian Oil Company (APOC) in 1908. Six years later, the British government rescued APOC from financial destitution and accelerated its development by purchasing fifty-one percent of the company's shares. In doing so, His Majesty's Government became intimately involved in Iranian affairs and Middle Eastern "petro-politics," two matters which greatly affected British foreign policy throughout the 20th century. Given the long-term implications of this investment, many scholars have wondered what incentives motivated the British government. By studying records from the India Office, the Admiralty, the Foreign Office, Parliament, and the Anglo-Persian Oil Company, this paper examines how commercial, diplomatic, and strategic concerns intersected. Ultimately, this paper argues that, although the British government rationalized its decision based on the need to secure fuel oil for the Royal Navy, commercial concerns initially inspired the investment in APOC.

Introduction

In 1901, William Knox D'Arcy received a concession from Shah Mozzafar al-Din granting him exclusive rights to prospect and sell petroleum contained in three-quarters of Persia (British Library 1901, 33). Subsequently, with support from the Burmah Oil Company, D'Arcy struck oil at Masjid i-Suleiman on May 26, 1908, establishing the Anglo-Persian Oil Company (APOC) on April 14, 1909 (Ferrier 1982, 88, 107). Ultimately becoming the multinational giant British Petroleum, the company's founder, R.W. Ferrier writes, "signaled the emergence of the first-oil producing area in the Middle East, with all the economic and political consequences which this meant" (Ferrier 1982, 89). Similarly, Peter Frankopan argues that "the discovery of oil made the piece of paper signed by the Shah in 1901 one of the most important documents of the twentieth century . . . it laid the basis for a multi-billion-dollar business to grow . . . it also paved the way for political turmoil" (Frankopan 2015, 320).

However, the company did not succeed independently. Rather, in 1914, the British government rescued APOC from financial crisis and catalyzed its development by purchasing 51 percent of the company's shares (Ferrier 1982, 199). This investment involved two steps: the first, on May 20, 1914, with Admiralty signing an agreement with APOC for the supply of fuel oil, and the second, on July 7, 1914, with Parliament passing a bill whereby the Treasury subscribed to the company's capital. Under the July legislation, His Majesty's Government purchased £2.2 million worth of ordinary shares, preferred shares, and first debentures in exchange for a guaranteed supply of fuel oil for the Admiralty (British Library 1914). This influx of cash, Ferrier

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elucidates, provided a "sufficiently strong financial base on which the Company with its concession could really establish itself" (Ferrier 1982, 113).

Besides accelerating APOC's success, the government's subscription of capital was of extreme geopolitical significance. Two weeks after the investment, World War I increased the importance of petroleum. Thus, the newly secured Persian fuel oil gave the Royal Navy a crucial advantage, which ensured that, as Lord Curzon proclaimed, "the allied cause floated to victory upon a wave of oil" (Frankopan 2015, 320). In addition, its connection to APOC caused Britain to remain intimately involved in Iranian affairs and Middle Eastern "petro-politics" throughout the twentieth century. Henceforth, as Frankopan and Ferrier respectively write, "the desire to win control of oil would be the cause of many problems in the future" and would have "a significant impact upon national economies and international relations" (Frankopan 2015, 321). Given such long-term implications, this paper seeks to determine why the British government purchased a controlling interest in APOC in 1914. Did commercial, political, military, or other incentives motivate His Majesty's Government (HMG)? Did the Foreign Office and the Admiralty incite this decision? Or did APOC and its executives persuade the government to subscribe capital?

Since 1914, many historians have studied the history of APOC, its relationship with the British government, and the reasons why HMG purchased 51 percent of the company's shares. Frankopan argues that early twentieth-century European geopolitics motivated HMG to secure fuel oil for the navy (Frankopan 2015, 321). Amidst nationalist and imperialist tensions, the investment reflected Britain's desire to gain an advantage over the other Great Powers. In contrast, Black portrays the government's purchase as part of a Machiavellian plot to control Middle Eastern oil (Black) He contends that, after investing in APOC, the government intended to acquire other foreign petroleum resources. Thirdly, Jack argues that three departments—the Foreign Office, the India Office, and the Admiralty—all played essential roles in the decision to rescue the firm. Jack claims, however, that the Foreign Office, not the Admiralty, was the most important force (Jack, 139). Finally, Ferrier maintains that APOC's chairman Charles Greenway persuaded the government to support his company. (Ferrier 1982) Therefore, Ferrier claims, the arrangement was inspired by commercial, rather than strategic, interests. (Ferrier 1982, 168)

