



**THE INVISIBLE ACTOR OF THE MESOPOTAMIAN OIL:  
CALOUST GULBENKIAN “MR. FIVE PERCENT”**

**AYTEN YADİGÂR**

**Yüksek Lisans Tezi  
Küreselleşme ve Uluslararası İlişkiler Anabilim Dalı  
Danışman : Doç. Dr. Emine Ümit İZMEN YARDIMCI**

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**T.C.  
TEKİRDAĞ NAMIK KEMAL ÜNİVERSİTESİ  
SOSYAL BİLİMLER ENSTİTÜSÜ  
KÜRESELLEŞME VE ULUSLARARASI İLİŞKİLER  
ANABİLİM DALI  
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**TEKİRDAĞ-2018**

**Her hakkı saklıdır**

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YÜKSEK LİSANSTEZİ

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verilmiştir.

JÜRİ ÜYELERİ	KANAAT	İMZA

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\*Jüri üyelerinin tezle ilgili karar açıklaması kısmında “Kabul Edilmesine / Reddine” seçeneklerinden birini tercih etmeleri gerekir.

## ABSTRACT

This dissertation reveals the importance of individuals in the political economy of Mesopotamian oil resources in the foundation process of Iraq after the World War I.

One of the consequences of the First World War was the emergence of need for the establishment of a new order in the oil rich ex-Ottoman territories after the disintegration of the empire. The industrialized Western states at that time were in need of more and more energy due to increasing use of energy both in military and civil areas. Since energy became a matter of priority for these countries, the oil-rich Middle East which meant to get access to new resources became an attractive region for them. The territory was also economically attractive and commercially lucrative for the major oil companies of that time. Oil was the common denominator between states and companies and there was a ground for both struggle and collaboration among these actors. In this process which ended with the the foundation of Iraq and the formation of first oil cartel, the role of Caloust Gulbenkian was interesting and noteworthy.

This study approaches to the Iraqi oil issue, which has been usually handled at states level, by taking the individual as the unit of analysis. Within the framework of the theory of the international political economy, literature and archive review have been done. The importance of the role of individuals in the foundation process of Iraq has been scrutinized within the framework of descriptive analysis and the chronology generated from the oil related events of that period of time.

According to the findings of the study, the efforts of Caloust Gulbenkian who was also known as “Mr. Five Percent”- the nickname pointing to his role in the process and his share in Iraqi oil- had been influential in bringing together the relevant

statesmen and executives of oil companies. The long lasting struggle over Middle Eastern oil ended after a series negotiations, conferences and agreements between states and major oil companies of that time. The struggle over the sharing of the Middle Eastern oil had also been effective in the drawing of the boundaries of Iraq within the new system established in the region after the collapse of the Ottoman Empire.

This thesis shows that in the foundation process of Iraq the individual level of analysis is important as well as the state level in order to better understand this period.

**Key Words: Gulbenkian, Iraqi Oil, Mr. Five Percent, Political Economy**

## ÖZET

Bu tez Birinci Dünya Savaşı'ndan sonra Irak'ın kuruluş sürecinde Mezopotamya petrol kaynaklarının ekonomi politiđi açısından bireylerin önemini ortaya koymaktadır.

Birinci Dünya Savaşı imparatorluđun dađılmasından sonra eski Osmanlı topraklarında yeni bir düzenin kurulması ihtiyacını ortaya çıkarmıştır. Dönemin endüstrileşmiş Batılı ülkeleri açısından da hem askeri hem sivil alanlarda artan enerji kullanımı nedeniyle daha fazla enerjiye ihtiyaç duyulması söz konusudur. Enerji bu ülkeler için öncelikli bir mesele haline gelmiştir ve petrol zengini Ortadođu yeni kaynaklara ulaşmak için cazip bir bölge olarak karşımıza çıkmaktadır. Bu topraklar büyük petrol şirketleri için de ekonomik açıdan cazip ve ticari açıdan da kazançlı bir bölge olarak görülmektedir. Petrol, devletler ve şirketler için bir ortak paydadır ve hem işbirliđi hem de çatışmaya müsait bir zemin söz konusudur. İlk petrol kartelinin oluşumu ve Irak'ın kuruluşu ile tamamlanan bu süreçte Kalust Gülbenkyan'ın oynadıđı rol ilginç ve kayda değerdir.

Bu çalışma, genellikle devletler düzeyinde ele alınan Irak petroleri konusuna analiz birimi olarak bireyi alarak yaklaşmaktadır. Uluslar arası Ekonomi Politik kuramı çerçevesinde literatür ve arşiv taramaları yapılarak, betimleyici analiz ve oluşturulan kronoloji çerçevesinde Irak'ın kuruluş sürecinde bireylerin oynadıđı rolün önemi irdelenmiştir.

Çalışmanın bulgularına göre, süreçteki rolü ve Irak petrolündeki payına atfen "Bay Yüzde Beş" olarak da bilinen Kalust Gülbenkyan'ın çabaları, ilgili devlet adamlarını ve şirket yöneticilerini bir araya getirmekte etkili olmuştur. Uzun yıllar süren Ortadođu petroleri üzerindeki mücadele, devletler ve petrol şirketlerinin dâhil olduđu

bir dizi görüşmeler, konferanslar ve imzalanan anlaşmalar sonunda çözüme kavuşturulmuştur. Ortadoğu petroleri üzerindeki bu paylaşım mücadelesi, Osmanlı İmparatorluğu'nun çöküşünden sonra bölgede kurulan yeni sistemde Irak'ın sınırlarının çizilmesinde de etkili olmuştur.

Bu çalışma, Irak'ın kuruluş sürecinde devlet düzeyinin yanı sıra birey düzeyinde analizin de bu dönemi daha iyi anlamak açısından önemli olduğunu göstermektedir.

**Anahtar Kelimeler: Bay Yüzde Beş, Ekonomi Politik, Gülbenkyan, Irak petroleri**

## PREFACE

The Middle East and Iraq in particular are hot topics of current international relations. The US led invasion of Iraq have had repercussions at internal, regional and global levels. The lack of a world order after the end of the Cold War and the ongoing importance of energy for both developed Western countries as well as the newly emerged ones in the East –Russia, China, India- have brought the world at a point similar to the period experienced at the end of the World War I.

Since the discovery of petroleum in the mid 19.century, the oil rich Middle East has become an important center of attraction for the Western great powers. The region was designed after the World War I through a series of conferences, negotiations and agreements. Not only states but oil companies and some strong personalities, such as Caloust Gulbenkian played an important role in this process which ended with the establishment of a new nation-state system in the region. Iraq was one of them and it was created by the attachment of ex-Ottoman Empire's provinces of Mosul, Baghdad and Basra together. Britain was the super power of that time and major oil companies held nearly full control of sector until the nationalization policy of Saddam Hussein in 1970s. This thesis claims that there have been influential individuals and companies besides states in the creation of Iraq.

This thesis provides an opportunity to have a better understanding about what's happening in the region today by exposing the importance of individual level of analysis and by drawing attention to the important personalities in the creation of a nation-state out of a collapsed empire. The significance of oil is of course very clear in both periods. This thesis offers a broader perspective by handling the oil issue from the political economy perspective thus reveals the fact that politics and economics go hand in hand.



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## ABBREVIATIONS

APOC: .....	Anglo Persian Oil Company
AIOC: .....	Anglo Iranian Oil Company
BODC: .....	British Oil Development Company
BP: .....	British Petroleum
BPC: .....	Basra Petroleum Company
CFP:.....	The Campagnie Française des Petroles
FOA: .....	Foreign Office Agreement
IPC:.....	Iraq Petroleum Company
IPE: .....	The International Political Economy
IR :.....	International Relations
MNCs:.....	Multinational Companies
MPC: .....	Mosul Petroleum Company
NBT: .....	The National Bank of Turkey
NEDC: .....	Near East Development Corporation
OADC: .....	Ottoman American Development Company
PARTEX: .....	Participations and Explorations Corporation
RDS: .....	Royal Dutch Shell
SOCAL: .....	Standard Oil Company of California
SOCONY: .....	Standard Oil Company of New York
TPC: .....	Turkish Petroleum Company
WWI: .....	The First World War
WWII:.....	The Second World War

## 1. INTRODUCTION

Today, the world has been undergoing through a rough and uncertain time which is very similar to that of 1900s. The Middle East is still one of the regions of great importance for Western powers as well as the neighboring countries as it was in the past. Historically the geopolitical location of the region and its rich oil resources have been the main driving forces for great powers which had intervened to that region time to time to protect their interests and expand their spheres of influence in the energy based-power struggle among themselves. Conflicting interests of states as well as non state actors including oil companies and even individuals have made the region an area of endless fights and battles as in the forms of world wars or regional tensions, internal uprisings, proxy wars conducted through terrorist groups, sectarian and ethnic clashes. The lives of local people have been deeply affected by authoritarian regimes, spoiled wealth and then occupations followed by destruction of countries and deaths of millions.

The current picture of the Middle East as a whole has brought the need for having a look at the historical foundations of present structure of the region once again especially since 2016 - the centennial of Sykes Picot Agreement signed in 1916 which created the borders that made up much of modern Middle East. The current problems in the Middle East are said to be the legacy of Sykes Picot Agreement, then borders began to be questioned and plans for redrawing borders came to the agenda.

The oil issue had of course been the main driving force in drawing the borders and not only states but oil companies and an outstanding individual, Caloust Gulbenkian, the main theme of this dissertation, involved in the process. This shows the importance of analysis at the individual level in the IPE of energy but the issue has been mostly handled at national /state level and individual level of analysis with regard to that period remained as a less explored area.

*“History provides a crucial background for the study of international relations”*(Mingst and Arreguin, 2017:7).History is not only a chronological sequence of events independent from each other. It is rather a meaningful whole which provides a background for our thinking as well as an explanation for the present. Having looked back on history and followed the trails of historical events in Iraq have shown that there have been invisible actors which had influence on international affairs besides visible ones. British diplomat Mark Sykes and French diplomat Francois Georges-Picot are two names that first come to mind with regard to “artificial borders” in the Middle East drawn after the WWI. On the other hand Caloust Gulbenkian who was also known as “Mr. Five Percent” has been an important actor in this process. (Al-Marashi, 2016; Bardakçı, 2003; Dadyan, 2011). Gulbenkian who *“had no desire to socialize and much preferred to be on his own”* (Tchamkerten, 2017:10) stayed behind the scene but had a significant impact over the fate of Middle Eastern countries and nations.His role in putting an end to the oil struggle in the Middle East and shaping the region after the WWI is crucial for a better understanding of what happened there in the past as well as what is going on today.

Oil has transformed from an industrial raw material into a political economic commodity throughout years since its discovery and it has both political and economic significance. (Temel, 2012). It is important to look at oil issue from political economy perspective since it provides an opportunity to see the big picture by bridging the disciplines of politics and economics.This thesis adapts basic premise of mercantilist and structural approaches to international political economy (IPE) that the political and economic affairs are not independent from each other.(Gilpin, 1987). There is a symbiotic relationship between states and big companies. One of the examples of this relationship can be found in the struggle over oil in the foundation period of Iraq, with a prominent role of Gulbenkian in the process. Thus, the formation period of Iraq constitutes an interesting case study on the IPE of energy.



This thesis also claims that non-state actors such as multinational companies and even individuals are not seen only in the globalization period but they had already had effective and decisive roles in the past, even before the formation of nation-states in the Middle East as in the case of Gulbenkian. His close relations with major oil companies and his intermediary role between states and oil companies were very influential in the process of the creation of Iraq.

The IPE of oil is usually studied at the national level and from the realist perspective. With regard to this thesis focusing on Iraq, however, the individual level of analysis is a helpful tool since it shows how the personality and beliefs of Gulbenkian together with his close connections with the oil majors played an important role in the creation of Iraq. So this thesis rests upon the individual level of analysis. This thesis also sheds light to the political economy of Iraq during the foundation process of the country as a nation-state after the end of the WWI. The political economy framework for the period of WWI is drawn by focusing on events/developments around oil keeping in mind that states, multinational companies and individuals are all contributing parts of the process in question.

This thesis will make a contribution to introduce an outstanding individual who was not much brought to the fore but had a very influential role in shaping the IPE of energy in the Middle East during and after the WWI.

This thesis uses literature survey and qualitative survey methods to assess the importance of individuals in the IPE of oil during the formation years of Iraq. The individual level of analysis is relevant to better understanding the restructuring taking place today. The literature review technique is used in gathering information. This study mainly relies on the secondary sources as well as archival documents. The library and

e-library is used for the literature review. The thesis offers a descriptive analysis and a time table of major events in the foundation process of Iraq.

The literature and archival review showed that there is no specific academic study about Gulbenkian himself in Turkey. There are two post-graduate theses about Iraqi Petroleum and Gulbenkian. The first one is titled “Enerjinin Jeopolitik Önemi ve 20. Yüzyılda Petrolde Aracılık: Gülbenkian Örneđi” (The Geopolitic Importance of Energy and the Twentieth Century Petroleum Intermediaries: Gulbenkian Example) by Necmettin Acar at Sakarya University in 2013. The other one is “Osmanlı Coğrafyasında Petrol Mücadelesi Kalust Gülbenkian ve Türk Petrol Şirketi”(The Struggle for Oil in the Ottoman Geography, Caloust Gulbenkian and the Turkish Petroleum Company) by Ali Okumuş at Marmara University in 2014. This thesis was also published as a book in 2015. There is also a doctoral thesis in the field of Art History titled “İznik Çinileri ve Gülbenkian Müzesi Koleksiyonu” (İznik Ceramic Tiles and The Collection of Gulbenkian Foundation) by Sitare Turan Bakır in 1993.

Okumuş handles the Iraqi oil issue within the context of the formation and the operation of the Turkish Petroleum Company (TPC) and Caloust Gulbenkian’s life. He draws attention to the need for capital in the establishment and operation of oil companies, the importance of banks in providing capital, the difficulty in gaining concessions and the need for a broker functioning as an intermediary between parties. Acar handles the case within the context of hegemony theories of international relations and claims that the exclusion of Ottoman Empire and the Republic of Turkey from Middle eastern oil issue is not just due to the having been defeated at the at of the WWI but due to the process through which Gulbenkian played an intermediary role and great powers eventually shared the oil rich ex-Ottoman territory.

In the introduction and preface parts of the book by Okumuş it has been stated that “*In Turkish literature three words are often spoken of together. Mosul, Oil and Gulbenkian*” (Okumuş, 2015: 3) and “*Whenever Mosul oil comes on the agenda, the name Gulbenkian is also remembered*” (Okumuş, 2015:11). Actually it can be said that this is not so. Although Gulbenkian is a very important figure with regard to Mesopotamian oil, the literature review shows that he is not much known or talked about. The oil issue has mostly handled at state level or with its relation to economic concerns but the intermediating factor –here Gulbenkian himself- between political and economic actors has generally been ignored. Moreover this is the case for the most of the analyses, discussions and evaluations made with regard to the 2003 invasion of Iraq and its aftermath. It is a hot current topic about which articles are written, TV programmes are broadcasted, meetings are arranged but still discussed within the context of great powers struggle over oil without referring to the historical figure who played a decisive role in shaping the region.

Our study will handle the case from the political economy perspective and try to analyse the process at individual level of analysis. This thesis aims to make a contribution to the case stating that politics and economics go hand in hand, and not only states but other actors are important figures in shaping the world in the past as well. Political economy provides a broader perspective and individual level of analysis allows to expose related details that might be neglected but very important in terms of understanding the process as a whole.

The thesis consists of the following chapters. The thesis topic is introduced and the methodology is explained in the First Chapter. The Second Chapter “The Energy Issue and Theories of International Relations” are explained under three subtitles. The first, “The Nature of the International System and International Relations” under which theories such as Realism, Liberalism, Marxism, Constructivism and Post Structuralism interpreting the international system on the basis of different assumptions are explained.

The second, “Theories of international Political Economy” under which the three main IPE perspectives namely the mercantilist perspective, the economic liberal perspective and the structuralist perspective are discussed. The third, “The Energy Issue” is discussed with regard to “The International Security Dimension of Energy” and “The IPE Perspectives and Energy Issue in the 20th Century World”. The Third Chapter titled “The Levels of Analysis and Individual Level of Analysis” first introduces “The Concept of Levels of Analysis”, namely system level, state/ national level and individual level as categorized by Kenneth Waltz and other scholars who made contributions to the development of the concept. Then “The Individual Level of Analysis” section explains the individual level of analysis which is of importance for the theoretical framework of this thesis. After evaluating the theoretical set up, the historical process of foundation of Iraq together with the formation of first oil cartel with signing of Red Line Agreement through which Gulbenkian had a very influential role are explained in the Fourth Chapter titled “Importance of Individuals and the Case of Gulbenkian” with subtitles “The Outstanding Individuals”, “The Middle East Before and After the World War I” and “Gulbenkian: The Architect of Oil Arrangements”. The last section also explains major historical events on the way to the foundation of Iraq and the formation of first oil cartel by taking into consideration the role of Gulbenkian throughout the process with subtitles “The Institutionalization Efforts on the Middle Eastern Oil and the Role of Gulbenkian”, “Sykes Picot Agreement and Petroleum Agreement of San Remo”, “The US Interest in the Middle Eastern Oil”, “The Mosul Issue and the Role of Gulbenkian”, “Red Line Agreement and the Role of Gulbenkian” and “The Legacy of Red Line Agreement on the Oil Industry”. The Conclusion part summarizes the thesis and draws conclusions. In the Appendix Section detailed information is given about the life and personality of Gulbenkian under the title “What Makes Caloust Gulbenkian Mr. Five Percent?” The following “The Chronology of Political Economy of Mesopotamian Oil 1890-1948” gives the sequence of events and provides a time table of that period. Then the maps showing the efforts of shaping the region during and after the WWI are given. Three archival documents and their Turkish translations are found in the Appendix Section. First, the document of the appointment of Gulbenkian as the financial advisor to the Ottoman embassies in London and Paris.

Second, the contract on the joint operation of Mosul and Baghdad petroleum with British investors. Third, the government decree of denaturalization of Gulbenkian and his family in 1935. The family tree of the Gulbenkian takes place at the end of the Appendix Section.

## **2.THE ENERGY ISSUE AND THEORIES OF INTERNATIONAL RELATIONS**

The importance of energy in shaping international relations (IR) is the main concern of this thesis. I have chosen the beginning of the 19th century to investigate the importance of energy in IR. Major powers and big oil companies at the beginning of the 20th century primarily had energy, namely oil resources on their agenda while designing the Mesopotamia in terms of both establishing a nation state system and an oil cartel after the disintegration of Ottoman Empire. In the following chapter the nature of international system and international relations, the theories of international political economy and energy issue are explained in order to lay out the theoretical framework.

### **2.1.The Nature of International System and International Relations**

The international system has certain features. Thus, knowing about the nature of the system will be helpful in order to understand the dynamics which influence and shape the occurrence of events.

Both the international system and IR occurring within the system are complex in nature. States interact with one another. Within this macro-level social interaction actors such as the individual decision makers, the bureaucracy, and the interest groups interact at multiple levels. (Tamaki, 2015). There are also many factors/ variables which

contribute to the occurrence of a particular event at international level. Actors such as leaders, state or non-state organizations, domestic or international structures and even individuals can influence the outcome of the process. (Mingst and Arreguin, 2017).

The complex international system evolves continuously. That makes it difficult to portray a certain event or situation accurately. International relations theories try to interpret complex international relations. Each theory was based on different sets of hypothesis including causal relationships to describe how states behave under certain conditions. One theory cannot satisfactorily explain all cases. (Aydın and Tekin, 2016). Jervis draws attention to that fact by saying, “*We are headed for a difficult world, one that is not likely to fit any of our ideologies or simple theories*” (cited in Aydın and Tekin, 2016: 125). The success of a theory is closely related to its consistency in interpreting a particular case. The more a theory provides a consistent interpretation, the more it is successful.

There are three basic paradigms that underlie theory building in international relations: Realism, Liberalism and Marxism. These perspectives can also be explained in the forms of stories. Stories taking into consideration different actors, focal points, and concerns provide us with multiple explanations of the international system. (Tamaki, 2015). Making an analysis by covering all paradigms and keeping these stories in mind make the analysis deeper and broader.

The theoretical lenses are also important since they determine the way one sees the international relations. Patrick Jackson (2011) states that “*the story we decide to tell is primarily determined by how we understand our complex world. There is no ‘right’ or ‘wrong’ story; and the task for us is to try to tell a convincing story about our observations and experiences*” (cited in Tamaki, 2015: 23). The way we look at something ultimately affects the conclusions we draw. Different conclusions can be

drawn from the same data because the images selected might lead different ways of interpretation of it. (Waltz, 2001). Either individuals, or states' domestic structures or the international system can be seen as the most important actor or driving force which affects the result. Duncan (2002) states that *"the only way you can make the information intelligible is by organizing it in some way, whatever method that we use, it will be rooted in the assumptions you make about human behaviour which a group of those assumptions, is called a world view of paradigm."* (cited in Azriel, 2012: 7).

The main paradigms and their assumptions will be discussed under the following topics.

### **2.1. 1. Realism**

Realism has been the dominant tradition in thinking about international politics for centuries. *"For the realist, the central problem of international politics is war and the use of force, and the central actors are states"* (Nye, 2014: 11). Realism sees human being as evil and the international system as anarchic. States are dominant actors in decision making mechanism. Thus there is no other power above state. States are unitary, rational and central actors seeking for power and security in an anarchic world where leaders rationally calculate costs and benefits and make decisions on behalf of their people to reach the ultimate goal of surviving in this anarchic system (Lieberfeld, 2005). From the realist perspective, national and international securities are of priority. It is natural for powerful states to go to war with enemy states. (Danju and Maasoğlu, 2013).

There are important legal, political, and social differences between domestic and international politics. Domestic law is relatively clear and consistent. Police and courts enforce it. By contrast, international law is patchy, incomplete, and rests on sometimes vague foundations. There is no common enforcement mechanism. The world lacks a global police force, and while there are

international courts, they can do little when sovereign states choose to ignore them (Nye, 2014: 11).

