

*The British - German Commercial
Competition in the Arabian Gulf Area :
1906 — 1928*

Abdel Malek Al-Tamimi *

• Ph. D. in History, University of Durham, Britain.

Professor, Department of History, Kuwait University.

Abstract

The purpose of this paper is to analyze and evaluate the importance of trade activities in the Gulf region during the first three decades of the twentieth century. It deals specifically with the region's traditional economy, the British-German trade competition in the region from 1906 to 1928, and its effect on the region's population.

Three factors are emphasized. First, the Gulf is very strategically located. Second, the German trade activity put an end to the British trade monopoly in the region. Third, the countries involved in the very active international trade were using the region as a transit area to distribute their exports and imports.

The region's importance was not due to the discovery of oil. It was important before the discovery of oil, has continued to be since its discovery, and will continue to be so because of its important location.

Introduction

The first three decades of the twentieth century witnessed important changes on the economic level in the Gulf. Trade was the most important activity in the Gulf during this time. It had been in the hands of the local powers for a long time before western supremacy took hold in this region. Several factors influenced these changes. First was its location. The Gulf is strategically located between the East and West on the route to and from India. Consequently, it did not only play an important role in international trade but, more specifically, it became a field of European competition. Second, western competition began to focus on the region's trade. The presence of their steamers rivalled the dhows, gradually destroying the activities of local traders outside the Gulf. Third, the flourishing Gulf trade included two major sources of trade which attracted international powers. One of these was the arms trade. Another was the newly discovered oil, which changed the whole economic, social, and political map of the Gulf. All of these factors directly affected the Gulf economically. Hence, the purpose of this paper is to analyze and evaluate the importance of trade activities in this region during the first three decades of the twentieth century, from 1906 to 1928. It will deal specifically with the traditional economy of the region and the British-German trade competition in the region. The German advance in trade activity prior to this period threatened the other international powers in the region, particularly that of Britain. This paper emphasizes that because this region was dominated by Britain at this time, the British became anxious and moved quickly to face that increase in German activity. This dispute occurred during a crucial period in the modern history of this region.

During the 17th, 18th, and 19th centuries, European trade companies, especially the English East India Company, the Dutch East India Company, and the French East India Company, succeeded in competing with the activities of local powers in this region and in monopolizing trade in the Gulf, the Red Sea, and the Indian Ocean. As a result of the value which had been placed on the region's trade, these western companies needed power to secure their roads and ports, as well as to protect their caravans. Hence, came the European colonization of the region and the subsequent competition, which continued for some time.

The year 1906 marked the end of British trade in the Gulf at which time Germany established the America-Hamburg trade line to deal commercially with the Gulf. The year 1928 marked the end of a crucial economic phase just before the world was hit with the economic crises which began in 1929. Because of the economic crises facing the West at this time, they changed their foreign economic policies, focusing on the Gulf region as a means of solving their economic woes.

Traditional Economy in the Region

"The primary resource upon which the economies came to concentrate was the sea, which supported pearl diving, fishing, and trading activities. On a more limited basis, agriculture was carried out at bases, with nomadic production predominating in the inland areas. Trade played a significant role in the economy whether in-

temally between villages and the trading centers, or externally between the Gulf area and India, Iran, Iraq, and Africa" (Rumaihi, 1975: 50).

The trade and pearl industries were the main resources for the region's economy, in addition to the nomadic production from agriculture and crafts such as the ship industry. Trade in arms, gold, and different kinds of goods flourished in the region throughout the 18th and 19th centuries, and in the first half of the 20th century, with local traders doing business both inside and outside the Gulf waters in areas such as East Africa and India (Al-Feel, 1980: 50). Naval trade was the main economic activity, while the land caravan trade played its role in distributing goods to and from many areas, such as Najd, Kuwait, Basra, Syria, Palestine, and Egypt. From the beginning of the twentieth century, deliveries of Basra dates for Europe, America, Australia, and East Africa were shipped by steamers, while those for Arabia, Somalia, and India were still carried by dhows (Field, 1986: 61).

Local trade was established in the region by individuals and big families who carried on their role even when the new economic institutions were established. Thus, they mainly ran the trade (Halliday, 1974). The relationship between the trading class and the ruling families developed because of the interest on both sides and their social status, although this does not mean that they were mutually compatible at all times. Later, the two classes merged and continued their effective role economically in the new society.

British - German Competition in the Gulf Trade

The Gulf's strategic location as one of the main highways in the world has vested it with peculiar importance (Arnold, 1959:1). It has been a field of international competition with extensive communication with the rest of the world. This is especially true in this period as a result of the economic changes just mentioned.