Despite elucidating several reasons why HMG might have purchased a controlling stake in APOC, these authors have insufficiently analyzed how interactions between the company and the government prompted the decision. While arguing that Greenway inspired the investment, Ferrier fails to reveal how the chairman gained support from the Foreign Office and the Admiralty. Moreover, Ferrier only explains why the Admiralty signed its agreement with APOC but does not address why Parliament later allocated the necessary capital. Therefore, by studying records from the India Office, the Admiralty, the Foreign Office, Parliament, and the Anglo-Persian Oil Company, this paper examines how commercial, diplomatic, and strategic concerns intersected. Accordingly, this paper argues that, although the British government rationalized its decision based on the need to secure fuel oil for the Royal Navy, commercial concerns played a significant role in its investment in APOC. Charles Greenway first attracted the government's support by correlating his commercial interests with the Foreign Office's political concerns and the Admiralty's strategic policies; subsequently, First Lord of the Admiralty Winston Churchill adopted Greenway's argument and convinced Parliament to subscribe capital.

Destitute and Desperate: APOC's Financial Condition

By 1912, after developing its concession and launching production, APOC found itself in a precarious financial state. The company's failure to understand the unique physical and chemical characteristics of its Persian oilfields increased costs, delayed development, and caused its refinery at Abadan to open three years behind schedule (Ferrier 1982, 8). As a result, development expenditures and capital investment in installations more than doubled initial predictions (Ferrier 1982, 190). Yet, despite struggling to market its products, the company continued to expend capital. For example, in a March 1913 memorandum on APOC's proposal to supply fuel oil to the navy (hereafter the "Admiralty Memorandum"), the Admiralty revealed that "the Company have expended their capital in sinking wells, building a pipe line of 150 miles from the wells to a port (Abadan, at the head of the Persian Gulf), setting up a refinery, and in providing tank barges for conveyance of oil over the river bar to load deep-draught steamers, &c" (National Archives 1913). Such expenses drove APOC to the brink of bankruptcy. By 1913, APOC's current liabilities far exceeded its current assets—the company could not meet creditors' compensation requests and appeared headed for liquidation (Ferrier 1982, 186). Therefore, without outside capital, the company could neither continue to expand production nor operate independently. In its memorandum, the Admiralty claimed that APOC "could not undertake further large supplies without large capital expenditure for new wells, longer pipe lines, enlarged refinery, &c" (National Archives 1913, 2). Similarly, the Admiralty's agreement with APOC later stated that "the Company cannot adequately develop this very extensive Concession without additional capital" (National Archives 1914).

Accordingly, committed to rescuing APOC and turning the company into a successful, international oil enterprise, Greenway began searching for a large capital investment in 1912. By proposing to absorb APOC, the Royal Dutch Shell Group provided a potential solution to this challenge. Shell offered to buy out APOC and relieve the company of its debts and responsibilities in Persia. The "Admiralty Memorandum" revealed this intention, stating that "The Royal Dutch Shell Company . . . [is] desirous of buying out the Anglo-Persian Oil Company and working the Persian concessions" because it "think[s] so highly of the Persian oil-fields and the advantages of amalgamation that they are willing to pay a large sum for their acquisition" (National Archives 1913). However, despite this offer of financial assistance, Greenway was determined to preserve APOC's independence. Therefore, he rejected Shell's overture and sought alternate sources of capital. Meanwhile, in tune with the Foreign Office's priorities and the British Admiralty's new policies, Greenway began correlating APOC's success to national security and the use of his petroleum as British naval fuel oil. Thus, at this juncture, the Foreign Office, the Admiralty, and the British government emerged, respectively, as a source of political support, an attractive customer, and a potential investor.

Destitute and Desperate: APOC's Financial Condition

While Greenway searched for capital to save his company, the Foreign Office maintained strategic and political interests in Persia. Given the country's proximity to India and the Persian Gulf, the Earl of Ronaldshay, Lawrence Dundas, declared in the House of Commons that Persia "had always been recognized as vital" to Britain "both from the strategical and political points of view" (Shanghai Times 1914). Moreover, he claimed that "if . . . a strong continental power were to come down on . . . Persia, and establish itself in the neighborhood of the Persian Gulf, it would constitute a menace on the line of our communication to India and the Far East, and also with Australia and New Zealand" (Parliamentary Papers 1914). Therefore, the Foreign Office sought to preserve British influence in the region and prevent other nations from dominating Persian affairs. Sir Edward Grey served as Foreign Secretary from 1905 to 1916. In this role, he focused on protecting Persian integrity, sustaining order in the Gulf, and curtailing Russian interference (Fitzpatrick 1920, 16, 82). Grey highlighted these intentions in a dispatch to Sir Arthur Nicolson: "His Majesty's Government will continue to direct all their efforts to the preservation of the status quo in the Gulf and the maintenance of British trade" (Sessional Papers 1908). For this purpose, Grey and the Foreign Office signed the Anglo-Russian Agreement in 1907, constraining Britain and Russia to southern and northern spheres of influence—with a neutral zone dividing the two spheres. The agreement aimed to restrict Russian intervention and, as Sir Mark Sykes stated, "to guarantee the integrity of Persia" (Parliamentary Papers 1914). While not pursuing territorial expansion, the Foreign Office was preoccupied with limiting foreign intrusion in Persia. Hence, throughout his tenure, Grey sought to uphold the Anglo-Russian Agreement and maintain Britain's stake in this strategic region. Accordingly, as an emblem of British commercial power in Persia, APOC attracted Grey's attention and coincided with his agenda.