With regard to Realism, the *Homo Economicus* view of the international system comes to the fore. By definition *homo economicus* is “a rational actor whose sole interest lies in the maximization of her wellbeing”. This term is primarily an economics term but traditional IR theories such as Neorealism and Neoliberal Institutionalism also follow this approach. Waltz, one of the main proponents of this approach says that “*international politics needs to be studied in the way economists analyze the economy*” and emphasizes that “*domestic factors might be important; but systemic factors play an even more crucial role*” (Tamaki, 2015: 6). Here states coping in an anarchical international system are the main actors. There is also an emphasis on power maximization. Realists assume national or international security as the top issue. Since military and related political issues are so important, then realism focuses on power and power politics among states. Neorealists such as Kenneth Waltz, John Mearsheimer, and Christopher Layne emphasize the overall distribution of power among states (Viotti and Kauppi, 2012: 42).

For Neorealist thinkers states are in constant competition for maximizing their power in order to survive. Power means the ability to influence others. Morgenthau (1985), a classical realist, says this can be either physical ability by which states influence their opponent’s thinking, such as possessing nuclear weapons; or psychological power. (cited in Tamaki, 2015).

The realist view can be regarded as pessimistic. Because everyone is assumed as potential enemies so there is a constant fear of war and a constant competition for survival. Thucydides, the first writer in the realist tradition, Machiavelli, the writer of the *Prince*, and Hobbes all had pessimistic view of human nature. They accepted human nature which is full of desire to gain as a source of all conflicts and wars (Viotti and



Kauppi, 2012). Then the logical conclusion is that it's very likely wars can happen at any moment. One of the proponents of this approach John Mearsheimer draws attention to the lack of international authority to prevent war. Similarly Waltz (1959) emphasizes the fact that wars occur because there is nothing to prevent them from happening(cited in Tamaki, 2015).

### **2.1.2. Liberalism**

Liberalism, can be traced back in Western political philosophy to Montesquieu and Immanuel Kant in eighteenth-century France and Germany respectively, and such nineteenth-century British philosophers as Jeremy Bentham and John Stuart Mill and American political scientist and president Woodrow Wilson. Liberals see a global society that functions alongside states and emphasize the importance of trade and international institutions (Nye,2014:12).

Liberalism draws attention to states' internal characteristics and international law in world politics. Democracy and free trade should spread for global security and prosperity. Also international institutions should function properly to end conflicts (Lieberfeld, 2005; Azriel, 2012). Liberals believe that natural harmony of interests existed among people and war does not stem from human nature but from malfunctioning of political institutions. For Liberals states should focus on free trade and wealth creation for their citizenry rather than military power that realists consider the one most to be prioritized. What is needed for the stability in the international world system is cooperation itself. On the other hand liberal states have a separate peace among themselves. While mature democracies do not fight among themselves, they are very likely go to war with non-democracies. In case where liberal states are attacked and threatened by non-liberal states, their wars are considered defensive (Danju and Maasoğlu, 2013).

Liberals have four key assumptions. First, there are important non-state transnational entities besides states in world politics. Second, economic activities which bring interdependence and interconnectedness have pacifying and moderating effect on state behaviour. Third, not only military or security issues but economic, social and environmental issues matter in world politics. Fourth, factors at the state- society and individual levels of analysis affecting international relations and outcomes should be examined with an “inside-out” view (Viotti and Kauppi, 2012).

With regard to Liberalism the story of power, cooperation and interdependence comes to the fore. Although this story also claims that the international system is anarchic in nature it is less pessimistic than the realist look. Neoliberal-Institutionalists supports this approach and Keohane is one of the main proponents of it. International institutions which are able to realize longer term benefits are important actors in this view. States are also capable of looking at the longer term benefits. Not only states but multi national companies (MNCs) and individuals are recognized as actors in the international arena. Cooperation as well as rivalry is possible in the international arena. Thus both politics and economics play crucial roles in the way the international system works.

Two notions are introduced by Keohane and Nye(1977) with regard to assumptions made by liberals. First one is the notion of “**complex interdependence**” which means *that the international system is comprised of states and non-state actors interacting cooperatively, while maintaining a semblance of balance of power*”. Second one is the notion of “**policy entrepreneurs**” which means *individuals who are charismatic and instrumental in bringing about change. These policy entrepreneurs provide convincing arguments and ideas that can influence the course of international outcomes*”(Tamaki, 2015: 11).

### 2.1.3. Marxism

Marxism is an alternative perspective with an economic approach. It is a major critic of capitalism.

It does not emphasize state conflict but mostly concentrates on class conflict between the oppressors and the oppressed within societies. External wars are also fomented by the bourgeoisie to control new markets and to protect its class dominance. Capitalist states are seeking only profit so imperialism becomes an effective tool to achieve it (Danju and Maasoğlu, 2013: 687).

Marxism was originally developed by Karl Marx and Friedrich Engels and subsequently enhanced and adapted by other theorists and it focused on the domestic economic structure of capitalist states. It mostly concentrates on economic class, production, and property relations thus it is sometimes called as “economic reductionism” or “historical materialism”. Marxists believed that politics is a function of economics and that the greed of capitalists would drive important events in international relations. They predicted that a social revolution would take place and sweep the globe ultimately as a consequence of capitalist shortcomings. But Marxists underestimated the forces of nationalism, state power, and geopolitics. *“Their lack of attention to the importance of diplomacy and the balance of power led to a flawed understanding of international politics and incorrect predictions”* (Nye, 2014: 14).

Besides these three main perspectives complexity of world politics gave to alternative contemporary theories which try to explain international system and IR.

#### **2.1.4. Constructivism:**

Constructivism is an umbrella term used to refer to a wide range of alternative contemporary theories that challenge the rationalist- materialist foundations of the three dominant schools. Rather than exclusively focusing on material interests and power of rationally behaving agents (governments, market participants and classes), these alternative theories argue that the material facts of the world do not exist outside our social interpretation of them. Non-material factors such as ideas, values, norms, identities, gender, ideologies, knowledge, culture and economic discourses all shape preferences/processes/behaviour and outcomes in the global political economy (Van de Graaf et al, 2016:13).

Constructivists criticise realism and liberalism and argue that these two fail to explain long-term change in world politics adequately. For example, neither realists nor liberals predicted the end of the Cold War, nor could they explain it satisfactorily after the event. Constructivists emphasize the importance of ideas and culture in shaping both the reality and the discourse of international politics. National interest, state, sovereignty, security etc. all shape our understanding of world politics but they are socially constructed and change over time. They stress the ultimate subjectivity of interests and their links to changing identities. Constructivists draw on different disciplines to examine the processes by which leaders, peoples, and cultures alter their preferences, shape their identities, and learn new behaviors. (Nye, 2014: 15).

With regard to Constructivism web of social interactions come to the fore. This view treats states as intentional actors who are engaged in social interactions, considers the international system as a macro-level social interaction and claims that domestic politics should also be taken into consideration. (Tamaki, 2015). States still remain one of the main actors; but groups and individuals also deserve close attention.

This view suggest that allies and enemies are determined by socialization. The prominent constructivist scholar Alexander Wendt (1999)says that the structure of the international system is all about ideas; and he suggests that '*history matters*' because it is through history that precedents create meanings for a particular international context. The Constructivists consider the anarchic structure of the international system to be a **social construct** and Wendt (1992) draws attention to that point by saying "*Anarchy is what states make of it*".(cited in Tamaki, 2015: 15).

### 2.1.5. Post Modernist Theories / Post Structuralism

The Post Structuralists and Post-Modernists believe in the primacy and importance of language in the way we understand the world. They use the term *metaphor* to explain their approach and claim that social reality is constituted of symbols, language, performance, and other forms of representations. They do not believe the 'certainty' of the existence of the state or the international system and oppose to handle them as 'things' to be analyzed. The international order, as we know it today, is an accident of history. Hence, concepts such as the 'state' and the notion of 'sovereignty' are products of particular events in history. The proponents of this view claim that *states are not so much 'things out there', but rather a set of symbols and meanings that change from time to time. States are not things we 'analyze' but they are things we 'talk about'* (Tamaki, 2015:19). States and other things in international relations are metaphors which provide potentials for transformation.

This approach is different from others. It "*deconstructs major concepts and uses discourse analysis to build thick description; finds voices of "others"*"(Mingst et al, 2017:18). It also provides us with a further set of tools to critically reassess other approaches and question their underlying assumptions.

Constructivism and post structuralism are alternative perspectives on IPE. They draw attention to actors and forces that may have been ignored by the three main IPE perspectives. The alternatives claim that state and market are not the only actors which shape the world. Individuals, women and social movements influence the world politics, too. They also remind people the importance of moral and ethical questions in IPE studies by stating that it is necessary to know the ways that individuals perceive the world in order to explain motivation factors shaping their behaviours. (Balaam and Dillman, 2016).

## **2.2. Theories of International Political Economy**

Interaction between states are not only political, they are economic as well. A special branch within IR namely international political economy (IPE) deals with economic interactions that take place in international system. International order gets more complicated when economics enters into the picture.

The IPE is an important discipline to understand the process of social change and political and economic foundations underlying it. It includes a political dimension which mainly focuses on the use of power by different actors such as individuals, domestic groups, states, international organizations, non governmental organizations and transnational corporations. It also includes an economic dimension which deals with the distribution of scarce resources among individuals, groups and nation states. Thus it provides a broader perspective and an opportunity for better understanding world affairs. (Balaam and Dillman, 2016).

The roots of the IPE can be traced back to classical liberals such as Adam Smith, David Ricardo, John Stuart Mill, the nineteenth-century theorists of social change such

as Karl Marx, Emile Durkheim, and the institutional economists, welfare economists, and anthropologists of the late nineteenth century and the first half of the twentieth century and those scholars who addressed international economic relations in the wake of the second World War. (Van de Graaf et al, 2016: 10-11).

Political and economic factors have had reciprocal influence on one another through history and this relationship has been transformed in fundamental ways in the modern world. Since the sixteenth century both state and market have evolved together. The primacy of the nation state has been the organizing principles of the international political order, while the market has become the primary means for organizing economic relations. Their mutual relationship has become of vital importance for the character and dynamics of IR (Gilpin, 1987: 4).

In the past, first thinkers like A. Smith, K. Marx used single concept “Political Economy” with the same meaning of today’s concept of the discipline of “Economics.” In the following years it was claimed that economics should not be a part of political debates since understanding and analysing economic affairs required to have technical knowledge and expertise. Then economics has become an area governed by only technocrats and economists. But developments in the world gave rise to a need for a multidisciplinary approach to understand world’s issues. Actually there has been an effort to bridge different disciplines to have a broader perspective since the early 1970s and IPE approach was a return to first thinkers’ understanding. (Balaam and Dillman, 2016).

IPE is mainly deals with the classical question of “who gets what, when and how” from global economic and political process. Gilpin claims that economics and politics which mean the pursuit of wealth and the pursuit of power respectively can not be separated out. Following Gilpin, IPE is often defined as “*encompassing the study of*

*how government, or the “state”, interacts with the private sector, or the “market”, at the international level”* (Van de Graaf et al, 2016: 11).

There are three main IPE perspectives and the relationship between state and market is the basis of these perspectives. State and market which are two organizing principles of social life differ in nature.

State is based on territoriality, loyalty and exclusivity, and it possesses a monopoly of legitimate use of force. While market is based on the concepts of functional integration, contractual relationships, and expanded interdependence of buyers and sellers”. The tension between these two factors mainly shaped the course of modern world history since their interaction mostly influenced the distribution of power and wealth in IR (Gilpin, 1987: 10).

The state and market have opposing logics, thus the clash between them is inevitable. The nature and consequences of clash have been debated for centuries and different interpretations paved the way to the three main IPE schools namely Liberalism, Realism/Mercantilism and Marxism which try to understand the interaction between the state and the market by emphasizing different values, actors and solutions to policy problems. (Gilpin, 1987).

Each of three main IPE perspectives, namely Mercantilism/Realism, Liberalism and Marxism has its own assumptions about how the world works. These assumptions also reflect values and fundamental beliefs about the nature of human beings and society. Thus these perspectives do not only provide a description of how the world *does* work but also constitute a normative view with regard to how the world *should* work. Thus Gilpin drew attention to the fact that “*these perspectives are both descriptive and also normative in nature*” (Van de Graaf et al, 2016; Balaam and Dilman, 2016).



Susan Strange states four structures of IPE which are namely production and trade; money and finance; security; and knowledge and technology. These are complex arrangements and they function as the underlying foundations of the IPE. *“Each contains a number of state and nonstate institutions, organizations, and other actors who determine the rules and processes that govern access to trade, finance, security and knowledge”*(Balaam and Dillman, 2016: 37).

IPE can also be defined as a specific economics theory to explain social behaviour. Because political choices affect production and distribution of wealth. It also alters international distribution of political and military power. Liberalism representing liberal point of view uses “market” as the unit of analysis and aims at maximizing welfare level of society; Mercantilism representing realist point of view uses “nation state” as the unit of analysis and aims at creating a powerful nation state; Marxism representing structuralist point of view uses “class struggle” and aims at building up a classless and egalitarian society. These three perspectives either prevailed or declined depending on circumstances throughout history.

The IPE method bridges different disciplines and breaks down the analytical and conceptual boundaries between these disciplines and enables us to see the big picture.(Balaam and Dillman, 2016). But it should be stated that the three approaches of IPE are not scientifically proved ones. They are thus only theories and all have some shortcomings which make them weak to provide satisfactory explanations about world issues as a whole. Liberal’s assumptions on rational individual seeking to maximize his own interest and contributing to the welfare of the society within a totally free market and the incapability of Liberalism in explaining social change are its basic shortcomings. On the other hand Mercantilism which uses the state as the only unit of analysis and seeks for the development of state politically and economically can also remain insufficient to explain global issues which include many other factors and actors besides states. Marxian theory also has some shortcomings. It looks at the international

relations only with reference to economic side and uses class struggle as the only unit of analysis. Together with their shortcomings these perspectives make useful contributions to a broader understanding of world issues.

These main IPE perspectives and their basic assumptions to explain world affairs and the set of values they have about human being, state and market will be explained below.

### **2.2.1. The Mercantilist Perspective**

The practice of early statesmen in the early period gave rise to the mercantilist perspective and it was then evolved in the early modern era. This perspective responded to and reflected the political, economic and military developments of sixteenth, seventeenth and eighteenth centuries whose common features were the emergence of strong national states constantly competing with each other, the rise of middle class who primarily devoted to commerce and manufacturing, and economic activities accelerated and intensified day by day due to discovery of New World and its resources (Gilpin 1987).

Mercantilist perspective has a pessimistic view with regard to human nature. Hobbes, Machievelli and other realists believed in evil side of human being and considered it as the source of all conflicts in the anarchical world system. ( Nye, 2014; Mingst et al, 2017; Danju et al, 2013; Viotti et al, 2012).

This perspective is also named differently such as economic nationalism, statism, protectionism, the German Historical School, newly New Protectionism at different times. It assumes and advocates the primacy of politics over economics. Thus

the primacy of the state, of national security and of military power are the main concerns (Gilpin, 1987). They are not for mutual gain but relative gain in politics and consequently in economics.

The foremost objectives of nationalists is “industrialization” because it leads overall development, economic self sufficiency and political autonomy as well as military power and national security. Alexander Hamilton, a mercantilist theorist of American economic development, “*not only the wealth but the independence and security of a country appear to be materially connected to the prosperity of manufacturers*” (Gilpin, 1987: 33).

Some suggest that the historical experience at that time which was shaped mostly by the threat of war and violence in Europe influenced the development of this perspective. All states focused on its own power and wealth due to lack of security from others. This resulted in a **security dilemma** which means other states began to feel both less secure and threatened as the first state increased its war capability. States tendency to have relative gain rather than mutual gain also resulted in a **zero-sum** outlook whereby “*absolute gains by one state meant absolute losses by another*” (Balaam and Dillman, 2017).

### **2.2.2. The Economic Liberal Perspective**

It was emerged from the Enlightenment in the writings of Adam Smith and others as a reaction to mercantilism. It assumes that politics and economics exist in separate spheres. In other words markets should be free from political interference. Free market and minimal state intervention are main concerns in Liberal Economic Theory.

Individual equality and liberty are most paid attention in Liberal Political Theory.(Gilpin, 1987).

Unlike mercantilist perspective Smith and other liberals had optimistic view about the human nature. They believed in the cooperative, constructive side of human being. Rational individual's choices would be the best for the society's interest. There is no need for political interference since an invisible hand guides the economy and promotes the common good ( Balaam and Dillman, 2016).

The optimistic view and importance of institutions can be seen at international level, too. People contact with each other through trade which crosses borders and makes interaction and cooperation possible among states. International organizations also make contribution to that cooperation by mitigating the harsh aspects of anarchical world system. (Nye, 2014).

For liberals there is no connection between the process of economic growth and political developments such as war and imperialism. War and imperialism can affect and can be affected by economic activities, but the essential cause is political factors not economic ones. Thus they do not believe that there is a causal relationship between the advance of capitalism in the late nineteenth century and the outbreak of WWI. Liberals consider international trade as a source of peaceful relations because states have mutual benefits of trade and expanding interdependence through trade makes cooperative relations possible (Gilpin, 1987).

Liberal thinker Immanuel Kant suggests “three definite articles” to build peace. He claims that perpetual peace could be established when all nations accepted these articles; as stated by Russet, Starr and Kinsella (2010) “*the civil constitution of every*

*state should be republican, the law of nations shall be founded on a federation of free states, and the law of world citizenship shall be limited to the conditions of universal hospitality”*(cited in Danju et al, 2013: 686).

Liberals believe that capitalism is a desirable system to maintain despite global problems such as inequalities, unemployment, foreign debt, political tensions and even wars followed by refugee crisis and ultimately environmental problems for which mostly capitalism is held responsible.

### **2.2.3. The Structuralist Perspective**

The structuralist perspective was evolved from writings of Karl Marx and Friedrich Engels in the middle of nineteenth century as a reaction against liberalism and classical economics. It assumes and claims that economics is the driving force and it shapes politics. The reason of political conflict is the struggle among classes over the distribution of wealth. Hence, political conflict would cease with the elimination of the market and of a society of classes (Gilpin, 1987).

Marx criticizes capitalism through his three laws and claims that these laws at some point would destroy capitalism from within. The law of falling rate of profit suggests that as machines take place of workers profits decline and ultimately disappear. The law of disproportionality (the problem of underconsumption) suggests that capitalism leads to instability since the workers are paid less than the full value of what they produce thus can not afford to buy what they make. The law of accumulation of capital suggests that capitalism pave the way to increasing inequality in the distribution of income and wealth. For Marx, such features of capitalist mode of production would result in the collapse of the system in the end. (Balaam and Dillman, 2016).

Lenin made a contribution to this critique at international level with “the law of uneven development”.

As capitalist economies mature, as capitalist accumulates, and profit rates fall, the capitalist economies are compelled to seize colonies and create dependencies to serve as markets, investment outlets, and sources of food and raw materials. In competition with one another, they divide up the colonial world in accordance with their relative strengths. Thus the most advanced capitalist economy, namely Great Britain, had appropriated the largest share of colonies. As other capitalist economies advanced, however, they sought a redivision of colonies. This imperialistic conflict inevitably led to armed conflict among the rising and declining imperial powers. The WWI, according to this analysis, was a war of territorial redivision between a declining Great Power and other rising capitalist powers. Such wars of colonial division and redivision would continue, he argued, until industrialized colonies and the proletariat of the capitalist countries revolted against the system.(Gilpin, 1987: 39-40).

### **2.3. The Energy Issue**

In the process of the creation of Iraq, energy was a crucial concern for great powers. It was a time of change both in terms of disintegration of empires, rise of nation states in political sphere and increasing need for new resources by industrialized Western powers together with increasing importance of Middle Eastern oil in the economic sphere. Therefore the IPE of energy will be discussed in this chapter.

The World War I revealed the increasing need for oil in military area for Western powers. The transformation of navies from coal to oil, use of trucks, tanks and airplanes all made oil a key military asset. A shortage even developed in 1917-1918 due to increased use of oil during war. At that time oil meant a national economic strength and

having control over it meant a source of wealth. (Paul, 2002). Oil was of growing importance in civilian economy too, especially due to increase in use of civil automobiles. Oil became a primary household consumption item with the government backed project Model-T, the first automobile which was the first personal transportation item for the middle class and people began to perceive oil as an essentiality. (Temel, 2012).

Issues with regard to energy policy, technology and security have mostly been addressed by scientists, engineers and economists for long years. Because there existed a dominance of classical paradigms of natural sciences and economists in interpreting the world affairs while political or social scientists stayed in the background. Stern (1986) drew attention to that “*omitting social political and behavioral variables creates “blind spots” in research on energy politics*”. (cited in T. Van de Graaf et al, 2016). Therefore energy research should include social, political and behavioral variables besides economic and technical ones.

The three main IPE perspectives when applied to the field of energy have different explanations in accordance with their different interpretations on the nature and consequences of state and market relations.

Applied to the field of energy, mercantilists assume that access to or control over energy resources means power and lack of control is considered as a sign of vulnerability. Since powerful states are the key actors in this system stability and order would be achieved if a powerful state assumes the role of hegemon thus creates, maintains, and enforces basic rules. For liberals, on the other hand, there is nothing special about energy which is thus considered a commodity like any other. Energy markets should be left to themselves and the ‘invisible hand’ of the market would bring benefits to all. Marxist theorists emphasize the labor exploitation by capitalists within

capitalist countries. They claim that this pattern is replicated at the international level through the mechanism of unequal exchange by which economic surplus is transferred from the periphery to the core states. Developing countries are often locked in a position as primary resource suppliers in energy markets and they only receive a marginal share of the returns while multinational energy firms benefit most from the exploitation of resources (T. Van de Graaf et al, 2016).

In what follows, I shall adapt the mercantilist approach to the energy issue at the onset of the 20th century.

### **2.3.1. The International Security Dimension of Energy**

Energy plays a significant role in the affairs of states because ensuring adequate supplies is considered as a matter of “national security” and the use of any means including military means to achieve that goal is justified.

The international security dimension of energy is closely related to **the perception of scarcity** which means that global reserves of oil and other basic fuels are insufficient to meet the needs of all major powers and that energy-poor states must undertake extraordinary measures-economic, diplomatic, and, on occasion, military- to ensure access to adequate supplies. Because satisfying national energy requirements is a critical government responsibility (T. Van de Graaf et al, 2016: 419).

The perception of energy scarcity played a key role in the strategic thinking of the major powers during WWI and in the years leading up to WWII. Britain was the dominant colonial power ruling over the largest colonial empire lacked oil in the home islands. As war continued the oil became more and more important in order to secure the future needs of the country. Mesopotamia was a promising territory rich of



unexplored oil. Sir Maurice Hankey, Secretary of the British War Cabinet, declared that oil had become absolutely vital to Britain and “*control of these oil supplies becomes a first-class war aim*” (Paul, 2002).

Although energy analysts have begun to question this scarcity-driven outlook and claim that the future promises greater energy availability, not less due to shale revolution, new drilling technologies, rapid expansion of wind and solar installations all contributing to the relative optimism regarding the future availability of energy, today the perceptions of scarcity and a willingness to safeguard vital energy supplies through military means still continue to shape government policy in many parts of the world (T. Van de Graaf et al, 2016).

Another criticism related to the energy is that energy issue is still being analyzed from geo-political security perspectives (e.g. Moran and Russell 2009; Deni 2015). The role of geography in terms of markets, raw materials, shipping lanes, ports etc. is certainly important to understand global energy politics but today's world is not a state-centric world anymore. Political scientists and IR theorists should keep in mind that states are not the only primary actors and their diplomatic military interactions are not the only thing what matters most (T. Van de Graaf et al, 2016:6).

The energy world is now a much more complex world in which states, national oil companies corporations, consumers/citizens local energy cooperatives and markets all play important roles. Therefore Nye portrays the Middle East as the following.

A picture of the Middle East will be inadequate without nonstate actors. Multinational oil companies such as Shell, British Petroleum, and Exxon Mobil are one type of nonstate actor, but there are others. There are large intergovernmental organizations (IGOs) such as the United Nations, and smaller ones such as the Arab League and the Organization of Petroleum Exporting

Countries (OPEC). There are nongovernmental organizations (NGOs), such as the Red Cross and Amnesty International. There are also a variety of transnational ethnic groups, such as the Kurds who live in Turkey, Syria, Iran, and Iraq, and the Armenians, scattered throughout the Middle East and the Caucasus. Terrorist groups, drug cartels, and criminal organizations span national borders and often divide their resources among several states. International religious movements, particularly political Islam in the Middle East and North Africa, add a further dimension to the range of nonstate actors (Nye, 2014: 16).

The realist view considers global energy policy as a necessarily zero-sum game which means one country's energy security is another's lack thereof – as stated by Goldthau and Witte in 2009 and it overlooks the importance of market forces in international energy trade (T. Van de Graaf et al, 2016: 374). The emphasis of this view is on the political and security aspects of interstate energy relations. On the other hand market centric view considers energy security as something determined by the operation of the market and thus can be defined in market terms. The emphasis of this view is on transnational processes, markets and institutions since security is perceived as the outcome of market transactions and institutions. Unfortunately “*Fewer studies have tried to merge political and economic factors in an explicit theoretical framework of international energy relations*” as stated by Keating et al (2012) and Stoddard (2013) (cited in T. Van de Graaf et al, 2016: 8).

Constructivists' contribution to the way of handling security issue is also worthy of attention. They give a broader meaning to the concept of security and provide an alternative Outlook.

Traditional international relations theories used to understand security strictly in terms of preventing violence or war among states, but in today's world “human security”—a relatively new concept—seems at least as problematic. Moreover, a wider range of phenomena have become

“securitized,” that is, treated politically as dire threats warranting extraordinary efforts to address them. Scholars and politicians worry today not only about interstate war, but also about poverty, inequality, and economic or ecological catastrophe(Nye, 2014:16).

### **2.3.2. The IPE Perspectives and Energy Issue in the 20th Century**

The world conjuncture in energy in the 20th century is an important topic to be held in order to see the whole picture at that time since politics and economics went hand in hand through the process of foundation of Iraq where Gulbenkian played a crucial role.

Different perspectives either prevailed or declined at different times due to changing conjuncture. The transition periods mostly witnessed the clash between Mercantilist and Liberal perspectives. Which one would prevail or decline was mostly determined by policy changes of great powers in accordance with the changing balance of power in the world order.

The following explanations are mainly based on the table, modified from Cragg (2013), Dannreuther (2010, 2015), Smil (2010) and Steven (2013) by T. Van de Graaf (2016: 17-18), which summarizes the key eras and shifts in international political economy and energy governance.

From the late Middle Ages, to the end of the eighteenth century Mercantilism prevailed through which states aimed at building economic wealth to build power of the state. In general global / imperial powers were the main actors in the nineteenth century. There were a number of key changes in technology, ideas, and practices in this era. New frontiers in the Americas, Asia, and Africa meant new ties between the colonies and the

home states. Jean-Baptiste Colbert argued that states should accumulate gold and silver as well as build a strong central government. Alexander Hamilton made similar arguments in the United States.

Imperial Liberalism prevailed from the beginning of the nineteenth century to World War I. The industrialization took place in Europe and it brought many changes. Economic links in global trade were followed by political and cultural domination by the industrial states. Britain acted as a hegemon. Radicalism based on the teachings of Marx emerged in this period as a response to the excesses of the time and it attacked the inequalities of the time (Mingst and Arreguin, 2017). With regard to energy policies of that time there was a transition from biomass to coal and development of local industries for town gas. Oil was essentially used for lighting purposes. On the other hand there was developments with regard to oil industry in the USA between 1859-1900. Rockefeller's Standard Oil effectively formed a monopoly and it was broken up in 1911 by the US Supreme Court (T. Van de Graaf et al, 2016: 17-18). The WWI and its consequences changed the picture. The empires dissolved and nation states were in rise in the twentieth century. In this transition period individuals came to the fore besides nation states.

Mercantilism and war economy prevailed again in the period between 1914 and 1945. There was a lack of leadership. Imperialism and colonialism both went on during the disintegration of empires after the war. Coal still reigned but oil rose in importance due to the switch of British navy from coal to oil. The first mass-produced car- Model T Ford in 1912 also increased oil consumption and need for new resources arose in industrialized countries. Major oil discoveries in the Persian Gulf as from the late 1920s brought about neo-colonial order where fierce competition took place by British, French and US companies supported by their governments to secure concessions in the Middle East. At last "Seven Sisters" formed a cartel and agreed not to compete on market share or price by signing Red Line Agreement in 1928. (T. Van de Graaf et al, 2016: 17-18).

Gulbenkian played an important role in this process. Seven Sisters were a consortium of British and American oil companies, namely Anglo Persian Oil Company, Standard Oil Company of New Jersey, Standard Oil Company of New York, Standard Oil Company of California, Texas Oil Company, Gulf Oil and Royal Dutch Shell. These companies are forerunners of major oil companies such as BP, Exxon-Mobil, Chevron and Royal Dutch Shell which dominate the current world oil industry. (Demirmen, 2003a).

In his thesis Acar (2013) handles the issue from the geopolitical perspective and the priority of national security and analyses the hegemony theories prevailed in different periods in history. He draws attention to the rising importance of oil replacing coal both in military and civil industries at the end of the 19th century and the beginning of 20th century. He explains the historical background of energy geopolitics and the relationship between energy and hegemony within the context of international relations theories. He claims that states with conflicting interests have different political interpretation of geography and thus the geopolitical hegemony theories have mostly been produced on the axis of great powers in order to legitimize their expansionism (Acar, 2013).

This study analyses the IPE of energy at the onset of the 20th century and the energy geopolitics of that time can be best explained by the realist perspective. Although in the realist perspective the key actors are states, this paper claims that a significant individual had an influence on outcomes produced within the process of creation of Iraq. This was a transition period where empires dissolved and nation states emerged. Realist perspective come to the fore since its basic assumptions were national interest and national security within the anarchic international system which makes war /conflict inevitable for states seeking maximizing their relative power. On the other hand while realist perspective considers individuals not as a key factor the historical conditions made it possible for an individual, Caloust Gulbenkian to come to the fore in the process of creation of Iraq. His personality and significant attitudes were all contributed to the

process. Thus the individual level of analysis will be a useful tool in analyzing the process of foundation of Iraq. The matter was not only to form a new nation state but to put an end to the fight which lasted for long years over the oil resources of the region. In other words, a realist perspective is helpful to understand the process through which the frontiers of a new country created out of ex-Ottoman territory, namely Iraq, as well as the ownership of Iraqi oil determined. However other perspectives can contribute to better understand this highly complex process. Liberal perspective claims that the main driving force in international relations is the economic interest and it shapes the political interest, and not only states but institutions and individuals are also important actors. Marxist perspective also makes contribution by emphasizing the unequal/unjust relationship between the core and periphery countries and the exploitation of natural resources by the developed/ industrialized states. Constructivist perspective also has a saying related to this thesis topic with its emphasis on social construction of outer world in accordance with beliefs, ideas and norms. Thus moving forth and back among different perspectives will make the analysis broader and deeper.

Beside IPE perspectives, the levels of analysis is also used as a tool to have a better understanding while tracing the foundation of Iraq. Thus the levels of analysis will be explained in the following chapter.

### **3. LEVELS OF ANALYSIS AND INDIVIDUAL LEVEL OF ANALYSIS**

#### **3.1. The Concept of Levels of Analysis**

Kenneth Waltz states in his famous book *Man, the State, and War* (2001) that causes of international conflict can be explained in an analytical scale ranging from individual behaviour and choices to factors within states, to the interconnection of states (Balaam and Dillman, 2016). The concept of level of analysis has been developed in various ways by different scholars as the following.

In 1961, the importance of the question of levels of analysis to the study of international relations was further discussed by J. David Singer. He argued that “*one’s choice of a particular level of analysis determines what one will and will not see. Different levels tend to emphasize different actors, structures, and processes*” (cited in Viotti and Kauppi, 2012: 9).

“*The levels of analysis constitute a framework designed to organize and assist in systematic thinking about IR*” (Viotti and Kauppi: 2012: 9).

The level of analysis is a useful conceptual “tool” to analyze the complex international system since it divides complex international politics into smaller pieces and studying becomes easier. This enables us to determine *what* decisions are made by *whom*, and under *what* constraints. Each level of analysis provides stories about the way the world ‘works’. The issue is partly methodological: *how* we might go about exploring international affairs (Tamaki, 2015: 2).

Duncan (2003) states levels of analysis as “*a method of classifying the players and how they related to one another in the international system on several different levels.*” (Azriel, 2012).

The levels of analysis is a useful starting point for the study of international politics and it provides us with a variety of explanations about international affairs. It is also a versatile methodological tool that allows us to appreciate various factors affecting decision making processes. The levels of analysis enable us to ask questions about how foreign policy decisions are made, or how international conflicts emerge. Furthermore, moving back and forth among the various levels enables us to understand how each of the levels interacts with one another (Tamaki, 2015: 22).

There are three levels of analysis. According to Sterling (2006) the individual level is the most micro level where the individual who makes foreign policy and the physiology of human decision making come to the fore. The nation state level is a middle level and government role, bureaucratic politics, interest group, media are all taken into consideration. Finally the systemic level is the most macro level where not only the state to state relations but also environmental and structural factors are all involved to the analysis. (cited in Azriel, 2012).

Robert Jervis (1976) argues that *“perceptions and misperceptions that drive international political dynamics need to be studied with the above levels in mind.”* In order to fully understand the factors involved in foreign policy decision making, Graham Allison (1971) argues that *“we need to move back and forth between and among the various levels”* (cited in Tamaki, 2015: 4).

Kenneth Waltz (1959) suggests three levels of analysis as a useful tool while studying the reasons of wars. He states three images while explaining how wars occur. The First Image assumes that egoistical nature of human being causes war. One should look at individuals in order to better understand international events. The Second Image focuses on domestic structures of states. Whether states have democratic or authoritarian regimes help us to explain international affairs. The Third Image focuses on the anarchic nature of international system. How the international system is structured matters, not who the actors are. (cited in Tamaki, 2015).

Kenneth Waltz offers three different sources of explanation. At the individual level the personality, perceptions, choices, and activities of individual decision makers and individual participants are the focus and they are the sources of explanation. At the state-level domestic factors such as the type of government, the type of economic system, or interest groups are the focus and they are the sources of explanation. At the



international system level the sources of explanation are the anarchic characteristics of the system together with the international and regional organizations and their strengths and weaknesses (Mingst and Arreguin, 2017).

Besides the three levels of analysis stated above the global level of analysis is added by Dillman and Balaam in order to draw attention to “*how important global factors can become either an opportunity or a constrain for governments and societies are analyzed at the global level*” (Balaam and Dillman, 2016: 35).

The table below summarizes the levels of analysis.

<b>Individual Level</b> (domain of psychology)
Human nature and psychology
Leaders and beliefs systems
Cognition and perception or misperception
Personality of leaders
<b>Group Level</b> (domain of social psychology)
Government bureaucracies
Interest groups
Policymaking groups
Other non-governmental organizations
<b>State and Societal (or National) Level</b>
Governmental
Structure and nature of political system / Policy making process
Societal (domain of sociology)

Structure of economic system
Public opinion
Nationalism and ethnicity / Ideology
Political culture
<b>International—World (or Global) Level</b>
Anarchic quality of international or world politics
Number of major powers or poles
Distribution of power/capabilities among states
Economic patterns
Level and diffusion of technology
Patterns of military alliances
Patterns of international trade and finance
International organizations and regimes
Transnational organizations and Networks
Global norms and international law

Source: Figure 1.1 Levels of Analysis: A More Detailed Look (Viotti and Kauppi, *International Relations Theory*, 2012: 10).

As stated in the second section, the three main IPE perspectives namely, mercantilism, economic liberalism and structuralism have different assumptions and explanations regarding international relations. The levels of analysis which are individual, state and systemic levels, as stated in the third section, are also used as a tool to explain international relations by focusing on different actors which thought to be the most influential one on the outcome of an event. These perspectives together with levels of analysis try to provide an explanation to event in question.

An important notion in the levels of analysis approach is the “**actor designation**” which means the designation of those whom to be believed to have effect on the outcome of the international affairs. These actors can be either individuals, the bureaucracy, or the state. Who or what the main focus of analysis is going to be is determined by designating actor. As Frey notes, “*this actor designation, though largely taken for granted, is a crucial feature of political analysis*’. This is also the case in IR: *who our actors will determine what we can discuss, and how*” (Tamaki, 2015: 2).

Mercantilist approach takes states as the only actors and at individual level only states men came to the fore. They are thought to be rational decision makers who calculate cost and benefits and take necessary decisions on behalf of their nations. This approach is pessimist about human nature. While liberal approach takes non-state actors into consideration besides states and these can be private individuals who are thought to be influential on the outcome. This approach is optimistic about human nature. The Structuralist on the other hand handles the international relations at systemic level and considers international system as cause and state behaviour as effect. The key element is power of state and unjust world system. The outcome is determined by the relations between powerful and weak states which differ militarily and economically. ( Danju et al, 2013).

The individual level of analysis is the main tool in analyzing the case of Gulbenkian and his role in the process of foundation of Iraq and formation of first cartel over Mesopotamian oil as well. The increasing role of individuals and the individual level of analysis will be handled below.

### 3.2. The Individual Level of Analysis

The individual level of analysis emphasizes the personality, perceptions and beliefs that shape choices made by specific policy makers. Because it is assumed that leaders weight cost and benefits and make the best choices by maximizing benefits and minimizing costs since they are rational individuals / rational decision-makers. On the other hand taking into consideration only policy makers or statesmen is not enough to see the big picture.

The role of individuals has increased especially over the last three decades and non-state actors have become more and more important in the processes of governing the IPE as stated by Falkner (2003) and Biermann and Pattberg (2008). Private actors have already been important due to their roles in ordering transnational economic relations since the nineteenth century but the process of economic globalization has expanded their role in the late twentieth century (cited in T. Van de Graaf et al, 2016).

Individual level of analysis claims that “*In international area, who and what shapes foreign policy of states are crucial aspects*” (Danju et al, 2013: 683). The psychology, personality, and beliefs that shape choices made by specific policy makers are also important. (Balaam and Dillman, 2016). At the individual level of analysis, the actor is “*the individual people who have ability to influence world events*” (Azriel, 2012). Identifying the individual who plays a key role in a particular situation is the first step. Human nature is an important variable at that level of analysis. It is considered as the root cause which provides deep subtexts for understanding the world politics. Two schools of thought with regard to human nature, namely optimists and pesimists, have different assumptions about human beings and these schools form bases for mainly liberal and realist views respectively as stated in the second and third sections.

For realists, individuals are of little importance. States are not differentiated by their government type or personalities of leaders, but by the relative power they hold in the international system. Liberals on the other hand claim that leaders do make a difference. Whenever there is a leadership change in a major power, speculation always arises about possible changes in the country's foreign policy. Private individuals have played linkage roles between different countries. Less bound by the rules of the game or the rules of the game or by institutional norms, private individuals engage in activities in which official representatives are either unable or unwilling to participate. Private individuals increasingly play a role in track-two diplomacy which utilizes individuals outside governments to carry out the task of conflict resolution (Mingst and Arreguin, 2017: 183).

The relationship between states and market mutually affect each other's structure and their functioning. States create economic structures of production and distribution, and in turn are shaped by market processes. This co-constitutive relationship is often drawn between the domestic and international levels of analysis (T. Van de Graaf et al, 2016).

The symbiotic relationship between energy corporations and state officials in the oil rich territories also have geo strategic importance. Because they are transportation hubs which make transportation of oil and gas to other parts of the world. Speculation and lobbying are two tools used to control oil prices and to keep corporation benefits high. *"The cozy relationships between public officials and corporate elites shape legislation, weaken government oversight, and suppress competition in the market"* (Balaam and Dillman, 2016: 524). The individual level of analysis is even more relevant in the IPE of energy

The importance of individuals in the IPE of energy dates back to the early 1900s.

For a good part of the last century, interests of national governments were closely linked with the interests of oil companies, so much so that oil companies were de facto extensions of foreign-office establishments of the governments. The latter actively lobbied on behalf of the oil companies owned by their respective nationals. The oil companies, in return, would guarantee oil supply to respective governments – preferably at a substantial discount (Demirmen, 2003b).

Pacts and political promises were only part of the realpolitik of the day. The beginning of the twentieth century was so serpentine a period in Europe that the great powers also found it expedient to project their power and interest via strictly commercial corporations. (Black, 2004: 119).

The relationship between state and market is of importance in case analyses. This thesis is about the formation of a nation state by powerful nations of that time. I will argue that, oil interests played a decisive role in shaping the boundaries of Iraq, and important personalities played an intermediary role between the states and the market interests. The establishment of Iraq shows that, the symbiotic relationship between state and market becomes more likely when there is an actor operating as go-between in negotiation process.

This **symbiotic relationship** manifested itself superbly when Turkish Petroleum Company (TPC), founded in 1911 and named as such in 1912 to exploit Mosul oil, was reorganized in March 1914 at a meeting held in Foreign Office in London where British and German diplomats sat next to executives of British and German banks and British and Dutch oil companies. Notwithstanding its name, TPC did not have Turkish participation. At that time World War I had not broken out yet, and Germans were welcome at TPC (Demirmen, 2003b).

The strong and close **personal connections** with energy corporations are important in this two-way relationship as in the case of Iraq in the foundation period. The oil-rich territory of Middle East was designed through a long process of negotiations between great powers and major oil companies which brought together by a single powerful man, nicknamed Mr. Five Percent before during and after the WWI.

The individual level of analysis is still an important tool to understand today's world. There has been a need for a new equilibrium in the world since the cold war ended. The process of redistribution of energy regions has not ended yet. Not only the Middle East but some other parts of the world which are very promising in terms of energy resources are still areas of conflict and negotiation.

Roger Tamraz is an interesting and remarkable figure in this sense. He is a notorious Lebanese financier living in Paris since he left his country upon being accused of mishandling the funds of the country's second largest bank. He has 188,456 square miles bordering the Caspian Sea thought to contain large oil and gas reserves in Turkmenistan. In an interview made by him, it is stated that he was acting like a "*junior Calouste Gulbenkian*" and he seemed almost an "*incarnation*". He is graduated from Harvard Business School and he is, like Gulbenkian, very good at in both Western and Levantine ways of doing business. (Moukheiber, 1994).

His answer to the question "*Why would the big boys need Tamraz?*" shows the ongoing importance of individuals acting as an intermediary between parties in oil business in today's world.

"I know how to talk to the Turkmenis; I'm a Middle Easterner. Your average American is uncomfortable dealing with the Turkmeni functionary". He does have a point. Developing oil in the corruption-ridden former Soviet republics is proving difficult for the big oil companies. Chevron has already sunk close to \$700 million in neighboring Kazakhstan and is bogged down in an argument over financing for a pipeline for transporting Kazakh oil. A consortium of eight

Western oil companies in Azerbaijan is growing impatient with the slow-moving negotiations. Meanwhile, Russia is bullying everyone to get a piece of the oil projects.

Even with Exxon, British Petroleum and all these huge companies, I can bring something to the table equal to them," Tamraz says, "because it is not a question of 200 guys working for you. It's one guy with the right brain and the right approach. (Moukheiber, 1994: 74-75).

This thesis mainly rests upon the individual level of analysis. Nevertheless state and market relations within the context of their symbiotic relationship together with Gulbenkian's connections will be stated in the following section. The historical events resulted in the foundation of Iraq and the formation of the first oil cartel. It was a two-dimensional process with two outcomes, one political – a new nation state, namely Iraq and the other economic – an oil cartel.

#### **4. IMPORTANCE OF INDIVIDUALS AND THE CASE OF GULBENKIAN**

The establishment of a nation state system in the Middle East after the WWI has usually been handled from realist perspective at national/state level. Whereas the foundation of Iraq, oil rich ex-Ottoman territory, was not an event only related to relations among states. Oil companies and influential individuals also played important roles in the process. The case had both political and economic dimensions. It should be handled from political economy perspectives as well as at individual level of analysis.

Individuals have been important in the foundation of Iraq, but scientific studies are rare. Although there have been studies about the post-invasion period of Iraq analyzing the case at individual level mainly through the roles of Bush and Saddam (Azriel 2012;



Danju et al,2012; Shamlawi, 2015; Lieberfeld, 2005) as individual actors before and after the 2003 invasion process, there has not been much studies about the role of civil individuals in the foundation process of Iraq after the WWI. Whereas there were important individuals in the foundation process of Iraq. Caloust Gulbenkian was one of them but he was brought to the fore within the historical context mostly with regard to his oil business, wealth, art collection, foundation or charity services. The oil policy during the period of Abdulhamid II have been studied from realistic and security perspectives (Coşar and Demirci, 2004: Terzi, 2014). Mostly political figures and statesmen have been brought to the fore in conferences and negotiations which shaped the region (Aydın, 2004). This thesis will discuss the importance of individuals in the formation of Iraq, by taking the case of Gulbenkian.

#### **4.1. Outstanding Individuals**

The importance of individual level of analysis was shown in Section Three. In the foundation process of Iraq or shaping Mesopotamia there existed significant individuals as influential actors besides statesmen.