Fuel Oil and the Admiralty

In addition to the Foreign Office, the British Admiralty also developed an interest in APOC; yet, rather than the company's political importance, its fuel oil appealed to the Admiralty. Throughout the early twentieth century, the Royal Navy was expanding its oil consumption. In an arms race with Germany, the Admiralty sought to modernize the navy and secure a strategic advantage. Thus, replacing coal with oil quickly emerged as the means to this end. Aptly known as the "oil maniac," First Sea Lord Admiral John Fisher led the early fuel transition (Black 26). First, in 1903, Fisher appointed an "Oil Fuel Committee" under Admiral Ernest Pretyman, which made it clear, as Pretyman wrote, "'that petroleum would largely supersede coal as the source of the fuel supply of the Navy'" (Black 26; Longhurst 1956, 24). Oil conferred massive advantages, which promised to increase the efficiency and power of the Royal Navy. According to Churchill in The World Crisis, the benefits included speed, maneuverability, and efficiency:

> In equal ships oil gave a large excess of speed over coal. It enabled their speed to be attained with far greater rapidity. It gave 40 per cent greater radius of action for the same rate of coal. It enabled a fleet to refuel at sea with great facility. An oil-burning fleet can, if need be and in calm weather, keep its station at sea, nourishing itself from tankers without having to send a quarter of its strength continually into harbor to coal, wasting fuel on the homeward and outward journey (Churchill 2005, 74)

Overall, Churchill claimed that "the use of oil made it possible in every type of vessel to have more gun-powder and more speed for less size or less cost" (Churchill 2005, 74) Therefore, Admiral Fisher began directing the Admiralty to build oil-fueled destroyers and torpedo boats. As Churchill testified to the House of Commons in July 1913, "in the year 1909 the first flotilla of ocean-going destroyers wholly dependent upon oil was created, and since then, in each successive year, another flotilla of oil only destroyers has been built" (Parliamentary Papers 1913). Consequently, the Admiralty developed a growing dependence on and demand for fuel oil.

This fuel transition intensified when, in October 1911, Churchill became First Lord of the Admiralty. Confident about the advantages of oil, he expanded the fleet and appointed two commissions to investigate potential sources of supply. First, in December 1911, Churchill appointed an oil commission under Captain William Pakenham, and second, in July 1912, he created the Royal Commission on Fuel and Engines under Admiral Fisher (Jack, 148; Ferrier 1982, 165) Churchill insisted to Fisher that "'this liquid fuel problem has got to be solved . . . You have got to find the oil; to show how it can be stored cheaply; how it can be purchased regularly and cheaply in peace; and with absolute certainty in war.'" (Ferrier 1982, 165) Then, using the commissions' conclusions, Churchill wrote a cabinet memorandum titled "Oil Fuel Supply for His Majesty's Navy," which emphasized the importance of oil, explained the difficulty of securing its supply, and outlined the Admiralty's new oil policy (National Archives 1913)

On July 17, 1913, Churchill brought these issues before the House of Commons. In his testimony, he first confirmed the "advantage of using oil fuel in ships of war" and professed that oil would "add an appreciable percentage to the relative fighting strength of the British Navy" (Parliamentary Papers 1913). Second, he equated the Navy's access to oil with Britain's political and economic security: "if we cannot get oil, we cannot get corn, we cannot get cotton, and we cannot get a thousand and one commodities necessary for the preservation of the economic energies of Great Britain" (Parliamentary Papers 1913). Then, based on such crucial and urgent benefits, Churchill outlined the Admiralty's "twofold" oil policy, split into "an ultimate policy" and "an interim policy" (Parliamentary Papers 1913). While "our ultimate policy is that the Admiralty should become the independent owner and producer of its own supplies of liquid fuel," Churchill declared, "the interim policy consists in making at once a series of forward contracts for about five years . . . to secure a regular and an adequate supply during this immediately future period at reasonable and steady prices" (Parliamentary Papers 1913). Furthermore, Churchill established three governing principles for the Admiralty's policy:

> First, a wide geographical distribution, to guard against local failure of supplies and to avoid undue reliance on any particular source . . . secondly, to keep alive independent competitive sources of supply, so as to safeguard the Admiralty from becoming dependent on any single combination; and, thirdly, to draw our oil supply, so far as possible from sources under British control or British influence, and along those sea or ocean routes which the navy can most easily and most surely protect" (Parliamentary Papers 1913).

Through this impassioned speech, Churchill confirmed the Admiralty's permanent dependence on oil, inaugurated a campaign to ascertain its supply, and attracted Parliamentary support for his naval program. Consequently, he further accelerated the fuel transition and made the Admiralty perceive oil as critical for maintaining naval supremacy and protecting the British Empire.

However, rising prices soon challenged the Admiralty's policy. Meanwhile, competition from Germany and other Great Powers only magnified its desire to secure a strategic advantage. During Fisher's tenure, oil consumption had grown exponentially—Ferrier states that "within a decade demand for fuel oil . . . by the Admiralty increased enormously" from "1200 tons in 1902 to 277,850 in 1912" (Ferrier 1982, 163). Concurrently, higher demand led to higher prices. For example, in his speech to the House of Commons on July 17, 1913, Churchill explained that "the growing demand for oil fuel" had led "oil, which in 1911-12 could practically compete on favourable terms with coal," to have "now almost doubled in cost" (Parliamentary Papers 1913). As a result, Churchill declared, "the problem" became "not one of quantity" but "one of price" (Parliamentary Papers 1913). Amidst these escalating prices, the Admiralty faced the mounting challenge of securing a steady supply of oil for its fleet. Thus, anxious to improve its navy and protect the Empire, the Admiralty became an obvious target for Greenway's campaign.

Charles Greenway's Campaign for Capital

Given the Foreign Office's interests in Persia and the Admiralty's yearning for fuel oil, Greenway identified these two departments as potential allies. By framing APOC's fate as a matter of British national security, Greenway appealed to their political sensibilities and campaigned for a government subsidy. Since the company's growing destitution made Shell's buyout offer more attractive, he used this potential merger to attract the government's attention. First, in September 1912, Greenway alerted the Foreign Office, which wrote to the Admiralty that "Mr. Greenway informed [us] that one of the objects of the Shell Company for years past has been to arrive at an amalgamation of interests with the Anglo-Persian Oil Company" (British Library 1912). Subsequently, in March 1913, the Admiralty stated that "the prospect of an advantageous sale and relief from all further risk and responsibility is an extremely tempting one for the Company" (National Archives 1913, 2). However, in communicating with both departments, Greenway emphasized his desire to reject Shell's proposition. The Foreign Office recognized that the company "largely on Imperial grounds have hitherto rejected all overtures," while the Admiralty acknowledged that the company's directors "prefer to maintain independence as a British Company, if this is in any way feasible" (National Archives 1913, 2). Yet, Greenway also stressed that APOC's continued autonomy depended on significant financial assistance—without such assistance, a merger with Shell was all but inevitable.

Henceforth, Greenway used the threat of a Shell takeover to appeal for government aid. Since Shell was foreign owned, Greenway argued that amalgamation would constitute a national security risk. As Gareth Jones writes, Greenway "repeatedly emphasized that [the company] was threatened with absorption by Shell, that Shell was now 60% Dutch, and that the Netherlands were very vulnerable to pressure from Germany" (Jones 1997, 652). Contemporary geopolitics, rising tensions with Germany, and presumed connections between the Dutch and German governments made the British government susceptible to these assertions. By implying that Shell's ownership of APOC would undermine British influence and permit foreign intrusion in the Gulf, the chairman's claims directly coincided with the Foreign Office's agenda. Meanwhile, Greenway's warnings that Shell might create a monopoly and further inflate fuel prices alarmed the Admiralty. In addition to the Foreign Office and the Admiralty, Greenway's campaign also caught the attention of the India Office, which wrote that, "unless the Government can come to some arrangement with [Greenway's] company to assist not only in the matter of contract for supplies but also some form of subsidy to aid developments and active support, . . . it will probably be impossible for the Anglo-Persian to preserve its independence" (Murray 1914).