2016 was the 100th anniversary of Sykes Picot Agreement which was a rough draft of imperial control in the Middle East. Two diplomats representing Britain and France, namely Mark Sykes and Georges Picot were mostly considered as the architects of artificial borders in the Middle East. However there is a very influential individual not much known or talked about, namely Caloust Gulbenkian. He certainly deserves attention as the architect of petroleum arrangements which became concrete in Red Line Agreement. (Al-Marashi, 2016).

In a review study published in *"The Historian"*, Clausner states that the book *"Oil Hunters: Exploration and Espionage in the Middle East"* by Roger Howard tells the story of determined and often eccentric figures who had important roles in oil race in the Middle East. Outstanding individuals whether well known or relatively less known played important roles in oil history. Roger Howard (2008) calls these men "Oil Hunters" whose stories help us to fill in gaps in the historical knowledge of how and why oil concessions were won in Iran, Mesopotamia, Bahrain, Kuwait and Saudi Arabia. D'Arcy and Gulbenkian were two outstanding individuals. The oil men were important figures since even experts were in doubt whether there was commercially profitable oil in the region at that time. Moreover governments were not much sure about the quest for oil, there were difficulties related to weather conditions, transportation of equipments and the region itself. Besides these obstacles and hardship, local people were suspicious of these men. Against all odds *"the oil hunters contributed to the development of big oil companies that continue to dominate the scene today"*. This success was due to their independence of mind (Clausner, 2010). Similarly it is stated in *"Encyclopedia Iranica"* that Gulbenkian retained his independence by not being a salaried employee of any oil company all his life. (Manukian, 2016).

Gulbenkian's personality and his preferences had a considerable effect on the chain of political and economic developments in the creation of Iraq and the establishment of first oil cartel as well. With regard to this thesis, the individual level of analysis will be a helpful tool for understanding the role of Gulbenkian, his personality and beliefs together with his close connections with the oil majors in the foundation of Iraq. This thesis rests upon the individual level of analysis. States, multinational companies and individuals have all been contributing parts of the process in question.

From the realist perspective only states are accepted as rational unitary actors seeking for maximizing power and securing international interests in an anarchical international system. However while analysing the oil issue and the foundation of Iraq

by reviewing the related literature in preparation of this thesis, I find out that besides statesmen, leaders and political actors such as Abdulhamid II, W. Churchill, W. Willson and M. Kemal Atatürk who mostly came to the fore at first, some other individuals such as oilmen, diplomats and agents are also important actors that should be taken into consideration in the analysis. Moreover the role of some other institutions such as banks, oil companies and international institutions besides states are also noteworthy throughout the process. The individuals and the institutions that contributed in the foundation of Iraq will be shown in tables below.

**Table 1. Important Individuals in the Creation of Iraq**

Statesmen / Political Actors	Abdulhamid II / Wilhelm Kaiser
	Winston Churchill / Woodrow Willson
	M. Kemal Atatürk / İsmet İnönü
	Lord Curzon / Alfred Balfour
	Sir Maurice Hankey / Sir Percy Cox
	Sharif Hussein / King Faisal
	Grand Vizier Said Halim Pasha
	Aghop Pasha
	Selim Efendi
Diplomats	Sir Mark Sykes
	François Georges Picot
	Muzahim Beg Ali Pachacı
Agents	Thomas E. Lawrence-Lawrence of Arabia
	Gertrude Bell
Oilmen	Caloust Gulbenkian
	Walter Teagle
	Colby Chester
	William Knox D'Arcy
	Sir Ernest Cassel

Source: Prepared by the author. See Appendix-2 for further information

**Table 2. Important Institutions in the Creation of Iraq**

Banks	The National Bank of Turkey
	The Deutsche Bank
Oil Companies	African and Eastern Concessions Limited
	The Turkish Petroleum Company
	Anglo Persian Oil Company
	Anglo Saxon Oil Co./ Royal Dutch Shell
	Compagnie Française de Pétroles
	Ottoman American Development Co.
	Standard Oil Company of New Jersey
	Near East Development Corporation
Other Institutions	The Ottoman Parliament
	The League of Nations
	The Turkish National Assembly

Source: Prepared by the author. See Appendix-2 for further information.

The tables above show that besides states there are important individuals and institutions in the creation of Iraq. Thus individual level of analysis will make an important contribution to better understand the process as a whole.

#### **4.2. The Middle East Before and After The World War 1**

The term “Middle East” is a constructed term. (Bozarslan, 2012). This term defines the region in relation to the location of other countries of militarily and economically developed Western world. It was first used in Alfred T. Mahan’s article titled “Persian Gulf and International Relations”. This article was published in the September 1902 issue of monthly “*National Review*”. For Mahan naval power of a country was of primary importance and the region he called “Middle East” is

important for the security of vast territory from Suveysh to Singapore. (Nişancı and Aka, 2015). Sahar el-Nadi in his article published in the “European Magazine” asks the question “Middle East of What?” and states that the term Middle East is a European colonial label and it does not reflect the correct geographical location.(El-Nadi, 2012). Today’s Middle East consists of nation states whose frontiers are still controversial. Ethnic or sectarian based clashes and proxy wars are going on in the region. Most of Middle East except Iran and Morocco was once a part of Ottoman Empire.(Balaam and Dillman, 2016). One of these nation states is Iraq. It was historically known as **Mesopotamia** which meant "the land between two rivers" in Greek language pointing the rivers the Euphrates and the Tigris. The Arabic word for it is “Bayn al-Nahreyn”. These rivers rise in Anatolia and merge before flowing into the Persian Gulf. ( Sorkhabi, 2009).

Today’s Iraq was a country founded by bringing together the oil-rich ex-Ottoman territories of Mosul, Basra and Baghdad after the World War I. Oil was the key factor taken into consideration while drawing the country’s lines. “*A fair share all of the Ottoman Empire's oil was primarily in its provinces of Mosul, Baghdad, and Basra, and those provinces were amalgamated into the British-controlled Iraq Mandate*”(Al-Marashi, 2016).

Iraq which was one of the Ottoman provinces in the Middle East has been a center of attraction both in the past and at present. Its oil rich land as well as its strategic geo-political location have made the region an area of rivalry of major powers trying to get control over the oil resources.

The foundation of Iraq was not independent from the general world conjuncture of that time nor was it independent from the developments within the Ottoman territory.

Therefore it is better to look at the case at system and state levels first, and then proceed with individual level of which the central figure was Caloust Gulbenkian.

Britain was *the dominant colonial power* ruling over the largest colonial empire (Paul, 2002) of that time and the region was designed in accordance with the British interests without taking into consideration the local facts (Simon and Tejirian, 2004; Paul, 2002). Besides major powers' struggle among themselves, oil companies having symbiotic relations with state administrations also had claims over the region. The political and military developments on the one hand and the negotiations of economic concerns through secret / parallel processes went hand in hand while drawing the borders in the region. One significant person Caloust Gulbenkian had an important and decisive role in the process. His efforts in this process made him an important shareholder of Mosul oil and provide a huge wealth of his time. He was considered one of the richest or the wealthiest individuals in the world during his lifetime. (Adams, 2012). He deserves attention and it is worth to make an individual level of analysis in order to have a clear picture about him and his role at that turning point of historical period where Ottoman Empire disintegrated, a new-nation state system was established in the region and the ownership of Iraqi oil resources was determined.

It was an era of Imperialism and colonialism just before the World War I. Britain was the hegemon power. In a table showing the eras with regard to economic shifts and changing energy policies the years between 1840-1914 was called an era of "Imperial Liberalism" (T. Van de Graaf et al, 2016: 17). In that period the security of India was of great importance for Britain and in traditional British strategic thinking the territory called "Mesopotamia" meant a land bridge or frontier to control that colony. Therefore Britain was for the territorial integrity of Ottoman Empire in pre-World War I period. (Simon and Tejirian, 2004).

*“Ottoman’s participation in the WWI on the side of Central Powers”* changed the situation and *“Britain consequently reversed its policy and sought the partition of the Ottoman Empire”*(Coşar and Demirci, 2004: 46). Actually *“a possible, a probable, or an actually threatening partition of Ottoman territory”* (Coşar and Demirci, 2004: 45) namely *“the Eastern Question”* was seen as the main cause of most of the major crises in European politics from 1856 to the outbreak of the WWI. *By the time of Berlin Congress in 1878 it was clear to Britain, France, Italy, Germany, Austro- Hungary and Russia yet the collapse of the Ottoman Empire was both inevitable and potentially disastrous for European harmony”*(Conlin, 2015: 318).

As WWI began, Mesopotamia was at the intersection of three declining empires- the Ottomans, the Persian and the Russians- was the object of desire of three European empires just reaching their zenith- the British, the French and the German (Simon and Tejrjian, 2004: 9).

The disintegration of Ottoman Empire caused a lack of order in the region. The need for the establishment of a new system brought the institutionalization efforts on the agenda. Not only the establishment of political entities in the form of nation states but economic institutions in the forms of banks and companies all contributed the shaping process of the region. Major powers, in other words victorious states of WWI, big oil companies and Caloust Gulbenkian were important actors. It was a two-dimensional process, political and economic. Industrialized Western powers were in need of oil and their economic struggle was closely related to that of their symbiotic partners namely major oil companies. This relationship can be traced back during and after the disintegration process of Ottoman Empire

After the war Germany and Ottomas were defeated, the Russian Empire was withdrawn by the 1917 Revolution. This brought a change in the world system and nation-states emerged after the collapse of empires. The end of Ottoman Empire and the new Middle East state system affected Mosul negatively since it had benefited from the

regional trade opportunities at the time of empire where the regional production not long-distance trade was prominent and exchange of goods was accomplished without taking into consideration the provincial boundaries. The establishment of nation states affected this regional trade network negatively and the province forced to change its economic base. The new system encouraged the long distance international trade due to new tariffs brought by new borders, dismantled credit and transportation system and diversified commercial justice systems in the new neighbouring nation-states. Unfortunately *“In Mosul, the new “national” borders transformed the region’s merchants into smugglers, her products into contraband, and her laborers into refugees.”*(Simon and Tejirian, 2004: 52).

The collapse of Ottoman Empire and the changing state system in the Middle East had political consequences besides economic ones explained above. The oil rich territory became a vital resource for the military and civil industries of major powers during and after the WWI. Debates and claims over the region should be discussed from the time of Abdulhamid II when exploration of oil and concession rights with regard to Mesopotamia came to the fore.

As stated in Section Three, individual who shape foreign policy of states are of vital importance. The personality, psychology and beliefs of individuals shape their choices and consequently the policies of states. In this section, I will review the most important individuals in the formation of Iraq.

With regard to the oil rich land of Mesopotamia, namely Baghdad and Mosul, one of the important individuals was Abdulhamid II during his reign. Besides political actors some influential diplomats such as Mark Sykes and François Georges-Picot, some oil executives of companies struggling in the region and agents such as Lawrence and Gertrude Bell all played important roles in shaping the region through conferences



and agreements signed either openly or secretly. This can be seen in the sequence of events of that time. (Appendix-2).

The first major oil related event was the discovery of oil at Masjid-i Suleiman in Persia - today's Iran- in 1908 by Anglo Persian Oil Company (APOC) of D'arcy Group. The efforts of petroleum engineer and geologist George Bernard Reynold were important.<sup>1</sup> Britain had already had concession rights in the region. (Demirmen, 2003b). Mesopotamia sharing the same geology as neighbouring Persia then became a target for major powers seeking for external resources (Paul, 2002).

Abdulhamid II who realized the importance of oil charged his own experts French Jacraz and Paul Ghrostopnine with undertaking survey and writing reports on Mesopotamian oil on behalf of Ottomans (Terzi, 2014; Black, 2004). Such studies and reports made the region a center of attraction and an area of rivalry for the major German, Dutch, British, and French oil companies. Abdulhamid II pursued a balance policy regarding oil issue and contracts were signed to explore and extract oil on the Ottoman land. The contract signed for the joint operation of Baghdad and Mosul oil with British investors was one of them. (Appendix-4b). Britain and Germany were two main rivals struggling to get oil concessions in Mesopotamia at that time. (Tchamkerten, 2017).

The Deutsche Bank which had already gained railroad concession rights claimed an additional term directly related to Mosul oil. According to the term "*the ownership of lands through railway route will be transferred to the concession owners.*

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<sup>1</sup>"In fact, the first oil wells in Iraq were not drilled in Iraq proper but in a Persian territory that was later transferred to the Ottoman Empire under a territorial exchange agreement in 1913. In Chiah Surkh within the "transferred territory", Reynolds drilled his first wells in 1902-1903. The wells encountered oil and gas shows, but were abandoned for more productive prospects further South" (Sorkhabi, 2009). The "transferred territory" at the Iran-Iraq border was excluded from the scope of the monopolistic self-denial clause of the charter of the Turkish Petroleum Company and Red Line Agreement, but the Arabian peninsula and today's Turkey were included (Demirmen, 2003b).

*Within an area of 20 kilometers on both sides of the railway the concession owners would be allowed to make archeologic excavations and had mineral and oil rights”.* Abdulhamid II pursued a policy by which he made Baghdad, Mosul and entire oil rich territory his personal property with three imperial edicts in 1888,1898, and 1902 and added these provinces to the *Civile Liste* in order to prevent major powers to seize these strategic lands of oil in case of disintegration of the empire. (Terzi, 2014; Bardakçı, 2003). Following the Young Turks Revolution on April 27, 1909, the *Civile Liste* properties including Mosul and Baghdad oil concessions were expropriated and the oil rich land was disposed in coming years (Black, 2004).

Caloust Gulbenkian was an another important individual deserving attention in order to better understand what happened in the region, how boundaries were drawn and the ownership of oil was determined through a process before and after the WWI. The following section will be about Gulbenkian and his role in the process.

### **4.3. Gulbenkian: The Architect of Oil Arrangements**

Caloust Gulbenkian was the oil engineer son of a wealthy Armenian family with Ottoman citizenship. He had a good family background and education. His language skills and strong personality made him a known person at early ages. (Black,2004; Tchamkerten, 2017). He was asked to make a comprehensive survey of oil prospects of Mesopotamia by Hagop Pasha -the minister of the *Civile Liste* and a close Armenian friend of Gulbenkian’s father- and by Selim Efendi –the Turkish state minister of mines. Gulbenkian family had already been in oil business in Baku. They were typical of Armenian traders in the Ottoman Empire. They bought and sold as well as operated as commercial functionaries and go-betweens. (Black, 2004). Sarkis Gulbenkian, Gulbenkian’s father, owned large oil fields in Transcaucasia and he was the importer of Russian kerosene. *“The Armenian millet was well known for its dynamism and loyalty to the*

*Empire*". Sarkis and his brother were awarded the the Order of Medjidiyeh, the highest Ottoman award, in 1872. (Tchamkerten, 2017: 14-18). He was also the collector of revenues in Mesopotamia for the Sultan's private treasury called the "Privy Purse" or the *Civile Liste* (Black, 2004).

In 1892, Gulbenkian prepared a report –*"not based on his own expertise but on pieces picked up from the unverified writings, observations, and conversation points of others. Ironically Gulbenkian himself not set foot in Mesopotamia before his report-or after"* (Black, 2004: 103). His report made him familiar to Abdulhamid and he became a known expert in oil business from then on. He was appointed as the financial advisor to the Ottoman embassies in London and France in 1898 (Appendix- 4a). He also became a naturalized citizen of Britain in 1902. His close contacts with oil industry enabled him to make arrangements in oil business. He played a role in the formation of Royal Dutch Shell (RDS) by merger of Royal Dutch Petroleum Company with Shell Transport and Trading Company. He was one of the shareholders with a 5% share of the new company. (Adams, 2012).

His family background together with his personal features and business skills all contributed to Gulbenkian's achievements in the process of shaping Mesopotamian oil. His life story (Appendix-1) enables us to understand how he became "Mr. Five Per Cent".

The struggle over Mesopotamian oil is a remarkable example of politics and economics going hand in hand. The process ended up with the establishment of both a political entity- Iraq and an economic entity -the first oil cartel formed with the Red Line Agreement. Gulbenkian played an important role throughout the process by

bringing statesmen and oil executives/ investors together by establishing banks<sup>2</sup> and oil companies.

Gulbenkian's technical skills, cultural knowledge of the Ottoman Empire as well as his close connections with Ottoman bureaucracy made him an important figure for European companies. *"There was no official title for his role. Gulbenkian was essentially the world's first oil fixer, broker, and deal-maker, although he would object to all of these terms, preferring to see himself as an "architect" of petroleum arrangements"* (Al-Marashi, 2016).

Gulbenkian was able to use his knowledge and skills developed in both East and the West. He was able to reconcile Turkish interests with the interests of various other nations such as the British, the Dutch and the German who at the time had divergent interests... Rather than an oil man, he considered himself to be a "business architect" (Tchamkerten, 2017: 26-27).

The process of the establishment of institutions in order to achieve political and economic goals can be analysed as the following.

#### **4.3.1. The Institutionalization Efforts on the Middle Eastern Oil and the Role of Gulbenkian**

The 1908 Young Turks Revolution and overthrow of Abdulhamid II meant a new stage with regard to relations with Western powers. Closer strategic, economic, military cooperation came to agenda by new administration. Britain which was closely

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<sup>2</sup> "They (the Armenian *millet*) were outstanding figures and a driving force in the society especially in financial matters. They had a virtual monopoly of banking in the Empire. Sixteen of the eighteen most important bankers in the Ottoman Empire were Armenians" (Tchamkerten, 2017: 14).

interested in the Middle Eastern oil needed a fixer who had good Turkish connections. Gulbenkian was already the Financial and Economic Advisor to the Ottoman embassies in London and Paris. Moreover he had unique personal features. He was a problem solving man and he could get parties having diverse interests together for a greater good. The country under the rule of new administration was in economic difficulty. In order to stimulate the country's economic development **the National Bank of Turkey** (NBT) was established in 1910 (Black, 2004; Tchamkerten, 2017). One thing should be noted that *“Despite its name, this was in fact not an Ottoman state-owned bank but a British backed and controlled venture”* (Simon and Tejirian, 2004: 113). The same thing was stated once more in a book titled *“Banking on Baghdad”* as the following: *“In reality, this financial institution would be neither Turkish nor national. Instead it would be a commercial creature of Britain's projected foreign policy, employing British money, managed by Britons, and operating for British interests”* (Black, 2004: 148). Gulbenkian was *“the silent owner of 30% of the Turkish National Bank, and therefore 15% of TPC.”* (Simon and Tejirian, 2004: 113). His stock ownership was kept verbal and unrecorded. His name didn't appear on the bank's registrations until 1919 meeting. (Black, 2014).

After the overthrow of AbdulhamidII there was a state of political uncertainty. This increased the need for cooperation among Europeans in order to secure concession rights with regard to Mesopotamian oil. A consortium called **African and Eastern Concessions Limited Company** was established in London in 1911 by Gulbenkian and Sir Ernest Cassel, a director of NBT and who also had dual German-British citizenship (Black, 2004: 139). As to shareholders NBT 35%, Deutsche Bank 25%, Anglo Saxon Petroleum Company –subsidiary of Royal Dutch Shell (RDS) 25%, and Gulbenkian 15%. (Yazıcı, 2011; Tchamkerten, 2017). It was a new entity but there was *“no real business except to speculate in Mosul oil and its address was identical to that of the National Bank of Turkey. 50 Cornhill in London”* (Black, 2004: 140).

The company changed its name as **the Turkish Petroleum Company** (TPC) on 23 October 1912. Actually there was nothing Turkish about it (Barr, 2012) and “*the entity was nothing more than a sheaf of letters*” (Black, 2004:275). With the formation of TPC parties agreed on “**self denying**” clause which meant that parties would not compete with the Company and they would not hold any concessions independently of the Company. “*The TPC possessed everything it needed by 1912. Germany’s oil concessions; Shell’s ability to explore, refine and market; the economic wherewithal of both National Bank of Turkey and Deutsche Bank; and political connections of Gulbenkian*”(Black, 2004: 142).

The transfer of Gulbenkian’s and NBT’s shares to APOC was an important step towards British dominance over TPC. This transfer was realized after a report on the importance of oil for the British navy which was published in 1913. Oil had become strategically important for Britain especially after Churchill’s decision of converting navy from coal to oil. Anglo German naval race and concerns about French influence in Africa before the WWI had an important role in changing policies of Britain. In order to compete with its rivals Churchill decided to convert the British navy from coal to oil. The search for oil was not an interest of corporations anymore but a very important objective of British government. Since then having control over oil meant “*a source of untold wealth*” thus control of these supplies became “*a first-class war aim*” for Britain as stated by Sir Maurice Hankey, Secretary of the British War Cabinet. ( Paul, 2002).

The foundation of the TPC was finalized on 19 March 1914. **The Foreign Office Agreement** (FOA) was signed and Sir Ernest Cassel registered the TPC in London. “*The TPC’s shares were doubled and half were given to APOC. The National Bank of Turkey transferred its shares equally to RDS and Deutsche Bank and then disappeared without trace.*” (Tchamkerten, 2017: 30). According to the redistribution APOC (D’Arcy group) would hold 50%, RDS (through Anglo Saxon Oil Company) and Deutsche Bank each would hold 25% shares. APOC and RDS each gave Gulbenkian a

“beneficiary interest” of 2.5% which made a total of 5% . From this arrangement he was begun to known as **“Mr. Five Percent”** (Simon and Tijerian, 2004: 113). According to this arrangement Gulbenkian only had baneficiary participation with no voting right. He would enjoy the beneficial 5% interest during his entire lifetime (Black, 2004: 156). 51% of APOC’s (D’Arcy Group) shares was bought by Britain on May 1914. Thus Britain got full control over APOC and TPC (Yazıcı, 2011).

After the Foreign Office Agreement was signed related parties backed by British and German ambassadors began to press the Turkish Government in order to get concession rights in Mosul and Baghdad. The Grand Vizier Said Halim Pasha gave a promissory note stating:

The Minister of Finance, which has taken over from the civil list matters concerning petroleum deposits already discovered or to be discovered in the vilayets of Mosul and Bagdad, agrees to lease them to the Turkish Petroleum Co., and reserves the right later on to fix its own share as well as the general terms of the agreement. (US Senate, 1952b).

The permission given by the Grand Vizier was for the exploration of oil in Mosul and Baghdad but the legal rights and contractual conditions were not outlined in the note. (Sorkhabi, 2009). The same day Grand Vizier gave the diplomatic promissory note to the British and German ambassadors on 28 June 1914, the Archduke Ferdinand was assassinated and the WWI outbroke. (Yergin,1991:188). Thus all negotiationsfor an oil concession in the Middle East ceased before an agreement was reached. The operations of the TPC remained suspended until the end of the war. The TPC relied heavily on this statement by the Grand Vizier for its claims over Mesopotamian oil after the World War I.(US Senate, 1952b).

#### 4.3.2. Sykes-Picot Agreement and Petroleum Agreement of San Remo

Some agreements which were signed during and after the WWI are to be taken into consideration while analysing the case of Gulbenkian and Mesopotamian oil. Because they were also important steps in shaping the ex-Ottoman region of Mesopotamia in accordance with the interests of major states and oil companies. As stated in Section Three, states are important actors in international relations. But individuals here were again of importance.

One of the agreements signed within this period was the **Sykes Picot Agreement** of 1916 (Appendix-3a) which was a secret agreement signed between France and Britain with the approval of Russia during the WWI in order to share and get control over the Ottoman Empire's land in the Middle East after the war ended. While Mosul was given to France under the war conditions, Britain then wanted to take the oil rich Mosul and with the signing of an agreement known as the **World Oil Agreement** at **San Remo Conference** on 20 April 1920 France was given 25% of defeated German share in the TPC in return France left Mosul to Britain which would hold 55% share and the local government would have 20% (Demirmen, 2003b).

The matter of the possession of the Mosul district was finally settled by the Petroleum Agreement of San Remo. Mosul was included to Iraq under British mandate. A considerable opposition arose within Iraq to the oil groups claiming that they were under control of British policy. The opponents primarily demanded to participate in the capital of the Company, because this right had been provided for them in the San Remo Agreement. This demand was finally dropped. In Exchange of it Iraqis would be granted by royalties of an annual grant of \$400,000 and a tax per ton produced to be paid to the Government. The other party who opposed the San Remo Agreement was the USA which had not participated in the negotiations in any way. (Bonne, 1932).



Iraq was left under British mandate and the governance of new country was designed in accordance with the British interests. This fact can be understood by looking at maps drawn at that time (Appendix-3d). Occupying Iraq would be more costly thus an Iraqi government linked to Britain by treaty would be a cheaper way to rule the new country. Britain would also have a supervisory authority over the work of cabinet ministers who would head the departments of the new constitutional monarchy (Simon and Tejirian, 2004: 162). Besides economic concerns political stability in the region was also very important for Britain in order to develop and establish an oil concession. The British supported an Arab revolt against the Turks, led by the Sharif of Mecca, Hussein, and in turn made Hussein and his sons as Kings or rulers of the partitioned sections of ex-Ottoman Middle Eastern territory. Faisal, Hussein's third son was first put on the throne in Syria but then was deposed by the French who took control of Syria. He was subsequently made the King of Iraq in 1921. (Jensen1, n.d.).

*“The key question in post-war negotiations was where to draw the border between Turkey and Iraq to secure the control of northern most province of Mosul”* (Black, 2004: 117). With regard to new Turkish Republic, the Mosul Question was on agenda at Lousanne Conference which began in Switzerland on November 20, 1922 but collapsed over the concession issue (Black, 2004: 156) on February 4, 1923. Because in the meantime there were efforts of the US oil companies trying to be a part of TPC to gain access to Mesopotamian oil. The two-term negotiation periods of the **Lousanne Conference** were closely related to the political and economic concerns about the oil rich territory of Mosul. *“The struggle of the Mosul province's potentially vast oil resources was the focus of intense competition among governments and entrepreneurs”* (Black, 2004:123).

### 4.3.3. The US Interest in the Middle Eastern Oil

The US had been pursuing an “isolation policy” from Europe before the WWI. Hence this was reflected its refusal of joining the League of Nations. Moreover the Middle East was seen as an extension of Europe and US policy toward this region was driven primarily by commercial and trade interests. E.g: The Near East was not a supplier but a market for Standard Oil’s<sup>3</sup> sale of kerosene. The other concern of the US regarding the region was religious one which pursued through missionary organisations. With the increasing importance of oil, the traditional US policy shifted towards the protection of US commercial interests which meant primarily oil. (Simon and Tejirian, 2004).

*“The industrialization taking place in America and Europe increased the demand for oil on exponential basis “new consumer economy” (Black, 2004: 286). There was also a fear of oil shortage in the country. “A report by George Otis Smith, the director of the US Geological Survey, warned a gasoline famine and predicted that the US would run out oil in 9 years and 3 months” (Black, 2004: 116). The increasing military, civilian and industrial uses of oil together with the fear of shortage resulted in high oil prices. The solution was to explore for and get access to new oil resources, namely the Middle Eastern oil. The US government also decided to support oil companies in their quest for foreign supplies. (Jensen1, n.d.).*

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<sup>3</sup>Standard Oil was established as a drilling company in Ohio in 1870. Then it grew to operate almost in every area of oil industry and the company gained a monopolistic character. In 1911, the US Supreme Court ruled that Standard Oil was guilty of breaking the Sherman Antitrust Act and ordered it to be split into 34 companies. Three of these newly formed companies called *Baby Standards* later became Exxon, Mobil and Chevron. (Temel, 2012).

Actually American oil companies were actively in search of foreign reserves by the end of the WWI. But they had to confront with the national and colonial policies of Great Britain and the activities of Royal Dutch oil companies which were at the same time in search of foreign reserves. Both Americans and Anglo-Dutch groups were accusing each other of being “oil trusts” threatening their interests. Other European countries were also pursuing similar policies directed to similar objectives.(Blair, 1976).

The US was the most important oil supplier in the world (65%) at that time. The American firms supplied three-fifths of foreign demand. Anglo American Oil Company, former subsidiary of Standard Oil Company Exxon, alone was controlling 50% of total business in Britain. The US was in a strong bargaining position and the US insisted on “**Open Door Policy**” which meant “*freedom for any company to obtain, without discrimination, oil concessions, in mandated areas, particularly in Mesopotamia*” (Blair, 1976: 34). The Americans began to question the validity of Grand Vizier’s letter, too (Barr, 2012). It was claimed that US companies should have equal opportunity under the League mandate of Iraq. The US government passed the Mineral Leasing Act of 1920 and “*clearly, this time, the US government was a supporter of the oil companies and not an adversary as had been seen in prior years*”(Jensen1, n.d.).

Walter Teagle who became the chief executive of Standard Oil of New Jersey in 1917 was a significant individual at that time. “*He was born into the oil business on both sides of his family. He was second generation on his father’s side and third generation on his mother’s side. (His maternal grandfather was actually Maurice Clark, Rockefeller’s original partner)*”(Jensen, n.d.). After the First World War, Teagle emphasized the company's need to acquire new oilfields outside the United States. He had a special eye on Mesopotamia and he alerted the Department of State that the British government did not intend to allow non-British firms to search for oil there. The American oil companies incorporated as **Near East Development Corporation** (NEDC) in 1921 and Teagle took the leading role as negotiator for the consortium

(Fitzgerald, 1993). Negotiations between Teagle and TPC for an oil concession in Iraq started in 1922, went on alongside with Lousanne Conference and ended with Red Line Agreement which gave access to American oil companies to Iraqi oil with a share of 23.75% on July 31, 1928.

In the meantime the second Lousanne Conference convened on April 23, 1923. *“At the time of Lousanne Conference the British, Dutch, French, and American oil companies were negotiating the future of TPC in London, and Lord Curson was kept fully informed on the progress of these negotiations”*(Demirmen, 2003b). The European powers wanted the new Turkish government to approve pre-war concessions given to TPC. America took the side of Turks on the concession issue. On April 10, 1923, the Turkish National Assembly approved a concession to American company Chester to construct railroads, ports, and exploit mineral-oil resources. This was regarded as an attempt to divide Allies and Britain insisted that the Turks were not in control of Mesopotamia and Turks had no right to grant concessions. In the end the Chester concession was cancelled in December 1923 after the signing of Lousanne Treaty on July 24, 1923. (Simon and Tejirian, 2012).

#### **4.3.4. The Mosul Issue and the Role of Gulbenkian**

The Mosul issue is also to be taken into consideration since it is one of the three important oil rich Ottoman provinces together which formed Iraq. The question of to whom Mosul belonged was very important during the foundation process. The last decision to be taken on the future of Mosul would be closely related to oil resources in the province. As stated before in TPC British and German companies were in joint participation and the company was holding prospecting rights in Mesopotamia. The Anglo-German oil partnership ended with the WWI and oil rich German –allied Ottoman territories became subject to British interest. The importance of British control

over Mesopotamian oil had once more been stated by Foreign Secretary Arthur Balfour to assembled Prime Ministers of the British Dominions in August 1918 by emphasizing the necessity that Britain to be the “guiding sprit” in Mesopotamia, so as to provide a key resource that the British Empire lacked. *“I do not care under what system we keep the oil”, he said. “But I am quite clear it is all important for us that this oil should be available.”* (Paul, 2002). In other words a new system/ order would be established in the region through which British plans on making oil resources available for the Empire could be realized. Oil rich Mosul was therefore an important issue to be resolved. Turkey also had a saying on that issue on the basis of “**National Pact**” (Misak-ı Milli) which was approved by the last Ottoman Parliament on 28 January 1920. According to this Pact, Mosul was within the boundaries of new Turkish Republic (Appendix-3b) and was of priority at Lousanne negotiations but this was left unsolved at the Lousanne Conference. Since no agreement could be reached through bilateral talks between Turkey and Britain it was submitted to the League of Nations. The interviews made with local inhabitants by the three League of Nations Commissioners in 1925 showed that ethnicity was not fixed in the region and that ethnicity did not determine politics but Commission decided in favor of Britain in the end.

The Commission is of opinion that from the legal point of view the disputed territory must be regarded as an integral part of Turkey until that Power renounces her rights, they decided that the British-proposed frontier made the greatest sense strategically (Simon and Tejirian, 2004: 57).

The attachment of Mosul to Iraq was recommended by the Commission. Brussel Line was accepted as the provisional Turkish-Iraqi border in the session of League of Nations on October 29, 1925.

Before the status of Mosul determined, King Faisal had issued a 75-year concession right to TPC on March 14, 1925. Edward Herbert Keeling, representative of TPC and Muzahim Beg el-Pachacı, representative of Iraq signed the agreement. This

was the first official concession given to TPC. In case of dispute, those resources written in English not Arabic will be given priority according to the agreement. One interesting thing to state is that American geologists were allowed to enter and explore in the region only after that concession was awarded (Okumuş, 2015).

Finally with the **Ankara Agreement** signed on June 5, 1926 Turkish-Iraqi border was settled at last and Turkey gave up her claims over Mosul in exchange for a 10% royalty on Iraqi oil revenues for 25 years. Then it converted to 500.000 pounds. Turkey enjoyed the right of usage of Mosul oil between 1926-1956 (Yazıcı, 2011: 133).

Discovery of oil at Baba Gurgur in the north of Kirkuk - actually the second oil-related event in the Middle East history- by the British exploration team under D'Arcy on October 15, 1927 accelerated the process of TPC settlement among the Majors. *“The oil initially flowed at a rate of 95.000 barrels per day. It took nearly nine days to cap the well and bring the flow under control”* (Simon and Tijerian, 2004: 123). The same story is told with a small difference regarding the capping of the well - *“blowout in Kirkuk at an estimated flow of 90.000 barrels per day, the fabulous Baba Gurgur well-gate valve can not be capped for 3 days”* (Black, 2004: 287).

#### **4.3.5. Red Line Agreement and the Role of Gulbenkian**

Following the discovery of immense oil field in Iraq, American groups's share in TPC was finally settled with the **Red Line Agreement** was signed by APOC (today's BP), RDS, Compagnie Française des Petroles (today's Total) with French government support and the American energy companies called the NEDC which was dominated by the forerunners of Exxon and Mobil, in Ostend, Belgium on 31 July 1928. Each

company received 23.75% and the remaining 5% went to Gulbenkian. (West Armenia TV, 2015).

The Iraqi people were not consulted with during the negotiaton process. They didn't get any benefit from this arrangement, either. (Paul, 2002). *“The Iraqi government asked the TPC for a copy of the Red Line Agreement. The TPC partners consulted with each other, agreeing that they would refuse to share this information.”* (Conlin, 2015: 327).

The Red Line Agreement was actually an interpretation of 1914 FOA and “self denying clause” by which *“parties agreed not to engage in any oil business within a defined area except through TPC, which they jointly own and operate”* (Black,2004: 278). Britain was the one that mostly in control of the region but with the Red Line Agreement *“The country belonged not only to Britain, but all the great powers”* (Black,2004: 290). This was also the formation of an oil cartel or monopoly which had a strong influence over a vast territory. Actually *“The cartel preceded easily by three decades the birth of another cartel, the Organization of Oil Exporting Countries (OPEC), which was formed in 1960.”* (Demirmen, 2003a).OPEC was formed by oil exporting countries mostly in the Middle East to protect their common interests<sup>4</sup> and it played an important role in shaping the supply and demand for oil in world markets.<sup>5</sup>

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<sup>4</sup>The official objective of OPEC was ‘to coordinate and unify the petroleum policies of its Member Countries and ensure the stabilization of oil markets in order to secure an efficient, economic and regular supply of petroleum to consumers, a steady income to producers and a fair return on capital for those investing in the petroleum industry’ (Graaf et al, 2016:75).

<sup>5</sup>OPEC countries imposed an embargo on the US and the Netherlands for supporting Israel in 1973 War. It was a turning point for energy markets and meant a paradigm shift because oil became a strategic weapon of OPEC. It was then understood that *“a small number of nations could have a big economic and political power if they had control over a scare resource”* (Balaam and Dillman, 2014).

Gulbenkian again had a decisive role in the accomplishment of the negotiation process of Red Line Agreement. *“The TPC partners were not only shaping the future of the Middle East, they were also conferring on its past”* (Conlin, 2015: 317). The self denying clause was still in effect. *“The companies involved promised not to operate independently anywhere within a red line drawn around what had been the Ottoman Empire as of 1914”*(Simon and Tejirian, 2004: 159). But there was a problem.

...The parties who met at Ostend that day in 1928 were unable to agree on the borders of this vanished Empire. In 1914 several parts of the empire had recently declared independence or fallen under the control of neighboring powers – in some cases, both at the same time. All was confusion until the owner of the remaining 5% of TPC, Caloust Gulbenkian, intervened: When the conference looked like, he again produced one of his brainwaves. He called for a large map of the Middle East, took a thick red pencil and slowly drew a red line around the central area. Taht was the Ottoman Empire which I knew in 1914”, he said. “And I ought to know. I was born in it, lived in it, and served it. If anybody knows better, carry on...” (Conlin, 2015: 314).

No one quite knew where Ottoman land began and ended so Gulbenkian took a red pencil and drew a line on the map that included Iraq, Arabia, Turkey, Syria and much else besides. This was called, somewhat unimaginatively, The Red Line Agreement. All these happened before Iraq became an independent state in 1932 (Reese,2012: 111).

Gulbenkian’s hand-drawn “red line” showing the petroleum interests of the great powers in the region was added to the map during the talks. (Appendix-3c)While drawing on the map,

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*“1973 marked a pivotal point, on which oil began to transform from an economic resource into a political economic commodity”*(Temel, 2012).



Gulbenkian had insisted not on country names and internationally set borders, which could change from time to time and war to war, but a simple red line which began near Baku, where an A was printed, and proceeded down the adjusted Turco-Persian frontier, coursing over precise zigs and zags to map points marked b and C, including all of Mesopotamia, then down to Basra, where the red line took a pronounced detour around Kuwait, and then encircled the entire Arabian Peninsula. From the tip of Yemen, it proceeded North up to the Gulf of Aqaba, where it reached Palestine at map mark E, approximately at Eliat. The red line then skirted the Egyptian Sinai Desert North to Port Said on the Mediterranean coast. From there, the line encompassed all of Turkey, and then ended back at Baku (Black, 2004: 289-290).

According to the agreement the great powers would seek concessions only as part of this group within the red line. Gulbenkian's 5% share would be ensured. Actually Gulbenkian was given whole Iraqi concession by the Pasha of Iraq but he preferred to be a part of red line to get more due to his famous saying "*Better have a small piece of a big pie, than a big piece of a small one*" (West Armenia TV, 2015). This saying is an explanation of his philosophy. His nickname "Mr Five Percent" was something related to this philosophy, too. Because he had involved arranging huge international deals mostly in oil business at his early ages –e.g: the merger of Royal Dutch and Shell- and he always took 5% of the deal, no more or no less, favoring a small piece of a big pie than a big piece of a small one. (Adams J, 2012).

#### **4.3.6. The Legacy of Red Line Agreement on the Oil Industry**

The Red Line Agreement was Gulbenkian's greatest achievement in the interwar period when access to oil was perceived as of strategic importance to national security by countries.

The discoverer of Iraq's oil wealth and the creator of Turkish Petroleum Company, Caloust Gulbenkian, created an oil cartel with rights to exploit Arab oil. The cartel eventually came to embrace Anglo Persian Oil (the forerunner of BP), Shell, Standard Oil of New Jersey (later to be Exxon, and the corporation later known as Mobil)(Rees, 2012: 111).

These oil companies also known as Majors or the "Seven Sisters"<sup>6</sup> had control over Iraqi oil for long years.<sup>7</sup> They have dominated the production, processing, marketing and pricing of oil at global level, too.(Balaam and Dillman, 2016).

The Seven Sisters were the Standard Oil Company of New Jersey (later Exxon), the Standard Oil Company of New York (Socony, later Mobil, which eventually merged with Exxon), the Standard Oil Company of California (Socal, later renamed Chevron), the Texas Oil Company (later renamed Texaco), Gulf Oil (which later merged with Chevron), Anglo Persian (later British Petroleum), and Royal Dutch Shell (The Historian of the US Department of State, n.d.).

It can be said that the roots of today's picture in oil industry lie in the historical developments in the Middle East, the creation of Iraq and the Red Line Agreement in particular. The multinational oil companies which formed a monopoly in oil sector by signing the Red Line Agreement are today among the World's 100 Largest Economic Units –including world states- as stated in a report prepared in 2010.<sup>8</sup> (Nye, 2014: 18).

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<sup>6</sup>The phrase "Seven Sisters", which inspired from the seven daughters of Atlas - a Titan who held up the sky in the Greek Mythology, was first used by Italian state oil company ENI Chief and Italian businessman Enrico Mattei in 1950s. These seven daughters of Atlas are believed to have formed the Pleiades after they died. (<https://www.financial-dictionary.info>) (<http://earthsky.org>).

<sup>7</sup>These five American, one British and one Anglo-Dutch company are again on stage in Iraq in the post-invasion period. They had been removed out of the country with nationalization of Iraqi oil industry in 1970s. Invasion made it possible for them and some other multinational oil companies to re-enter into Iraq and run oil business again. (Mills, 2016).

<sup>8</sup>The World's 100 Largest Economic Units (2010)

The self-denying clause was the most important feature of the Red Line Agreement but it was a difficult arrangement. “*The problem was that the TPC was a concession-hunting vehicle for four competing interests, and not an independent business with a strategy of its own*” (Barr, 2012). Thus the agreement lasted as long as it served the interests of the partners. New arrangements and formation of subsidiaries made the clause foiled. Companies began to have concessions independently in Saudi Arabia and Bahrain. (Jensen2, n.d.). Then with the **Group Agreement** signed in Lisbon, Portugal in November 1948 The Red Line Agreement said to be ended. On the other hand Demirmen draws attention to one point with regard to the end of Red Line Agreement.

The dissolution of the Red Line Agreement did not mean the end of it. The monopolistic mantle of IPC<sup>9</sup> in fact comprised two layers: one associated with the “red line” and a second one concerning Iraq only. When the Red Line Agreement dissolved, only the first layer was discarded. The second layer remained in effect, and IPC contributed its operations as a full-pledged monopoly within the country (Demirmen, 2003a).

Rank	Corporation	Revenue \$ million)
42	Royal Dutch Shell	\$285,129
43	Exxon Mobil	\$284,650
52	BP	\$246,138
70	Total	\$155,887

Source: “The Fortune Global 500,” *Fortune*; International Monetary Fund, *World Economic Outlook Database*,

April 2011, <http://www.imf.org/external/pubs/ft/weo/2010/01/weodata/index.aspx>

<sup>9</sup>In March 1928, in the midst of the map negotiations the Iraqi ambassador to Britain, Muzahim Beg Ali Pachachi (who had helped negotiate TPC’s 1925 concession agreement) had reassured Cadman that although he would adopt ‘ultra nationalist’ rhetoric on his return to Baghdad, this was merely window dressing: he would stick by TPC. TPC responded by indulging in some window-dressing of his own, sending Pachachi back with a letter offering to give TPC ‘a more Irak sounding name, such as Irak Petroleum, or Mossoul Petroleum or something like that.’ The name was, indeed, changed the following year, to Iraq Petroleum. (Conlin, 2015).

The IPC continued to play its decisive role in Iraqi oil industry in the following years.

Two affiliates of IPC, Mosul Petroleum Company (MPC) and Basra Petroleum Company (BPC), secured additional concessions from the Iraqi Government. MPC was awarded a seventy-five-year concession in 1932; and BPC obtained another seventy-five-year accord in 1938. The three concessions covered the total area of Iraq. These three companies were owned in equal shares of 23.75 percent by British Petroleum (BP), Shell Petroleum (Shell), Compagnie Française des Pétroles (CFP), and Near Eastern Development Corporation, which was owned equally by Standard Oil of New Jersey (Exxon) and Mobil. The remaining 5 percent went to the Participations and Explorations Company (Alnasrawi, 1994: 2).

The Participations and Explorations Company (PARTEX) appeared with a shareholding of 5% in IPC which had originally belonged to Gulbenkian. On the website of PARTEX Group there is an explanation regarding this.

In June 1938, Calouste Gulbenkian decided to incorporate his oil business assets in a Company he created in Panama: Participations and Explorations Corporation. The name of the Group – PARTEX – originates from the name of this Company. With Calouste Gulbenkian's death in 1955, the Middle East oil industry and as a consequence, the Group's holdings changed significantly. This particularly affected the concessions held by the Iraq Petroleum Company, which were nationalized in 1973. As a result of the strategic decisions and business requirements of Partex, new companies have been created over the years. In March 1998, almost 60 years after the creation of the first company, a holding company was incorporated in Cayman Island – Partex Oil and Gas (Holdings) Corporation – owned entirely by the Calouste Gulbenkian Foundation. It became the holder of the Gulbenkian participations in the oil and gas business and the only shareholder of all the Group Companies (Partex Oil and Gas, n.d.).