Consequently, Greenway presented, as a viable alternative to Shell's buyout, an Admiralty fuel oil contract and a government investment. Thus, the March 1913 "Admiralty Memorandum" stated that "the Anglo-Persian Company . . . suggest, as a suitable method of finding the capital and preserving the independence of the Company, that the Admiralty, as a condition of a long term (twenty years) contract, should advance 10s per ton up to 200,000 tons . . . and should recover this advance by a corresponding abatement of 10s per ton on the first 200,000l tons delivered in each year" (National Archives 1913, 2-3). Before this fuel contract could go into effect, however, the British Treasury had to invest in APOC—the "Admiralty Memorandum" highlighted that "the Company offer the low price for oil in consideration of the Government assistance in procuring capital for fresh development" (National Archives 1913, 5). Greenway presumed that the Admiralty was "very anxious to preserve Persia for all time as a source of Fuel Oil for the British Navy in order (1) that the Shell may not secure a monopoly and thus be in a position to demand their own price, and (2) that they might not run the risk of supplies being cut off in time of war" (British Petroleum Archives 1912). Furthermore, Greenway emphasized APOC's value, contending that the "concession extending over nearly the whole of Persia is so large, and the results obtained on the basis of wells already sunk are so satisfactory, that it is only a question of drilling and piping . . . to get the results necessary to meet a large Admiralty contract" (National Archives 1913, 5). Shell's interest in APOC was, Greenway believed, further proof of his company's intrinsic worth. This point convinced the Admiralty, which wrote in its memorandum that "the faith in the productivity of the Persian oilfields shown by the Shell Company with its world-wide experience is evidenced by the offer of absorption" and that "the confidence of the Anglo-Persian Company and that of the . . . Shell Companies . . . should inspire the Government with confidence in the ability of the Anglo-Persian Company" (National Archives 1913, 6). Hence, by emphasizing the danger of amalgamation and presenting the coupled fuel oil contract and government investment as the predominant alternative, Greenway placed the onus on the Admiralty for APOC's survival. Evidently, Greenway inspired the British government's intervention—as Ferrier concludes, "it was Company necessity, not national policy," that prompted this result (Ferrier 1982, 168).

The Foreign Office's Support for APOC

Greenway's arguments persuaded the Foreign Office, leading that department to support government aid for APOC. Through his correspondence, Greenway easily convinced Grey that, without alternative funding, his company would be forced to combine with Shell. The foreign secretary feared that amalgamation would threaten British interests in Persia. Thus, Grey wrote: "our position, both commercial and political, will be seriously jeopardized if the most important British concession in Persia, the Anglo-Persian Oil Company, is allowed to pass under foreign control by absorption in the Shell Company" (National Archives, 1912). Moreover, Shell's Dutch nature particularly intensified concerns because the Foreign Office believed that the Netherlands was vulnerable to German influence. While the Boer War had weakened Anglo-Dutch relations, the Netherlands had expanded its connections to Germany (Sterenborg 2015). For example, Dutch Queen Wilhemina's husband was German, Prime Minister Pieter Cort Van der Linden espoused pro-German sentiments, and the Netherlands traded frequently with its eastern neighbor (Ruis 2016, 149). Therefore, Britain feared that Germany's political influence over the Netherlands would extend to commercial influence over Dutch companies like Shell. In that scenario, Shell's purchase of APOC could prompt German intervention in Persia. Given contemporary Anglo-German tensions and the likelihood of war, the Foreign Office saw such an extension of German power as a massive risk. Britain could not afford to sacrifice its position to Dutch and German authorities.

In addition to fearing foreign interference in Persian territory, the Foreign Office also recognized the danger of a global oil cartel. If Shell acquired APOC, the Dutch company would control a vast majority of the world's oil. Subsequently, this monopoly could manipulate prices and supply, which could affect the Royal Navy's ability to acquire fuel. Thus, Foreign Office Assistant Undersecretary Louis Mallet wrote: "it is clear . . . that the Shell group are aiming at the extinction of the latter as a competitor . . . one of their objects being to control the price of liquid fuel for the British Navy" (National Archives 1912).

Based on such threats to Britain's political, strategic, and naval interests in Persia, the Foreign Office decided to support Greenway's campaign for a government investment and prevent the emergence of a foreign-controlled oil monopoly. Grey assumed that protecting British enterprise was part of his role as foreign secretary: "we are told we are to promote British commerce all over the world. That, of course, is one of the first duties of the Foreign Office" (Parliamentary Papers 1914). By defending APOC's independence and encouraging the government to subsidize the company, Grey intended to satisfy this duty. Meanwhile, he did not seek to expand British territories in Persia. As Grey wrote to the British Ambassador in Russia, Sir George Buchanan, "the British Government does not acquire any rights under the concession that were not possessed by the Anglo-Persian Oil Company already" (Edward 1914). Ultimately, Mallet revealed the Foreign Office's decision to collaborate with APOC, writing "that we should go to every length in supporting the independence of the Anglo-Persian Oil Company and subsidise them if necessary" (Mallet Minute).

From Ambivalence to an Agreement: The Admiralty's Support for APOC

Although Greenway persuaded the Foreign Office that Shell jeopardized Britain's political and naval security, the Admiralty was slower to concede and to endorse APOC's request for aid. Ferrier notes that initially "the Admiralty, on naval and commercial grounds, refused to consider Greenway's proposals and was indifferent to the fate of the Company or the diplomatic implications of 'some risk of the oil fields in . . . Persia being under foreign and largely German control'" (Ferrier, 172). However, the Foreign Office helped convince the Admiralty otherwise. While overtly in support of APOC, the Foreign Office knew that "diplomatic assistance alone will be useless in preserving the independence" of the company (National Archives 1912). Rather, the department wrote on November 28, 1912 that "it is pecuniary assistance in some form that they require: whether this should be given depends upon considerations that the Foreign Office cannot decide" (National Archives 1912). Thus, the Foreign Office recognized that APOC desperately needed the Admiralty fuel oil contract and the subscription of government capital. Accordingly, that department emphasized the risk of a Shell-controlled cartel by alerting the Admiralty that, if amalgamation occurred, "practically the whole oil supply of the world would be under the foreign control of the Shell Company" (National Archives 1912). Then, Grey and Greenway both explained that Shell would be able to gouge oil prices and limit fuel contracts. Heeding their warnings, the Admiralty came to the position that "the maintenance of the Persian oil fields in the hands of a British Company" was crucial (National Archives 1912). Otherwise, amalgamation would obstruct the navy's access to cheap oil. On July 4, 1913, the Admiralty explicitly recognized this notion, writing in its "Proposed Arrangement with the Anglo-Persian Oil Company for the Supply of Fuel Oil" that "the offer of contracts on favourable terms to the Admiralty . . . is dependent upon the Anglo-Persian Company retaining its independence and not being absorbed by the 'Shell' group of companies" (National Archives 1913). If the companies merged, the "Admiralty Memorandum" claimed, "contracts for Persian oil would certainly be at a much higher price than is now offered" (National Archives 1913).

Therefore, the Admiralty came to see a contract with APOC as the only alternative to a foreign-controlled monopoly and expensive fuel oil. APOC offered to supply 40 percent of the Admiralty's fuel requirements at highly competitive prices (Ferrier, 179). Thus, the "Admiralty Memorandum" noted that the contract was "highly favourable . . . as compared with purchases which would otherwise have to be made at market rates, which have risen rapidly in the last two or three years and are likely to go much higher" (National Archives 1913). Likewise, the Royal Commission on Oil Fuel and Engines confirmed that "the Anglo-Persian Oil Company's offer is reasonable in price, and particularly desirable on grounds of the superior quality of the oil" (National Archives 1913). Consequently, in the summer of 1913, the Admiralty began drafting its agreement with APOC.

By July 1913, the Admiralty had completed a "Proposed Arrangement with the Anglo-Persian Oil Company for the Supply of Fuel Oil" (National Archives 1913). This document was a preliminary version of the "Agreement with the Anglo-Persian Oil Company, Limited," which the Admiralty signed on May 20, 1914 (National Archive 1913). Both documents delineated that, in return for a guaranteed supply of fuel oil, His Majesty's Government would subscribe £2.2 million's worth of APOC securities. After outlining the terms of the government's investment—£2,000,000 of ordinary shares, £1,000 of preference shares, and £199,000 of first debentures—the agreement stated that "the Company shall during the said term of twenty years sell and deliver to the Admiralty . . . 6,000,000 tons of oil fuel (National Archive 1913). Additionally, the Treasury would gain the right to appoint "two ex officio directors" with "a power of veto over all acts . . . of the Company" that "may affect questions of foreign and military policy (National Archive 1913). However, the Admiralty's agreement depended on the British government's financial assistance—the document stating that the fuel oil contract "shall come into force only if funds are provided by Parliament (National Archive 1913). Thus, perceiving the contract as "essential and indispensable," the Admiralty wrote to the Treasury that it wanted the government to "assume the responsibility of authorizing this contract with the approval of the Treasury (National Archive 1913). Subsequently, the Admiralty appointed a committee to campaign for government sanction and to prepare Parliamentary procedures. In the ensuing debates, Churchill emerged as the advocate of state support for APOC.