The fact that three concessions obtained by IPC, MPC and BPC covered the total area of Iraq- as stated by Alnasrawi above- is interesting. The problem of artificiality of borders in the Middle East has already been a controversial topic on the world agenda. Al Marashi draws attention to that problem and the case of Iraq in particular by stating that “*rather focusing on artificiality of borders, it is intentions behind the creation of Iraq that has to be questioned. Were the British officials creating a viable state or an oil company with borders?*” (Al-Marashi, 2016).

This question becomes more significant when the present situation of Iraq is considered. Because the creation of Iraq was not based solely on political concerns but also economic ones as stated in previous sections of this thesis. The process was completed through a series of conferences, negotiations where not only political figures or statesmen but representatives of major oil companies and an outstanding individual, “Mr. Five Percent”, took place. The established order was influential in Iraq in the following years. The Majors’ monopoly order lasted until the nationalization of oil industry in 1970s. The invasion of Iraq by the US-led coalition which enabled the Majors to re-enter into Iraq in 2003 is not independent from the developments and actors of the past. This issue can be addressed in further studies which will be helpful to build more meaningful connections between the past and present situation in Iraq.

## 5. CONCLUSION

International system and international relations are complex in nature. International theories try to interpret and explain the international affairs. Each theory has different assumptions about human nature and was based on different sets of hypothesis including causal relationships to describe how states behave under certain conditions. There are three basic paradigms that underlie theory building in international relations: Realism, Liberalism and Marxism. Besides these three theories, alternative contemporary theories such as Constructivism and Post Structuralism draw attention to

actors and forces that may have been ignored by main theories in explaining the international system and international relations. The theoretical lenses are also important since they determine the way one sees the international relations.

Interaction between states are not only political, they are economic as well. A special branch within IR namely international political economy deals with economic interactions that take place in international system. International order gets more complicated when economics enters into the picture. The international political economy is an important discipline to understand the process of social change and political and economic foundations underlying it. There are three main IPE perspectives –Mercantilism, Economic Liberalism, and Structuralism- and the relationship between state and market is the basis of these perspectives.

The levels of analysis which are individual, state and systemic levels are also used as a tool to explain international relations by focusing on different actors which thought to be the most influential one on the outcome of an event.

Energy was a crucial concern for great powers in the process of the creation of Iraq energy. It was a time of change both in terms of disintegration of empires, rise of nation states in political sphere and increasing need for new resources by industrialized Western powers together with increasing importance of Middle Eastern oil in the economic sphere. The three main IPE perspectives when applied to the field of energy have different explanations in accordance with their different interpretations on the nature and consequences of state and market relations.

Different perspectives either prevailed or declined at different times due to changing conjuncture. The transition periods mostly witnessed the clash between Mercantilist and

Liberal perspectives. Which one will prevail or decline was mostly determined by policy changes of great powers in accordance with the changing balance of power in the world order.

Energy IPE is the main concern in this thesis. There are few studies taking different perspectives together while analyzing historical events. This paper claims that a significant individual had an influence on outcomes produced within the process of creation of Iraq. It was also a transition period where empires dissolved and nation states emerged. The foundation of states seemed to be something between/among states and Realist perspective come to the fore since its basic assumptions were national interest and national security within the anarchic international system which makes war /conflict inevitable for states seeking maximizing their relative power. On the other hand while realist perspective considers individuals as unimportant factors the historical conditions made it possible for an individual, Caloust Gulbenkian to come to the fore in the process of creation of Iraq.

The establishment of a nation state system in the Middle East after the WWI has usually been handled from realist perspective at national/state level. Whereas the foundation of Iraq, oil rich ex-Ottoman territory, was not an event only related to relations among states. Oil companies and influential individuals also played important roles in the process. The case had both political and economic dimensions. Political economy perspectives as well as individual level of analysis are useful tools in analysing the case of Gulbenkian with regard to Mesopotamian oil. Then the picture with regard to foundation of Iraq as well as the formation of first oil cartel become clearer with this analysis. This provides a better understanding of what's going on in today's Middle East in general and in Iraq as well.

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**APPENDIX-1****WHAT MAKES CALOUST GULBENKIAN “MR. FIVE PERCENT” ?**

As stated before individual level of analysis draws attention to the personality, perceptions and preferences of individuals. Gulbenkian’s unique personality which is very important in the process of foundation of Iraq and in the establishment of first oil cartel can be traced through his life. His family roots, education, business life, close connections with oil magnates of his time, being a business architect, an art collector and a philanthropist all contributed to the process which made him “Mr. Five Percent”.

The following section is about his life and personality.

**His Family Roots and Education**

Gulbenkian’s family rooted back to an Armenian noble family called the Rshtunis who centered around Lake Van in the 4th century AD. In the 11th century, they settled in Talas, Caesarea (Kayseri) and took the name Vart Badrik which was a Byzantine noble title. With the arrival of the Ottomans in the seventeenth century the Turkish equivalent of the name, Gülbenk, was adopted by the family. The family then moved to Constantinople. (Tchamkerten, 2017).

There are fewer studies about the life of Gulbenkian. An article titled “Caloust Gulbenkian, The King of Petroleum, In the 125th Anniversary of His Birth (1869-

1955)” by Kevork Pamukçiyani<sup>10</sup> gives a brief biography of Caloust Gulbenkian. Gulbenkian’s family was introduced by Pamukçiyani as the following:

Gulbenkian was born as a son of wealthy Armenian family in Kadıkoy on March 29, 1869. His father Sarkis Gulbenkian (1836-1893) was a tradesman. He was also dealing with voluntary services in Armenian community’s charity institutions. Gulbenkian’s mother was Dirouhi Gulbenkian (1846-1908)<sup>11</sup>. Sarkis and Dirouhi got four children. One of them was Caloust Gulbenkian, other two were Karnik Gulbenkian who married to Malvine; and Vahan Gulbenkian who married to François and had two children, namely George Gulbenkian and Roberto Gulbenkian – the latter was the General Director of Gulbenkian Foundation. Gulbenkian had a sister, too. Her name was Hayganus. Sarkis and Dirouhi Gulbenkian were both buried in the courtyard of Yedikule Hospital. (Pamukçiyani, 1994).

In 1800s the Gulbenkian family was typical Armenian traders of the Ottoman Empire. They mostly dealt with trading, operating as commercial functionaries and go-betweens. His father Sarkis Gulbenkian engaged in moneylending and oil trade. He owned several oil fields in Baku and was a representative of Alexander Mantashev’s oil company. He was the leading importer of Russian kerosene and the collector of revenues in Mesopotamia for the Sultan’s private treasury called the “Privy Purse” or the “Civile List”. In return for his service Sarkis was rewarded with the governorship of Trabzon. This facilitated his oil business in Baku. (Black, 2004).

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<sup>10</sup>Researcher and author(1923-1996). He was the editor of Şoğagat Yearbook between 1968 and 1978. His article about Caloust Gulbenkian was published in “Şoğagat Yearbook” (p.49-65) in 1970 and in “Tarih ve Toplum Dergisi” (p.38-40) in 1994. His articles were published as a book by Osman Köker with the title of “The Contributions to History from Armenian Resources” after his death in 2003. (Başpehlivan, 2007).

<sup>11</sup>Gulbenkian’s mother Dirouhi was said to have descended from Persian Armenians. Gulbenkian’s association with Iran in terms of oil, diplomacy and art can also be said to be due to that relationship. (Manukian, 2016).

Gulbenkian received his early education at Aramyan-Uncuyan, a local Armenian school in Kadıköy. He then attended the Lycee Saint Joseph French school and continued his studies at Robert College. Then he went to Marseilles at the age of 15 to perfect his French at a high school there. He studied oil engineering at King's College in London. He graduated in 1887 with a first class degree in engineering and applied sciences. A year later, he went to Baku to further his knowledge on the oil industry. He met Nobel Brothers there and was impressed by their oil business. He also explored the development of oil in Mesopotamia. His article titled "*La Transcaucasie et la péninsule d'Apchéron; souvenirs de voyage*" (Transcaucasia and the Absheron Peninsula-Memories of a Journey) was published in the prestigious *Revue des deux Mondes* in Paris in 1891. This article was about his fascinating travel to Baku and the state of the oil industry in the region. It was eventually published as a book "*Oil Works in Baku*" in 1891 in Paris which meant a new phase in his life. Because since then "*oil would dominate the rest of his life, and he in turn, during the next six decades, would dominate the life of oil*"(Black, 2004: 101).

Gulbenkian got married to Nevarte Esayan –the daughter of an Armenian tradesman living in London- in 1892. His marriage provided him both financial and social environment. This was a kind of "ready-made social network" for him (Okumuş, 2015). Caloust and Nevartegot two children. Their son Nobar Gulbenkian was born in Kadıköy in 1896 and died in Cannes in 1972. Their daughter Rita was born in London in 1900 and died in Paris in 1977. She married to Iranian diplomat Kevork Essayan in 1920. They got a son, Mikhael. (Wikipedia, n.d.).

The great Armenian families of that time often inter-married. These marriages provided powerful connections and social positions for family members. (Appendix-5). Caloust's marriage to Nevarte linked the Gulbenkians to the more established Essayans from Caesarea. The marriage of Nevarte's cousin Vahan to Anna also linked the Essayans to a very prestigious family, Karakehyas from Egypt. A member of this family, Nobar Pasha, would play an important role in Gulbenkian's life during his

residence in Egypt. The family relationships of Armenians also provided a network of connections between the different centers of the East and West. Most families dealing with import and export business were also involved in banking. (Tchamkerten, 2017).

### **Oil Business and His Last Years**

In an article on the website of West Armenia television gives brief information about Gulbenkian's life as the following. By 1895 Caloust Gulbenkian started his oil operation business. In 1896 Gulbenkian and his family fled to Egypt, where Gulbenkian met Alexander Mantashev, a prominent Armenian oil magnate and philanthropist. Mantashev introduced Gulbenkian to the influential men in Cairo thus first gave Gulbenkian access to the world of oil business. He was also welcomed by Nobar Pasha who was an influential bureaucrat in Egypt. (Hayat, 1972). All these provided him with the opportunity to make connections and arrange deals in the oil sector. Gulbenkian stayed in Egypt for a short time and moved to London in 1897. He also became a naturalised British citizen in 1902.

Two different approaches with regard to that period of Gulbenkian's life have been stated in the theses of Okumuş and Acar. For Okumuş, Gulbenkian was an Ottoman citizen with an honorable family background. He had a good education and business experience from his early ages. He had good relations with Ottoman bureaucracy and thus was charged with important posts such as oil surveyor in Mesopotamia and financial advisory of Ottoman embassies in Paris and London. (Okumuş, 2015).

Okumuş also states that Gulbenkian did not support Armenian diaspora against Ottomans although that was the attitude expected from him. Above all and beyond all other consideration he was a businessman and he should keep good relations with his counterparts anyway. He had the advantage of being an Ottoman businessman who had

close connections with the bureaucracy. His good education background and ability to speak different languages such as English, French, Armenian and Ottoman made him an important person that could not be ignored in the eyes of great powers. He knew both the East and the West and it was an important feature in playing an effective intermediary role between these two sides.(Okumuş, 2015).

With regard to Gulbenkian's interest in art and his significant collection consisting of over 6000 valuable Eastern pieces of art which was now exhibited in Caloust Gulbenkian Museum in Lisbon, Okumuş considers it as a contribution to the promotion of Eastern civilization in the West (Okumuş, 2015). Tchamkerten also similarly states that Caloust Gulbenkian "*tried to bridge East and West through his life with his work, philanthropy and art collecting*" (Tchamkerten, 2017: 21).

On the other hand Acar claims that Gulbenkian had negative feelings towards Turks and supported Armenian diaspora. He states that "*Gulbenkian didn't hesitate to spend the power and wealth he gained by marketing the regional resources throughout his life for the sake of "Armenian ambitions" he inherited from his family*"(Acar, 2013:4).

Acar considers the nation-system and capitulations as the two weakest points of the Ottoman Empire at the end of the 19th century and great powers having imperialistic ambitions on Ottoman territory used this weakness to their advantage (Acar, 2013: 87). Armenian community was also encouraged to rebel against Ottomans. Armenian youth educated in missionary schools were influential in that sense. Gulbenkian lived in a period when Armenian nationalism was in rise. Acar is in doubt about Gulbenkian's "secretly fled to Egypt" with his family in 1896. He claims that Gulbenkian's becoming a neutral British citizen a few years later strengthens the possibility that he was involved in the Armenian incidents. Because Britain was giving asylum to Armenian rebels during that period. (Acar, 2013: 95).

In 1907 he played an important role in the merger of Royal Dutch Petroleum Company with Shell Transport and Trading Company Ltd. under the name of Royal Dutch Shell of which Gulbenkian was a major shareholder. He had a wealth of 25 million dollars at that time (Okumuş, 2015). The nickname "Mr. Five Percent" was given to him due to his retaining five percent of the shares of the oil companies he developed.

As stated in Section Four Gulbenkian played a very important and decisive role in the negotiation process lasted for years at the end of which the foundation of Iraq and the formation of first oil cartel accomplished after the disintegration of the Ottoman Empire. The oil business and political concerns went hand in hand throughout this process in the interwar period. Being "both a local man and Christian" made Gulbenkian an ideal intermediary for Westerners. (Okumuş, 2015). What Gulbenkian did was to help *"those fortunate enough to have struck oil find the capital necessary to exploit their claim commercially, either by putting them in contact with private investors or by helping them launch new companies on the London stock market"* (Manukian, 2016).

Meanwhile Caloust Gulbenkian and his family were deprived of citizenship of the Republic of Turkey with a government decree in 1935. (Appendix-4c).

Just before the outbreak of the World War II in 1938, Gulbenkian established a company called Partex in Panama to hold his assets in the oil sector. This company is currently a subsidiary of the Caloust Gulbenkian Foundation of which headquarter is located in Lisbon. The war outbreaked in 1939 and Gulbenkian acquired "diplomatic immunity" as the Iraqi Minister in Paris. Since he served the pro-Hitler Vichy French regime he was temporarily declared as an enemy alien and his oil assets were seized. At the end of the war he took back his assets after compensation was paid. In 1942 he left France and moved to Portugal. He lived at the Hotel Aviz in Lisbon for thirteen years. He died on July 20, 1955. He was buried at St. Sarkis Armenian Church of which

Gulbenkian was a sponsor and a gathering place for “dispersed Armenians” in London. (Wikipedia, n.d.).

With regard to Gulbenkian’s Armenian identity, Tchamkerten states that Gulbenkian belonged to no particular country and he had several passports but “*As an Armenian, however, he also believed in the rebirth of Armenia after the trials of 1915, and he devoted considerable time and resource to this end*” and while travelling between London and Paris, he always used his Armenian passport (Tchamkerten, 2017: 22). “*International though he may have been, however, Gulbenkian was unique and single-minded in his Armenian-ness, which gave him his stable foundations and his identity*” (Tchamkerten, 2017: 59). Gulbenkian’s insistence on the employment of a minimum five per cent of workers engaged in oil exploitation for the IPC to be Armenians (Tchamkerten, 2017: 49) can be regarded as an indicator of this sensitivity.

Conlin, on the other hand, states that Gulbenkian had an international perspective both in terms of doing business and charity understanding. He was born in Ottoman Empire. He lived in London and Egypt. He was a British citizen and a member of Persian diplomatic legation to Paris. He spent his last years in Portugal. But “*nobody quite knew where Gulbenkian was coming from, or whose side he was on*”. (Conlin, 2010: 281). He was a kind of representative of global capitalism at that time. He did not favour any particular country while doing business. For him there was little difference between nation states and oil companies. They were “*just players at the table*” or “*parties to a negotiation*” (Conlin, 2010: 302).

Conlin states in an interview that his Armenian identity could not be separated from Gulbenkian. He was the chairman of the Armenian General Benevolent between 1930-1932. He made donations to Armenian churches, schools and orphanages. But he is primarily interested in art and culture. In one of his wills he wanted a church to be



built in London in memory of his parents. The ashes of Gulbenkian lie in that church. In this sense, he did not follow the Armenian Church (Dink, 2015).

His international perspective was reflected in his charity understanding. The idea that Gulbenkian wanted to create an international foundation that would benefit the entire human race can be understood from the correspondence between Gulbenkian and Lord Radcliffe. (Tchamkerten, 2017: 65). The Caloust Gulbenkian Foundation which is “*an example of philanthropy without borders*” is important in this sense.

As his closest friend, Lord Cyril Radcliffe later observed, “In all the years during which he confided in me his ideas as to the eventual creation of a great public Trust I never heard him express an intention to favour specially any particular country. He spoke always of ‘humanity’ as his beneficiary (Conlin, 2010: 279-280).

The current President Emilio Rui Vilar also emphasizes the Foundation’s being a global civil society by stating that “*Our founder, Caloust Gulbenkian was a citizen of the world and the Gulbenkian Foundation must necessarily be a global civil society institution*” in his speech at the opening of the new London Office in 2009. (Tchamkerten, 2017: 105-106).

### **Caloust Gulbenkian Foundation**

Caloust Gulbenkian was one of the wealthiest man in the world during his lifetime. In an interview published in a 1950 issue of Life magazine, an art expert stated that “*Never in modern history has one man owned so much.*” (Wikipedia, n.d.). He made a huge fortune with his share in Iraqi oil. He was said to earn 500 thousand - one million sterling annually between 1914-1953. This amount has increased to 5-6 million sterling since 1955. (Toker, 1966: 26).

Gulbenkian's fortune comprised of his prestigious collection of works of art and his oil interests. At the time these brought him an annual income of 4 million pounds sterling, which subsequently rose to 10 million. -At current rates, bearing inflation in mind, 10 million pounds in 1955 would be equivalent to 200 million Euros today- (Tchamkerten, 2017: 68).

*At the time of his death in 1955, his fortune was estimated at nearly a billion dollars*" (Adams, 2012: 33). He left five wills before his death<sup>12</sup>. Two of his wills dated 1950 and 1952 are very important. He left significant legacies to his children and his grandson. He also established lifetime pensions for some of his relatives. He left 1.000.000 dollars to his son Nobar, and 600.000 dollars to his daughter Rita. (Okumuş, 2015: 69). He also donated large amounts of money in churches, cathedrals and some charity organizations.

He left much of his fortune to the Caloust Gulbenkian Foundation which was established in Lisbon as a term of his will in 1960 and opened in 1963. All the shares of Partex Company was transferred to the Caloust Gulbenkian Foundation after the death of Gulbenkian. (Okumuş, 2015). The activities of the Foundation were organised in the fields of education, art, science, and charity. (Tchamkerten, 2017). The Foundation supports the cultural and educational institutions in England, Portugal and Iraq. Armenian charity institutions and schools in some countries are also supported and scholarships are given to university students by the Foundation.

The Foundation's financial profile is also distinctive in several ways. It has retained its founder's interests in oil exploration, rather than divesting and diversifying its portfolio. Despite the forced nationalizations of the 1970s, these assets still provide around a fifth of the Foundation's annual income, and represent approximately a quarter of its total €3.4 billion in assets (Conlin, 2010: 304).

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<sup>12</sup>Conlin gives different dates related to Gulbenkian's wills. He states Gulbenkian left five wills dated 1901, 1919, 1924, 1926, 1953 and a last one just before his death in 1955. (Dink, 2015).

The Caloust Gulbenkian Foundation today is one of the largest foundations in Europe. It's a Portuguese foundation, legally a private charity in the public interest, with international scope. In 2009, it possessed assets of nearly 2.8 billion Euros and an annual budget of 109 million Euros. Almost one quarter of its wealth comes from its oil interests which consists mainly of concessions in the Middle East (Oman and the Emirates). As regards Caloust Gulbenkian's assets in Iraq, inherited by the Foundation, we have seen that these were nationalised in 1973. The same happened to his income from Qatar. Today there remain the above mentioned oil holdings in Oman and the Emirates, plus holdings in Kazakhstan, Brazil, Angola and Algeria, managed by the Foundation via Partex. The rest- three quarters of of the Foundation's wealth- consists of a diversified international portfolio of stocks and shares (Tchamkerten, 2017:78).

Gulbenkian was also known with his passion of art from his early ages. Just as the extraordinary success and authority he had in business and trade, he was a strict and successful collector. He states that *"only the best is good enough for me"* and *"When something was to his liking nothing could stand in his way"* (Tchamkerten, 2017:37-38). Today his collection consists of more than 6000 pieces -6440 to be exact- all authenticated and dating from Antiquity to the early twentieth century. *"His attachment to these works of art was so great that he treated them as if they were his children"* (Tchamkerten, 2017: 44).

He was not keen to show his collection, except to close friends. When someone asked to see his paintings he would show his oriental side, saying of his collection that he considered his paintings as lifelong friends: *"Would I reveal the women in my harem to a stranger?"* (Tchamkerten, 2017: 39).

He had a dream of bringing these pieces of antiquities, sculpture, painting and furniture together under one roof. Thus all pieces were brought to Portugal and Calouste Gulbenkian Museum was opened in Lisbon in 1969. The Center for Modern Art inaugurated in 1985. Besides the museum there were libraries and a Concert Hall with the capacity of 1300 people. The new Art Gallery was open on July 22, 1985. (Calouste Gulbenkian Foundation, n.d.).

Gulbenkian was awarded the “Grand Cross of the Order of Christ” in February 1950. This award was the highest rank of its kind given by the Portuguese government. Gulbenkian turned down a Knight Commander of the Most Excellent Order of the British Empire from King George VI in 1951. This was unknown till 2012 the year it was revealed. (Wikipedia, n.d.).

Jonathan Conlin from University of Southampton in his article titled “Drawing the Line” describes Gulbenkian as “*the uncrowned king of the oil trade in much of Europe and the Middle East*” who built the framework for the Middle East oil development. He also defines the Red Line Agreement as “*a milestone in the history of oil industry and the Middle East*” and “*a fantastic one-man feat, unsurpassed in international big business*” (Conlin, 2015: 315-317).

He was at the peak of his power in the interwar period- the time of Red Line Agreement: Gulbenkian was one man. Other actors were powerful empires, nation states, multinational companies, staffed by hundreds of employees, backed by armies of soldiers and sailors as well as tax payers and shareholders (Conlin, 2015: 317).