First Lord of the Admiralty Winston Churchill in the House of Commons

After the conclusion of the "Proposed Agreement" with APOC, First Lord of the Admiralty Churchill brought the matter of capital investment before Parliament, presenting a bill to the House of Commons "to Provide Money for the Purpose of the Acquisition of Share or Loan Capital of the Anglo-Persian Oil Company, Limited." However, the Treasury did not initially approve, finding "the proposal to bind the Government for 20 years to so speculative a business" as being "most objectionable," "unbusinesslike and so unsound." (National Archive 1913). Likewise, the Treasury Secretary Sir Robert Chalmers stated: "I do not see any justification for a contract on these terms for so long a period as 20 years (National Archive 1913). Therefore, in order to bring the opposition around and demonstrate APOC's worth, Churchill sent a commission under Admiral Edmond Slade to examine and report on the company. Between October 1913 and January 1914, the Admiralty Commission on the Persian Oilfields studied APOC's geology, production, and output. Ultimately, Admiral Slade's commission reported that "we are satisfied that the Company's Concession is a most valuable one" and that "the existing field is capable, with proper development, of supplying a large proportion of the requirements of the Admiralty for a considerable period while the whole Concession, judiciously worked, would probably safeguard the fuel supply of HMN [His Majesty's Navy] (National Archive 1914). Then, after highlighting that "the Company cannot adequately develop this very extensive Concession without additional capital," the commission endorsed the idea of "His Majesty's Government affording [APOC] financial support (National Archive 1914). The commission thus recommended "that control of the Company should be secured by the Admiralty . . . and that all possible steps should be taken to maintain the Company as an independent British undertaking (National Archive 1914).

Subsequently, thanks to the Slade Commission's positive report, Churchill's commitment to securing fuel oil for the navy, and his rhetorical skill, he convinced Parliament to approve the bill and to subscribe shares in APOC. On June 17, 1914, Churchill debated emphatically in the House of Commons. There, he presented a passionate speech that correlated the proposed investment with naval strategy and foreign policy. First, Churchill restated the strategic importance of oil: "the Navy must have oil for the ships which are already built or building. We must have a steady supply, we must be able to know beforehand . . . where we can get it from" (Parliamentary Papers 1914). However, the quantity of oil, Churchill clarified, was not the problem, as "there never has been, and never will be, any shortage of oil for the British Navy (Parliamentary Papers 1914). Rather, the concern was about price: "the supply of oil in peace depends on the price. In war the supply depends on prices, plus force

(Parliamentary Papers 1914). Thus, Churchill described how the Admiralty had experienced a "long steady squeeze by the oil trusts all over the world" and "found prices and freights raised steadily (Parliamentary Papers 1914).To these problems, Churchill argued, the Admiralty's agreement with APOC offered a solution. Accordingly, he stated that he had "put this proposal forward . . . as an important contributory source as regards quantity and as a powerful controlling influence as regards price (Parliamentary Papers 1914).

In addition to raising the issue of prices, the First Lord also highlighted the particular advantages of APOC and of the proposed contract. During his speech, Churchill declared that "we recognize in the Persian field a necessary source of supply for a long time. We recognize in it the best source from which we could obtain the best kind of oil (Parliamentary Papers 1914). Then, he emphasized the urgency of the decision, because APOC "was in constant danger of being absorbed by some other combination and welded into an ever-widening price ring (Parliamentary Papers 1914). Without financial support, APOC would be forced to combine with Shell. Instead, by investing in the firm, the government could guarantee its independent survival and success. Furthermore, Churchill claimed that the Treasury's investment and the Admiralty's contract would "confer upon the Anglo-Persian Company an immense advantage which, added to their concession, would enormously strengthen the company and increase the value of their property (Parliamentary Papers 1914). Thus, he proclaimed to the House of Commons, "was it not wiser, was it not more profitable on every ground, naval, financial, and indeed equitable, to acquire control of an enterprise which we were bound to help and bound to enrich, which we alone could sustain, and on which, to a large extent, we must rely?" (Parliamentary Papers 1914). Ultimately, on July 7, Churchill finalized his argument by insisting there was no better alternative: "we have not only obtained oil, but an independent supply of oil scientifically developed and controlled in its production in the interest of the Navy. That is a matter in which very few alternatives are open to us . . . there is no other area of supply which offers advantages comparable to those which exist in Persia" (Parliamentary Papers 1914). For these reasons, Churchill declared, the British government should subscribe to the capital of APOC and acquire a majority share in the company.