In spite of his enormous success, however, Gulbenkian was never able fully to realise his ambitions. He confessed as much himself towards the end of his life, even though he so seldom spoke about himself: Man of science and dreamer in a garden made to my design, these are the two things, the great objectives of my life which I have not been able to attain. (Tchamkerten, 2017: 43).

The following paragraphs have been quoted from the book “*Banking on Baghdad*” written by Edwin Black.

C.S. Gulbenkian loved to annoy people. He was wealthy enough to get away with it. In his posh London residence, Gulbenkian regularly slammed doors and snarled at the butlers. At the theater, if Gulbenkian disapproved, he might loudly blurt, “The play is stupid!” When nearby rows would shush him, Gulbenkian would just start conversing with himself even more loudly. One time, he even purchased tickets closer to the stage, just to more audibly razz an actor whose performance he disliked (Black, 2004: 137)

Most of all, Gulbenkian was a tenacious scrapper, especially in the murky business of petroleum. He once quipped, “Oil men are like cats.” Gulbenkian knew how to win a catfight. What he termed “rousing great jealousies” among contenders was a specialty of his. It “worked both ways to my advantage and to my disadvantage,” he conceded. Gulbenkian happily confessed that as he maneuvered between the captains of oil, his “position . . . was delicate . . . and not in any way a pleasant one.” No matter. His goal was not to be liked, but to create an enormous oil monopoly (Black, 2004: 138).

Every time the oil men rewarded Gulbenkian’s abuse by continuing to chase him for a settlement, Gulbenkian was reassured that the stakes were surely worth billions and they needed him more than he needed them. The longer Gulbenkian held out, the more intransigent he acted, the better for the deal. The men of Standard Oil, Turkish Petroleum, Shell, and French companies had never encountered anyone like Gulbenkian. They were great men of business. But he was the master of bazaar (Black, 2004: 276).

On the West Armenia website the article titled “*When History Meets Its Makers The Story of Mr. Five Percent*” states that,

When he was seven years old, Gulbenkian received a Turkish five-shilling piece as a gift and promptly rushed to the bazaar with it to purchase an old coin. His father, an Armenian oil exporter/importer, very unprophetically berated his son on his earliest known financial deal: “If that’s the way you are going to use your money, you’ll end up in the gutter.” Caloust Gulbenkian would never live in the gutter, largely because he made the number five his friend.

A strange and solitary figure—genuine eccentric. Once he leaped into the corporate world, this reputation only strengthened. He went to great lengths to avoid meetings, but scrutinized every word of written communications, replying with a torrent of telegrams. Further, isolation characterized his personal connections. He once said, “Oil friendships are very slippery.” He used his mystique to his advantage. He was a sagacious introvert. He kept people guessing (West Armenia TV, 2015).

The following paragraph is about Gulbenkian’s passion for art, his negotiation skill and his suspicious personality as stated on the website of Penn State College of Earth and Mineral Sciences.

Gulbenkian was a second generation man in the oil business; however, his view of the oil industry was as a business architect. He studied mining engineering, published a book on oil in 1891, and was a world oil expert by age 21. Yet, he had no great passion for oil and was more interested in money and collecting coins and art pieces. He was a suspicious and skillful negotiator. He trusted no one and even had two sets of doctors to check on each other regarding his health. He learned to negotiate as a young boy in the bazaar of Constantinople, now Istanbul. Not being a very sociable youth, he took to learning the art of negotiation and the ability to hold out until he got what he wanted ( Jensen1, n.d.).

Mikhael Essayan, Gulbenkian’s only grandson describes him in the preface of the book “*Caloust Sarkis Gulbenkian The Man and His Work*” as the following:

He had a very strong and forceful personality, which combined with unusually shrewd judgement regarding the character of other people, usually enabled him position himself on a higher moral ground and get the better of any person with whom he might be in disagreement....Unlike his wife and son and daughter, who throughly enjoyed their social lives, he had no desire to socialise and much preferred to be on his own (Tchamkerten, 2017).

Gulbenkian's love of nature is stated in the same book as the following:

Gulbenkian's love of nature revealed a completely different side to his character. In spite of all his self-assurance, energy and strength of character, he was shy, sensitive and higly strung. He was an introvert, endowed with an intense interior life, and above all he worhipped nature-fine landscapes, trees, flowers, animals. In 1937, he purchased a property near Deauville, Les Enclos, where he succeeded in creating an athmosphere of peace and harmony, within an overall design of lawns, trees and water features. He had chicken runs and stables built and his animals were treated with as much respect as the clients of a grand hotel (Tchamkerten, 2017: 41).

There are fewer studies about Gulbenkian's life. The biography published by Ralph Hewins was a fundamental resource often referred to in studies about Gulbenkian. But "*Hewins' biography is a poor, gossipy work of journalism that Nubar Gulbenkian, Radcliffe and the FCG found distasteful*" (Conlin, 2010: 280). In the book review by Longrigg similar criticism was made by stating that "*The book is spoilt by its journalistic qualities of gossip-writing, exaggeration, straining for effect, and lack of critical objectivity*". The author also states that "*a balanced, informed, and critical biography of C.S.G. has stil to be written, and from the right pen, might be of high value*" (Longrigg, 1958: 207).

It is stated on the website of Caloust Gulbenkian Foundation that historian Jonathan Conlin is preparing the definitive biography of Caloust Gulbenkian which will

be published to commemorate the 150th anniversary of Gulbenkian's birth in 2019. In an interview made with him, Conlin states that there is not a thorough biography of Gulbenkian available with all details except an English one published in 1955-the year of his death and now it is the right time to write his biography. He talked to Gulbenkian's grandson Mikayel and some of his nephews, read Gulbenkian's letters available in the Foundation's headquarter in Lisbon, made archive reviews in Turkey, Paris, London and the USA and looked into docements of banks and companies while preparing the biography. Gulbenkian will be recognized better and correctly with this definitive biography. (Dink, 2015).



## APPENDIX-2

## THE CHRONOLOGY OF POLITICAL ECONOMY OF MESOPOTAMIAN OIL (1890-1948)

DATE	EVENT	IMPORTANT INSTITUTIONS	IMPORTANT INDIVIDUALS
1890s	British-German rivalry over railroad and oil concessions.	D'Arcy Group Anglo Saxon Oil Company	Abdulhamid II Wilhelm Kaiser
1890	Gulbenkian's visit to Baku and meeting with Nobel Brothers		French Jacraz & P. Ghrostopnine: Engineers charged to survey and write reports on Mesopotamian oil.
1891	<b>C. Gulbenkian's report</b> on possible Mesopotamian oil		Sarkis Gulbenkian: The collector of revenues in Mesopotamia for the <i>Civile Liste</i>
1898	Kaiser's visit to Ottoman lands.		Hagop Pasha: The Minister of the <i>Civile Liste</i>
1898	C. Gulbenkian was appointed as the financial advisor to the Ottoman embassies in London and in Paris		Selim Efendi: The Minister of Mines. Caloust Gulbenkian
1901	British William D'Arcy obtained a 60-year oil concession from Persia  500.000square miles – five sixth of Persian Empire		William Knox D'Arcy

1902	Gulbenkian became naturalized British citizen		C. Gulbenkian
1902-1903	First drill in the Persian region	D'Arcy Group	W. Knox D'Arcy
March 5, 1903	Germany was awarded Baghdad- Mosul Railway concession through Deutsche Bank for 99 years.  The concession also included mining rights extending 20km on both sides of the projected railway. It was not confirmed by the Sultan.	Anatolian Railway Company  Deutsche Bank	
1904	Transfer of Mesopotamian land from the Ministry of Mines to the <i>Civil Liste</i> by Abdulhamid II		Abdulhamid II
1908	<b>Discovery of oil at Masjid-i Sulaiman</b> in Iran.  The 1st major oil-related event in the Middle East history.  A landmark in the history of the Middle East. Beginning of the quest for oil in Mesopotamia concentrating in Mosul.	D'Arcy Group	George Bernard Reynolds: Engineer and geologist
1908	D'Arcy Group was transferred to Anglo-Persian Oil Company (APOC)	Anglo-Persian Oil Company	

1910	<p><b>The National Bank of Turkey</b> was established to support British enterprise in Turkey.</p> <p>Gulbenkian was the shareholder of 15% , also the consultant and a member of the executive committee.</p> <p>The Bank was then transferred to Anglo-Persian Company.</p>	<p>The National Bank of Turkey</p> <p>Anglo Persian Oil Company</p>	<p>Sir Ernest Cassel: The director of Turkish National Bank</p> <p>C. Gulbenkian: The consultant to the bank</p>
	<p>An agreement was signed between the National Bank of Turkey and the Deutsche Bank which was already in control of Baghdad Anatolian Railway.</p>	<p>The National Bank of Turkey</p> <p>Deutsche Bank</p>	
January 31, 1911	<p><b>African and Eastern Concessions Limited</b> was established in London.</p> <p>It turned to Turkish Petroleum Company (TPC) the following year.</p>	<p>African and Eastern Concession Limited</p>	<p>Sir Ernest Cassel</p> <p>C. Gulbenkian</p>
October 23, 1912	<p><b>Turkish Petroleum Company (TPC)</b> was established with £80.000 capital.</p> <p><u>The shareholders:</u></p> <p>Deutsche Bank: 25%, National Bank of Turkey: 35%, Anglo Saxon Petroleum Co. (subsidiary of RDS):%25, Caloust Gulbenkian: 15%</p> <p>APOC was excluded.</p>	<p>Turkish Petroleum Company</p> <p>The National Bank of Turkey</p> <p>Deutsche Bank</p> <p>Anglo Saxon Petroleum Company (Royal Dutch Shell)</p>	<p>Sir Ernest Cassel</p> <p>C. Gulbenkian</p>

	<b>Self denial clause:</b> Parties would not hold any concessions independently of the Company		
1913	Chester concession including production and exploration rights was awarded by the Ottomans		Colby Chester
March 1913	British navy's transformation from coal to oil.  The control of Persian and Mesopotamian oil became the first-class British war aim.		W. Churchill  Sir Maurice Hankey
	Gulbenkian's and National Bank of Turkey's shares were transferred to Anglo Persian Oil Company.	The National Bank of Turkey  APOC	C. Gulbenkian
March 19, 1914	<b>Foreign Office Agreement</b> was signed by British and German diplomats, Executives of British and German banks and British and Dutch oil companies.  It was a collaboration over the entire Ottoman Empire in Asia.  APOC was admitted into TPC.	Royal Dutch Shell  Anglo Persian Petroleum Company  Deutsche Bank	C. Gulbenkian

	<p><u>The shareholders:</u></p> <p>Anglo Persian Oil Company: 50%</p> <p>Deutsche Bank: 25%</p> <p>Royal Dutch Shell - through Anglo Saxon Company: 25%</p> <p>Gulbenkian: 5% (2.5 % share from Royal Dutch Shell and APOC each)</p>	<p>Anglo Persian Oil Company</p> <p>Deutsche Bank</p> <p>Royal Dutch Shell</p>	<p>C. Gulbenkian</p> <p>He was only a beneficiary participant with no voting right.</p>
	<p><b>Self denial clause:</b> The British-Dutch groups “would not be interested, directly or indirectly, in the production or manufacture of crude oil in the Ottoman Empire.. otherwise than through the Turkish Petroleum Company.”</p>		
<p>May 18, 1914</p>	<p>British and German demanded a draft convention for oil rights in Mosul and Baghdad.</p>		
<p>June 28, 1914</p>	<p>Grand Vizier Said Halim Pasha gave a diplomatic promissory note to British and German ambassadors. It was a consent for concession right to TPC.</p> <p>Franz Ferdinand was assassinated in Sarajevo and the First World War outbreaked on the same day.</p> <p>All negotiations for an oil concession in the Middle East ceased and all operations of TPC suspended till 1918.</p>		<p>Grand Vizier Said Halim Pasha</p> <p>Franz Ferdinand</p>

November 1914	<p>A secret agreement was signed between Britain and Kuwait.</p> <p>Exclusive oil rights were granted to Britain and Kuwait became a British protectorate.</p>		
April-October 1916	<p><b>Sykes Picot Agreement</b> was signed by Britain and France secretly.</p> <p>Baghdad and Basra were given to British control and “zone of influence”.</p> <p>Mosul and Syria were given to French control and “zone of influence”.</p>		<p>Sir Mark Sykes</p> <p>Georges Picot</p>
Pre-1918	<p>American oil interests in the Middle East: Standart Oil Company(Socony) had a “marketing operation” in Egypt, Syria and Palestine since late 19th century.</p> <p>Attempts of Admiral Chester to win a concession in Syria, Anatolia and Mesopotamia.</p>	Standart Oil Company	<p>Rockefeller</p> <p>Admiral Chester</p>
1918	<p>Britain were in control of the area.</p> <p>“Control of oil would be necessary for the future”</p>		Arthur Balfour
October 30, 1918	<p><b>Mundros Armistice</b> was signed between the Ottoman Empire and the Allies of the WWI.</p>		

November 1918	Britain captured Mosul .		
January 1919- January 1920	<b>Paris Peace Conference</b> was convened.  Iraq, under the League of Nations Covenant, was made a mandate entrusted to Britain.	League of Nations	Woodrow Willson
	First dispute between American and British governments over Middle Eastern oil reserves began.  Britain did not allow US companies to send experts to Mesopotamia. Standard Oil Company of New Jersey demanded support from the US government.	Standard Oil Company of New Jersey	
November 1919	Walter Teagle was elected as the President of Standard Oil Company.		Walter Teagle
January 1920	<b>The National Pact</b> was adopted by the last Ottoman Parliament. Mosul was within the boundaries of Turkey.	Ottoman Parliament	
April 23, 1920	<b>San Remo Conference</b> was convened. Italy, France and Britain divided territory mandates in Syria, Lebanon, Palestine and Mesopotamia. Mosul was given to Britain		

	<p><b>San Remo Oil Agreement</b> was signed. It was a supplemental oil agreement.</p> <p>-France was given a share of Deutsche Bank's %25 share in TPC in potential Mesopotamian oil production</p> <p>-Royal Dutch wanted to purchase France's share to balance Anglo-Persian 50% stake but it was not accepted.</p> <p>-Britain was given the right to construct pipelines across Syria and build port facilities in Mediterranean.</p>		<p>Gulbenkian</p> <p>He acquired 5% voting right in TPC</p>
	<p>The native company/government of Mesopotamia would be given 20% interest</p> <p>The US was excluded from oil exploration in Ottoman territory.</p> <p>Three weeks after the agreement, the US ambassador in London sent a strongly worded diplomatic note to Foreign Office expressing his government's concerns</p>		
August 1920	Treaty of Sevres		
1920	<p>Reappearance of Chester for 1913 concessions, claiming support of State Department in asserting his "legal claims to oil rights"</p> <p>Increasing use of energy and fear of an oil shortage in the US. Search for foreign resources</p>		Chester



November 1920	State Department decision: Chester had no legal rights. Turkish Government never confirmed that concession.		
March 1921	<p><b>Cairo Conference</b> was convened.</p> <p>Churchill, Lawrence, Gertrud Bell, British experts were the main participants.</p> <p>The creation of Iraq and Transjordan finalized.</p> <p>Faisal and Abdullah, sons of Sherif Husein, became kings of Iraq and Jordan respectively.</p> <p>Iraq was patched together out of Sunni, Shiite and Kurds.</p> <p>Palestine was divided in half.</p>		<p>William Churchill</p> <p>Thomas E. Lawrence</p> <p>Gertrud Bell</p> <p>Faisal and Abdullah-Sons of Sharif Husein</p>
August 1921	The enthronement of Hashemeet Faisal as the king of Iraq after a referendum		King Faisal
November 1921	Tense relations between American and British- Dutch oil companies.		
	Insistence on <b>Open Door Policy</b> by the US: "Freedom for any company to obtain, without discrimination, oil concessions, in mandated areas, particularly in Mesopotamia"		

June 1922	British Petroleum Industry leaders' explanation of willingness to grant US a minority interest in TPC.	TPC	
July 1922	<b>Negotiations between Teagle of Standard Oil and TPC</b> for American entrance into the TPC started. Negotiations lasted for 6 years.	Standard Oil Company  Turkish Petroleum Company	Teagle  Gulbenkian
July 1922	<b>Ottoman American Development Company</b> was formed by Chester	Ottoman American Development Company	Chester
1922	The League of Nations confirmed the British mandate over Iraq.  There was no participation of the US in the process.	The League of Nations	
November 20, 1922	<b>Opening of 1st Lousanne Conference</b> in Switzerland  <b>Mosul Question:</b> Whether Mosul belonged to Turkey or whether it would be included within the borders of a newly created Iraq?		Mustafa Kemal Pasha  Ismet Pasha  Lord Curzon
December 1922	<b>Teagle and TPC Agreement</b>  Each of American Group, Anglo- Persian, Royal Dutch, and French companies: 24%  Gulbenkian: 4%	TPC Anglo Persian Co. Royal Dutch Shell French Oil Co. American Group	Gulbenkian  Teagle

January 1923	<p>Mosul session.</p> <p>Britain –the mandatory power- pressured Iraq to forego its right to %20 participation in TPC.</p> <p>The issue between Iraq and TPC appealed to international arbitration by Iraq had stil not been settled by 1991.</p>	TPC	
February 4, 1923	<p><b>End of 1st Loussanne Conference</b></p> <p>The negotiations ended over concession issue.</p> <p>The European powers wanted the new Turkish government to approve pre-war concessions given to TPC</p> <p>The US took the side of the Turks on the concession issue</p>		
March 1923	<p>Mosul Question was referred to the League of Nations by Britain.</p>	League of Nations	
April 10, 1923	<p>Turkish National Assembly approved a <b>new Chester concession</b></p>	Turkish National Assembly	Chester
April 23- July 24, 1923	<p><b>Second Lousanne Conference</b></p> <p><b>Lousanne Treaty</b> was signed.</p> <p>Mosul question left to bilateral negotiations between Britain and Turkey.</p>		

December 1923	Chester concession was cancelled by Turks.		
May 19- June 5, 1924	<b>Golden Horn (Haliç) Conference</b> Bilateral negotiations between Turkey and Britain over Mosul. No solution reached.		Sir Percy Cox Fethi Okyar
June 1924	<b>New Agreement among Majors</b> was signed and the ownership of TPC was revised to recognise American presence.  Each Majors - APOC, RDS, CFP, American Group: 23.75 %  Gulbenkian: 5%	Anglo Persian Oil Company  Royal Dutch Shell  Compagnie Française de Pétroles  American Group.	Gulbenkian
March, 1925	<b>TPC negotiations for an oil concession in Iraq alongside the Red Line negotiations</b>  Parties to negotiate with were uncertain: Faisal imported by Britain or his ministers drawn from local elites or British Civil Commissioner-Sir Percy Cox?	TPC	Faisal Sir Percy Cox
March 14, 1925	<b>The first official oil concession agreement between TPC and Iraq</b> to be in effect for 75 years.  Official status of Mosul was not settled yet.		Herbert Keeling Muzahim Bey el Paçacı

December 1925	<p>Mosul Question was settled by the League of Nations Council.</p> <p><b>Brussel Line</b> was accepted as the boundary between Iraq and Turkey.</p>	League of Nations	
June 5, 1926	<p><b>Ankara Agreement</b> was signed and the Brussel Line was accepted as the Turkish-Iraqi frontier.</p> <p>The Turkish government gave up her claims over Mosul and recognized the British mandate.</p> <p>Turkey was given a 10% royalty on Iraqi oil revenues for 25 years. Then it converted to 500.000 pounds.</p>		
October 15, 1927	<p><b>Discovery of oil at Baba Gurgur</b>, north of Kirkuk.</p> <p>The 2nd major oil-related event in the Middle East history</p>		
1928	<p>American Group incorporated as <b>Near East Development Corporation (NEDC)</b>.</p>	NEDC	Teagle

<p>July 31, 1928</p>	<p><b>Red Line Agreement</b> was signed in Ostend, Belgium.</p> <p>Teagle and TPC negotiations settled.</p> <p>It was an interpretation of the 1914 Foreign Office Agreement.</p> <p>Anglo-Persian Oil Company (later BP), Royal Dutch/Shell (RDS), The Campagnie Française des Petroles (later Total) and NEDC together owned 95% of the TPC.</p> <p>- Each of the four parties received a 23.75% share of all the crude oil produced by TPC, which was allowed to operate anywhere in the Middle East between the Suez Canal and Iran, with the exception of Kuwait, Egypt and Iran-Iraq border known as “transferred territory”.</p> <p>- Caloust Gulbenkian received the remaining 5% share.</p>	<p>Turkish Petroleum Company (TPC)</p> <p>-APOC (BP)</p> <p>-CFP (TOTAL)</p> <p>-RDS</p> <p>-NEDC (Jersey, Socony, Gulf Oil)</p>	<p>Gulbenkian</p> <p>Teagle</p>
<p>1928</p>	<p>Socony got concession search for oil in Bahrain</p>		
<p>April 1929</p>	<p>TPC officially changed its name to <b>Iraq Petroleum Company (IPC)</b>.</p> <p>It was not an independent entity. Its policies and management were to serve mutual interests of major international oil companies which jointly owned the company.</p>	<p>-IPC</p> <p>-APOC</p> <p>-RDS</p> <p>-CFP</p> <p>-NEDC (Jersey, Socony, Gulf Oil)</p>	<p>Muzahim Beg Ali Pachaci</p>

1929	Socal and Texaco gained concessions in Bahrain. They were not parts of IPC.		
1930	Socony got concession to search for oil in Saudi Arabia.		
1931	The Iraqi government signed a new agreement with IPC	IPC	
1932	End of mandate regime and <b>the Independence of Iraq</b>		
April 1932	<p><b>British Oil Development Company (BODC)</b> obtained a 75-year oil concession for territory lying west of Tigris and North of 33rd parallel. It was a British dominated international consortium intended to be a competitor to IPC in Iraq.</p> <p>Ten years later it was bought by <b>Mosul Petroleum Company (MPC)</b>. It was a fully owned subsidiary of IPC.</p>	<p>British Oil Development Company</p> <p>Mosul Petroleum Company</p>	
1933	Faisal rule ended in Iraq and he was succeeded by his son Sultan Ghazi.		
1933	Socal gained concession in Saudi Arabia.	Socal	

1934	Oil production and export from the Kirkuk field began as IPC completed pipelines that carried oil to refineries in Tripoli and Haifa.	IPC	
1934	Gulf Oil Company left the NEDC Group.	Gulf Oil Company	
1935	APOC renamed Anglo Iranian Oil Company (AIOC)	APOC AIOC	
1936	A joint venture was established by Socal and Texaco with the name of <b>Aramco</b>	Texaco Socal Aramco	
December 1938	<b>Basra Petroleum Company (BPC)</b> obtained a 75-year oil concession for the rest of Iraq and it became active in southern Iraq. It was another subsidiary of IPC. Full control of IPC over Iraq.	Basra Petroleum Company (BPC)	
1938	C. Gulbenkian established Participations and Explorations Corporation (PARTEX) in Panama.	PARTEX	C. Gulbenkian
1939	An expanded concession was granted to Aramco in Saudi Arabia.  Need for additional capital. Jersey and Socony were possible new capital sources but they were prohibited from entering into Saudi Arabia due to the terms of Red Line agreement.	Aramco	



1940	<p>Revolt in Iraq was suppressed by Britain.</p> <p>Britain: De facto power in Iraq.</p>		
1939-1945	<p><b>The Second World War</b></p> <p>Gulbenkian collaborated with the Vichy government during the war and branded by the British as the “Enemy of Act”</p> <p>He lost his %5 share in IPC. He got back his share in 1943.</p>		Gulbenkian
1946	<p><b>Socony and New Jersey Standart</b> were invited to join as partners in Aramco.</p> <p>Terms of Red Line did not allow their entry into Saudi Arabia.</p> <p>Pressure on other members of IPC by Socony and Jersey together with US government for the abrogation of the terms of the Red Line Agreement.</p>	<p>Socony</p> <p>New Jersey</p>	
1947-1948	<p>Suits were filed by CFP and Gulbenkian against Socony and Jersey.</p> <p>The companies also filed counter-suits against them.</p>	<p>CFP</p> <p>Socony</p> <p>Jersey</p>	C. Gulbenkian

November 1948	<p><b>Group Agreement</b> was signed in Lisbon, Portugal.</p> <p>The Red Line Agreement ended.</p> <p>The Red Line boundaries were redrawn excluding Saudi Arabia, Yemen, Bahrain, Egypt, Israel and the western half of Jordan.</p> <p>The shareholding structure was not affected by the new agreement.</p> <p>France and Gulbenkian withdrew their objections in exchange for a greater share of output of the IPC.</p> <p>Gulbenkian dropped his opposition to Jersey's and Socony's plans to enter Saudi Arabia, and the Americans agreed to surrender their right to restrict Iraqi oil production.</p> <p>Gulbenkian increased his income in Iraq also received compensation for his "losses" in Bahrain.</p>	IPC Jersey Socony	C. Gulbenkian
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Source: Prepared by the author from;

Black, Edwin, *Banking on Baghdad: inside Iraq's 7000-year history of war, profit, and conflict*, New Jersey, 2004.

Blair, John M., *The Control of Oil*, New York: Pantheon Books, 1976.

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Simon, Reeva Spector and Tejjirian, H. Eleanor, *The Creation of Iraq, 1914-1921*, New York, 2004.

US Senate, *Staff Report to the Federal Trade Commission, "Development of Joint Control over Foreign Oil"*, p. 37-46, Washington DC, 1952a, <https://www.mtholyoke.edu/acad/intrel/Petroleum/ftc3.htm>, (Accessed 22.01.2018).

US Senate, *Staff Report to the Federal Trade Commission, "Joint Control Through Common Ownership: The Iraq Petroleum Co. Ltd"*, p.47-84, Washington DC, 1952b, <https://www.mtholyoke.edu/acad/intrel/Petroleum/ftc4.htm>, (Accessed 22.01.2018).

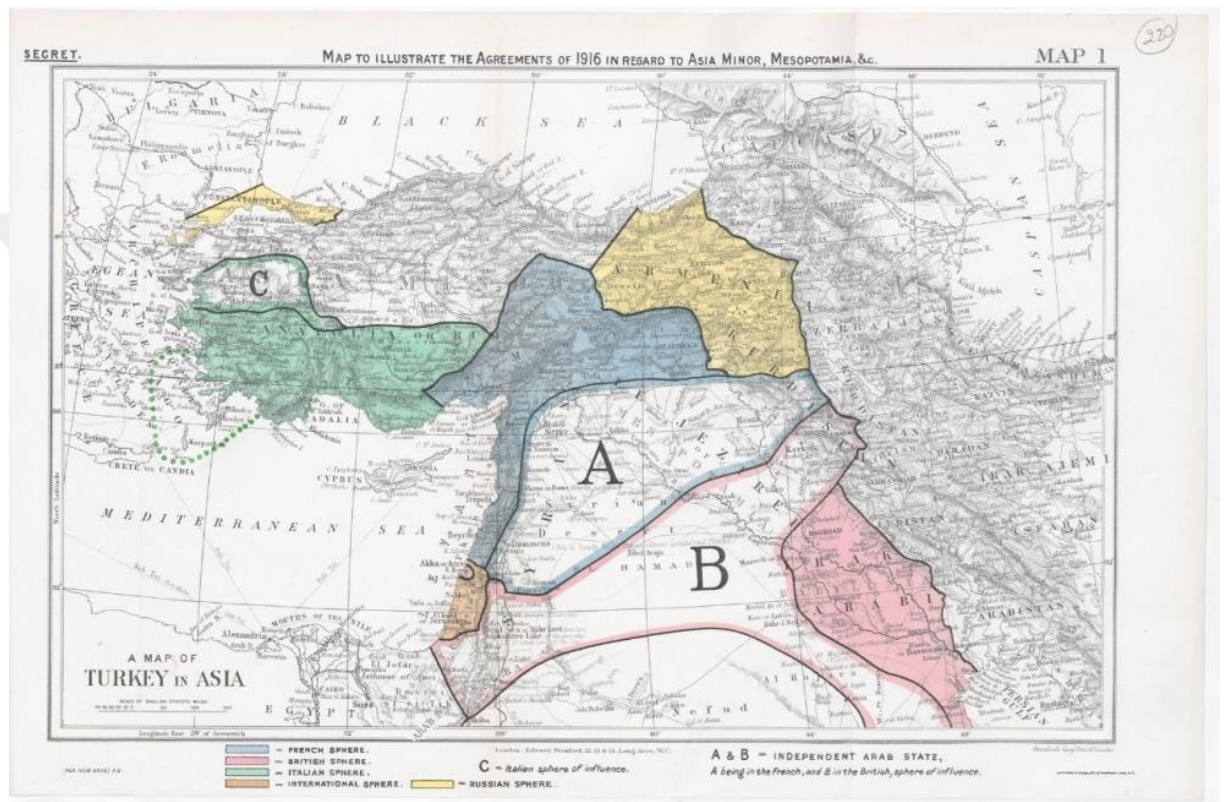
Yergin Daniel, *The Prize: The Epic Quest for Oil, Money and Power*, New York, 1991.



## APPENDIX-3

## APPENDIX-3a

## THE MAP OF SYKES PICOT AGREEMENT



<http://america.aljazeera.com/watch/shows/inside-story/articles/2014/7/1/sykes-and-picot-slatinglegacy.html>

## APPENDIX-3b

## THE MAP OF NATIONAL PACT



<http://icmu.nyc.gr/Turkey%E2%80%99s-New-Maps-Are-Reclaiming-the-Ottoman-Empire>



<http://francona.blogspot.com.tr/2016/10/erdogan-and-mosul-symptom-of-larger.html>

## APPENDIX-3c

## THE MAP OF RED LINE AGREEMENT



<https://www.mtholyoke.edu/acad/intrel/Petroleum/redline.htm>

## APPENDIX 3-d

## BRITISH LIES TO THE ARABS IN WORLD WAR I

## THE BRITISH PROMISED THE ARABS THIS

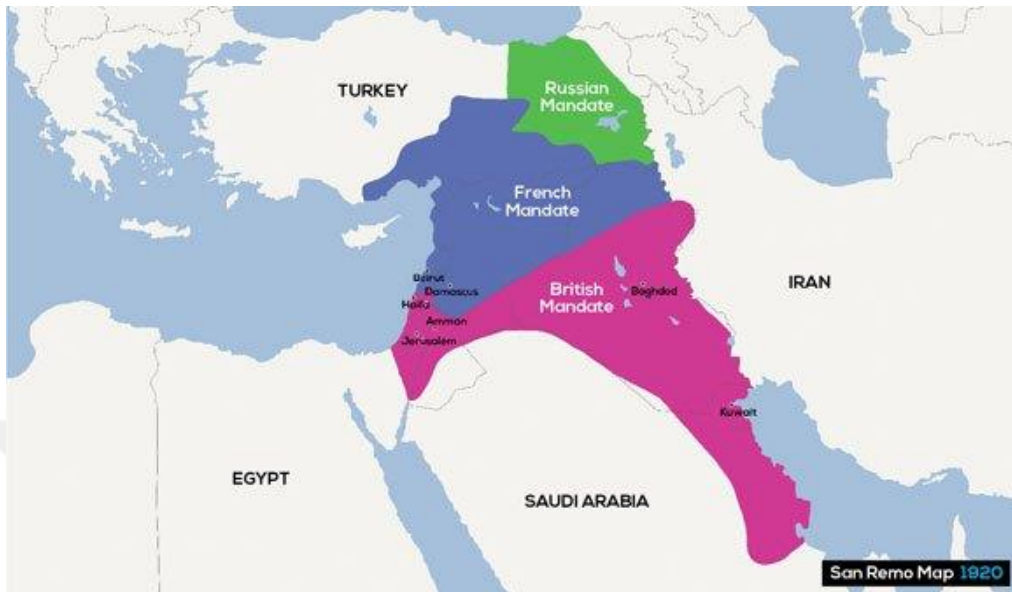
Map 1  
THE EASTERN ARAB WORLD



— Area of Arab independence as defined by Sherif Hussein in his letter dated 14 July 1915 to Sir Henry McMahon, British High Commissioner in Egypt.

//// Area excluded from Arab independence as defined by Sir Henry McMahon in his letter to Sherif Hussein No. 4 dated 24 October 1915 and further explained by letter No. 6 dated 14 December 1915.

### THE REAL BRITISH PLANS



### WHAT ACTUALLY HAPPENED



<http://www.worldfuturefund.org/Reports/Imperialism/britainlies.html>



APPENDIX-4

APPENDIX-4a

THE ARCHIVAL DOCUMENT OF GULBENKIAN'S APPOINTMENT AS FINANCIAL ADVISOR TO THE OTTOMAN EMBASSIES IN LONDON AND PARIS

کارطون نومروسی		دوسیه نومروسی	
پیری و وزیران معارف و اوقاف و صنایع مستظرفه آذربایجان تبریز			
مسوده به ربط اولتان اوراق		خصوصی نومروسی	عمومی نومروسی
۲۸		۶۶۶	۲۰۰۰۰۰
جنسی	جنسی	نومروسی	اولیان نومروسی
۲۸	۲۸	۶۶۶	۲۰۰۰۰۰
قریه قازان تبریز			
در مسوده ۵۸ تاریخ تاریخ تاریخ			
۱۳۰۱ نومبر ۱۳۰۱ تاریخ تاریخ تاریخ			



**THE DOCUMENT OF GULBENKIAN'S APPOINTMENT AS FINANCIAL ADVISOR  
TO THE OTTOMAN EMBASSIES IN LONDON AND PARIS (IN TURKISH)**

Karton Numarası	Paris ve Londra Sefâret-i Seniyyesi Maliye Müşavirliği'ne Gülbenkian Efendi'nin Tayini Hakkında Melfûf			Dosya Numarası	
28 Haziran Sene 331 Müsveddeye rabt olunan evrak	Hususi Numarası	Umumi Numarası	Evveliyat Numarası		
Hariciye Cinsi Maliye	Cinsi	Numarası	Maliye 646 Mühimme 227	322 303	
			Kaydı kayd olunmuştur	441 Numaralı fî 9 Kasım 330 tarihli Maliye Nezâreti ile 1160 Numaralı İrâde-i Seniyye masasına verilmiştir.	

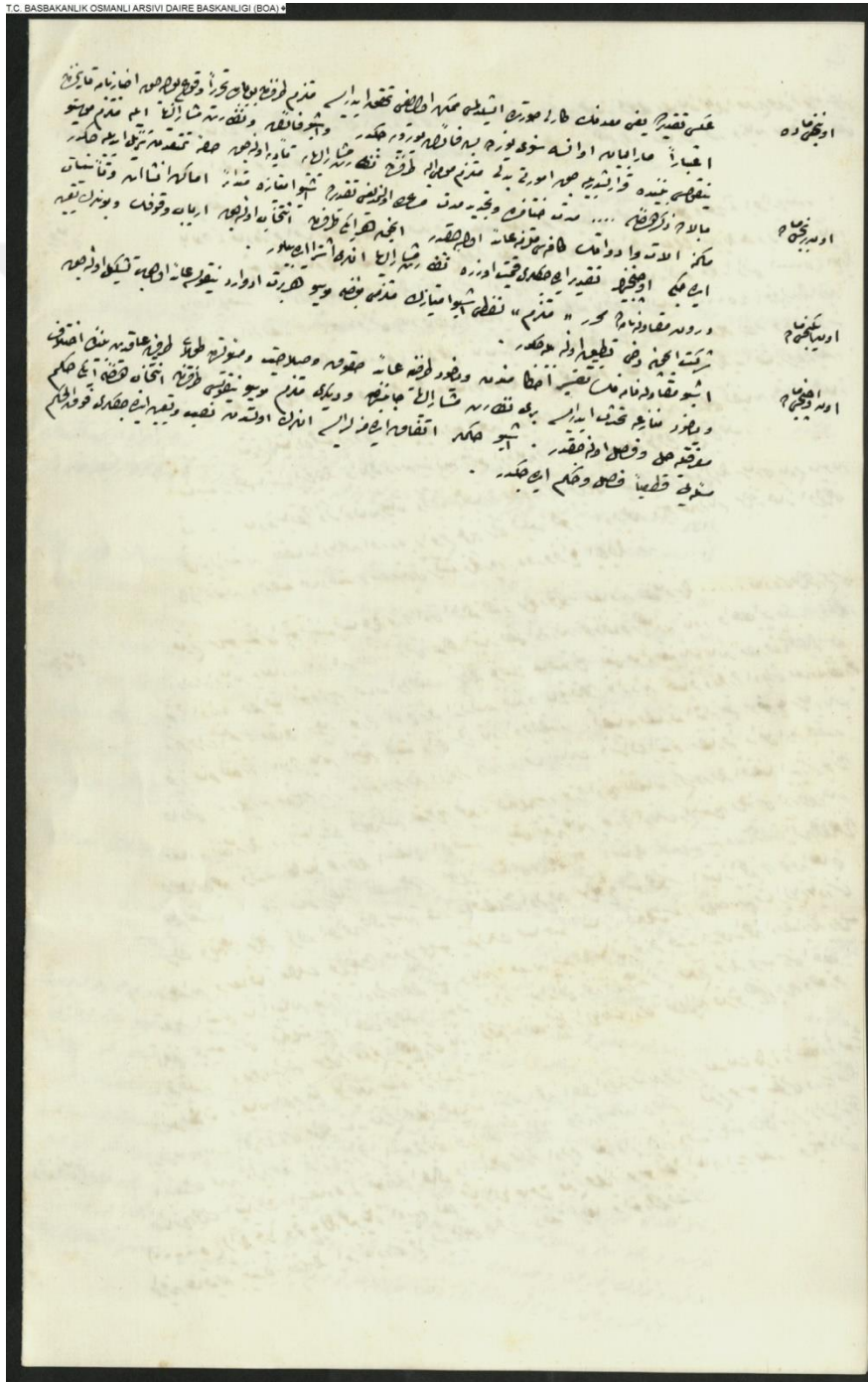
					Daire-yi Sadâret Umûr-u Mühimme Kalemi				
Li ecli'l tebyûz kaleme vûrûdu					Hâriciye ve Mâliye Nezâret-i Celîlesi'ne		Mebyazı	Müsevvidi	Evrak Numarası
Mukabele Edenler					Tarih-i Tebyûz	Tarih-i Tesvîd	Kaleme Vûrûdu Tarihi		
İmza	İmza	118 26	26		17 Muharrem 28 Muharrem	15 Şaban 332	26		
<p>25 Hazîran 330 tarihli ve 197/8 Kalem-i Mahsûsa numaralı Tezkire-i Devletlerine cevaptır. Paris ve Londra Sefâret-i Seniyyesi Maliye Müşâvirliği'ne Gülbenkyan Efendi'nin ta'yini husûsuna 7/ bi'l-istizân irâde-i seniyye-i Cenâb-ı Pâdişâhî şeref-i müte'allik buyurularak 99/ sûret-i musaddıkası leffen taraf-ı 2âlîlerine irsâl kılınmıştır.</p> <p style="text-align: center;">26 Haziran 330 tarihli irâde-i seniyye üzerine ve Hâriciye Nezâret-i Celîlesine Tebliğ-i Keyfiyyet olunmuştur efendim.</p>					26 Haziran 330				
					<p>Hâriciye 7</p> <p>Maliye Nezâret-i Celîlesi'nin is'ârı üzerine bi'l-istizân 330 tarihinde</p> <p>Hâriciye'ye 99</p> <p>Nezâret-i Müşârün-ileyha'ya tebliğ_i keyfiyyet edilmiştir.</p>				

(Source: <https://katalog.devletarsivleri.gov.tr>) (Yer: 4298-322303)(Tarih:- )

(29.11.2017)( 16:37:15)

APPENDIX-4b

THE CONTRACT ON JOINT OPERATION OF MOSUL AND BAGHDAD OIL WITH BRITISH INVESTORS



Bismihi

Hazine-i Hassa-i Şâhâne

Tahrîrat Kalemi

Adet

74

Atûfetlü Efendim Hazretleri

Bağdat ve Musul Vilayetleri dâhilinde ve imtiyâz-ı Hazine-i Hâssa-yı Şâhâne uhdesinde bulunan petrol ve zift ve asfalt ve bunlara mümâsil mevâdd-ı ma'adinenin taharriyat ve keşfiyat-ı lâzimesi bi'l-icrâ matlûba muvâfık olduğu surette işletilmesi zımında Hâzine-i Hâssa-yı Şâhâne ile İngiliz sermâyedârânından bir heyet-i vekâletMösyö Herbert Edward Nikolas beyninde kararlaştırılan şerâiti hâvî mukâvelemüsveddesi leffen arz u takdîm kılındı. Mündericâtından rehn-i 'ilm-i âlî buyurulacağı üzere bu bâbda icrâsı mukarrer keşfiyât ve taharriyât ve 'âmeliyât masârifi kâmilen mûma-ileyhâya ait olmak ve mukâvelenâmenin imzası akabinde hazineye temînât makâmında beş bin ve on gün sonra dahi avans olarak bilâ- fâiz kırk beş bin lira te'diye ve ifâ edilmek ve netîce-yi tedkîkatta ma'adinin matlûba muvâfık olduğu takdirde bir anonim şirketi teşkîl kılınmak ve oradan gayri sâfiyeden yüzde on beş olarak Orman ve Ma'âden Nezâreti'ne ve beşi de cevher imtiyaz hakkı olarak Hazine-i Hâssa'a verilmek ve Ma'den Nizâm-nâmesi'nin der-dest-i icrâ kılan ta'dîlâtından dolayı Nezâret-i Müşârun-ileyha'ya yüzde ondan noksan resm i'tâsı iktizâ eder ise bundan hâsıl olacak farktan kâmilen Hazine-i Hâssa istifâde ve hukûk ve menâfi-i hazîneye kâfil şerâit-i sâire-yi müfideyi câmî' bulunmak üzere tanzîm edilmiş bulunan mezkur mukâvelenâmenin mûma-ileyh ile te'âtîsi makrûn-u müsâ'ade-yi seniyye-i Cenâb-ı Pâdişâhî buyurulur ise mantuk-u münîfine tevfiik-i hareket olunacağı muhât-ı 'ilm-i 'âlî buyuruldukta emr ü fermân Hazret-i men-lehü'l – emrindir.

Fî 24 Rebû'ül- evvel 327 ve Fî 2 Cemâziye'l- evvel sene 325

Nâzır-ı Hazîne-yi Hâssa Bende Nuri

## Appendix-4c

## THE DECREE OF DENATURALIZATION OF GULBENKIAN AND HIS FAMILY

T.C.  
BAŞBAKANLIK  
CUMHURİYET ARŞİVİ

T. C.  
BAŞVEKÂLET  
MUAMELÂT MÜDÜRLÜĞÜ

KARARNAME

Şube: \_\_\_\_\_  
Sayı: 2  
2401

İzin almadan yabancı devlet tabiiyetine geçtikleri anlaşılan İstanbul Kadıköy Caferağa Mahallesi Lorando sokak 16/151 cildim I numaralı evi üzerine 1286 İstanbul doğumlu olarak kayıtlı Kalost Gülbenkyan ile karısı Novart, oğlu Nubar ve kızı Ritamın, 1312 sayılı kanunun 9 uncu maddesine göre vatandaşlıktan çıkarılmaları; Dahiliye Vekilliğinin 18/4/935 tarih ve 10186/3395 sayılı tezkeresi üzerine İcra Vekilleri Heyetinin 25/4/935 toplantısında onanmıştır.

25/4/935

REİSİCUMHUR

*K. Altıntaş*

Bg.V. <i>Y. İsmail</i>	Ad.V. <i>S. Samancı</i>	M.M.V. <i>K. Özgür</i>	Da.V. <i>S. Kaya</i>
Ha.V.V. <i>S. Kaya</i>	Ma.V. <i>Ö. Özgür</i>	ME.V. <i>B. Özgür</i>	Na.V. <i>A. Çetinkaya</i>
İk.V. <i>e. Özgür</i>	S.M.V. <i>S.R. Özgür</i>	G.V. <i>Rana Karahan</i>	Zr.V. <i>m. Özgür</i>

080	13	01	02	53	30	17
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İzinsiz uyruk değiştiren İstanbullu Kalost Gülbenkyan ile karısı Rita, oğlu Nubar ve kızı Rita'nın vatandaşlıktan çıkarılmaları. (Source: <https://katalog.devletarsivleri.gov.tr>)

(Yer: 30-18-1-2/53-30-17)(Tarih: 25.04.1935-00 00 0000)(29.11.2017 - 16:22,03).

**APPENDIX-5**

**THE FAMILY TREE OF THE GULBENKIAN**

From: Tchamkerten, Astrig, *Caloust Sarkis Gulbenkian The Man and His Work*, Caloust Gulbenkian Foundation Armenian Communities Department, Lisbon, 2017.