As a result of Churchill's persuasive arguments, the House of Commons approved the bill on July 7, 1914. By a vote of 254 to 18, Parliament overwhelmingly supported the decision "to Provide Money for the Purpose of the Acquisition of Share or Loan Capital of the Anglo-Persian Oil Company, Limited" (Longhurst 1959, 52). The House of Commons stated "that it is expedient to authorize the issue, out of the Consolidated Fund, of such sums, not exceeding the whole two million two hundred thousand pounds, as are required for the acquisition of share or loan capital of the Anglo-Persian Oil Company" (Parliamentary Papers 1914). Through this investment, the British government acquired a controlling 51-percent interest in APOC and secured fuel oil for the Royal Navy.

Conclusion

Evidently, Churchill's speeches were crucial. Without his arguments about naval strategy and national security, Parliament would likely not have approved the bill. Through ingenious rhetoric, Churchill made the choice black and white, giving Parliament no practical alternatives to the investment. Like Greenway and Grey, Churchill avowed that, if His Majesty's Government did not allocate capital, a foreign-controlled monopoly would undermine the Admiralty's access to and ability to pay for fuel oil. In contrast to this massive threat, the commercial risk of investment seemed negligible. Other members of Parliament revealed Churchill's influence in their own speeches. For example, Sir Mark Sykes asserted that, "if the Admiralty say they want oil, and the oil is of a suitable quality, he will be a very unpatriotic man who will say that they are not to have the oil" (Parliamentary Papers 1914). Likewise, the Earl of Ronaldshay stated that "the First Lord of the Admiralty is responsible. This venture in oil . . . is the child of the genius of the First Lord of the Admiralty" (Parliamentary Papers 1914). Both of these statements underscore the persuasiveness of Churchill's testimony in the House of Commons. As a result of his performance, the rationale behind the government's investment became the need to guarantee a steady supply of cheap oil for the navy. Accordingly, the Earl of Ronaldshay asserted: "I conceive that the only reason for this arrangement upon which it can be justified to the Committee is a great and vital urgency that oil should be provided somewhere" (Parliamentary Papers 1914). Similarly, the agreement with APOC stated that "the grounds on which His Majesty's Government arrived at their decision to enter into the Agreement . . . are purely naval, viz., the imperative need of direct control of a reasonable proportion of the supply of oil fuel required for naval purposes." (Parliamentary Papers 1914, 7). Clearly, Churchill's speeches inspired Parliament to rationalize its investment based on the need to secure fuel oil for the Royal Navy.

Nonetheless, the First Lord did not arrive at these arguments independently. Rather, Greenway's inspiration, pressure, and manipulation drove the Foreign Office, the Admiralty, and Churchill to support APOC. As demonstrated, Greenway portrayed amalgamation with Shell as a threat to Britain's foreign policy and national security. Thereby, Greenway attracted the support of the Foreign Office, with which he collaborated to convince the Admiralty. Subsequently, Greenway presented the agreement with APOC as a solution to the navy's fuel oil requirements. Therefore, while Parliament justified its investment based on Churchill's arguments, it was Greenway who originated the bailout scheme and incited the British government's intervention into private enterprise. By aligning his commercial interests with the Foreign Office's political concerns and the Admiralty's strategic needs, Greenway obtained Parliamentary approval and £2.2 million in capital for APOC.

In the long run, the government's acquisition of a majority stake in APOC significantly affected Britain's foreign policy. For the rest of the twentieth century, Britain remained intimately involved in Iranian affairs, and APOC often served as an arm of the government. In the end, the nation's desire to protect its oil interests drove many decisions during World War I, World War II, and the Cold War. For example, in 1953, Britain collaborated with the United States to overthrow Iranian Prime Minister Mohammad Mossadegh. Christopher de Bellaigue notes that, at this point, the re-named Anglo-Iranian Oil Company "was Britain's largest single over-seas investment and it was an important source of revenue for the shattered British economy" (Bellaigue 2012, 117). Consequently, as Ofer Israeli points out, "the government of Winston Churchill, enraged by Mossadegh's 1952 nationalization of Iran's mainly British-owned oil assets, was anxious to have him removed" (Israeli 1993, 248). Evidently, Britain's investment in APOC permanently affected its diplomatic priorities.

On May 27, 1914, an article appeared in the Times titled "The Political Aspect of the Persian Oil Agreement," which correctly predicted that the decision to invest in APOC would transform Britain's Middle Eastern policy: "the agreement . . . raises certain important considerations of foreign policy and defence" that "may in the end lead [Britain] into responsibilities of a character which Ministers seem unable to comprehend" (British Library 1914). Without Greenway's ingenuity, Britain might never have intervened in the Iranian oil industry. Likewise, without the combined influences of APOC chairman's persuasion, the Foreign Office's endorsement, and Churchill's rhetoric, the history of British involvement in the Middle East might have taken a dramatically different course.

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