Throughout the 18th and 19th centuries, "Britain ensured its commercial and political supremacy, backed by the Royal Navy (in the Arabian Gulf). At the turn of the 19th century, Britain's predominant position was challenged by imperial Germany, whose Berlin-Baghdad railroad project signified a desire for expansion toward the Gulf. Almost simultaneously, czarist Russian ships began plying the Gulf waters with increasing frequency, leading to a possible establishment of a Russian trading and naval outpost. (Robert, 1984: Forword).

In the first decade of the twentieth century, both the disturbance in southern Persia and the British-German dispute over the Baghdad Railway affected the trade activities in the region. One of the British official reports stated: "Look where you will into the position of British trade in the Persian Gulf and in Central Persia. The evidence points unmistakably to the decay, and rapid decay of our trade, and to se-

rious inroads⁽¹⁾ which have been made in an incredibly short space of time into both our export and import trade....(India Office Records, L / P.S / 10 / 367, 1914: 4-5).

The real threat to the British trade in the Gulf came from German activities. In 1906, however, the America-Hamburg line started a service of steamers to the Gulf, and in spite of initial losses, maintained their services, so that in four years they had increased their import trade by 100 percent. British shipping lines, commenced by being scornful, were alarmed when they realized that the German company had come to the Gulf to stay and to carry German goods with which to outrade the British merchants in all of the Gulf markets. While it is true that there was a Russian trade line which had a nominal monthly service to the Gulf, it was in no sense competitive as regards British trade, and was, moreover, not very successful in its own trade. The British trade lines in the region were interrupted in 1906 because of the increase in Russian trade in Persia as well as the German trade in the Gulf. However, Germany posed the more serious problem for Britain. In ten years, Germany succeeded in wresting practically the whole of the sugar traffic from British hands. The competition reached a point where, in 1908, it was necessary to sign an agreement between the two sides. It stipulated:

- a. what the freight rates from Europe to the Gulf would be, and
- b. that British lines would not load at Hamburg or Antwerp on condition that the German line would not load at English ports (I O R, L / P . S / 10 / 367, 1914:5).

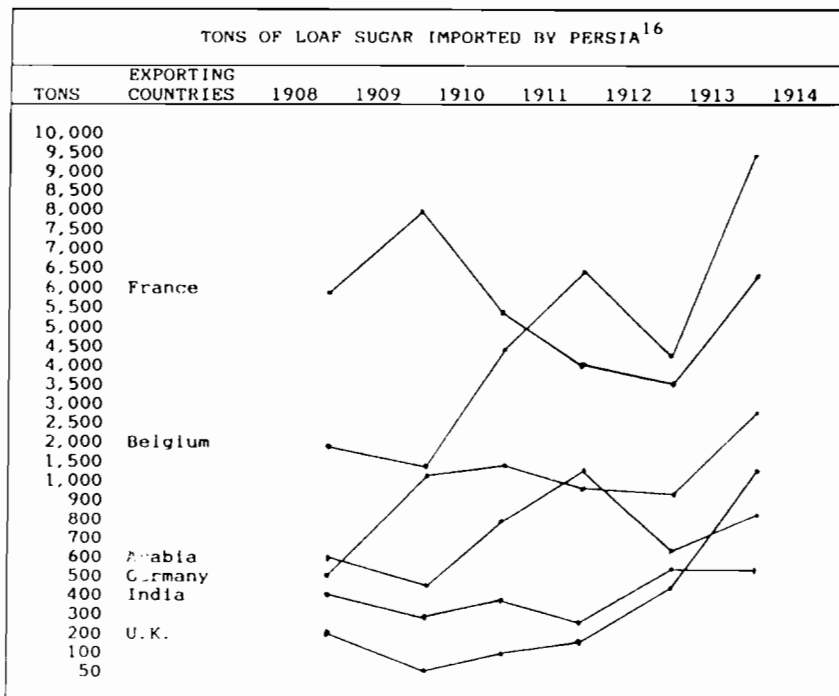
In December 1913, Lord Inchcape wrote a letter to the Indian government stating: It has been an impossibility for British shipowners to compete successfully with the America-Hamburg line, subsidised as that company is, either directly or indirectly, by the German government (I O R, L / P.S / 10/367, 1914: 6) Germany succeeded in competing with the others in the Arabian Gulf because of this subsidy given by the German government. As a result, German goods were cheaper in those markets (I O R, L / P.S / 10 / 367, 1914: 7) No doubt the German trade activity was well organized, an influential factor in its success. This was obvious from studying their projects in the region, such as the Baghdad railway. The main purpose of this line was to carry German goods to and from Iraq and the Gulf. Thus, it would be able to compete with trade activities by other powers. This railway line, however, was not successful because of the outbreak of World War I in 1914 (I O R, L / P.S / 10 / 367, 1914: 7-8).

It is obvious that British anxieties were not confined only to the European-Gulf trade. These fears might have encouraged them to take highly dangerous interests in the Indo-Gulf trade, which was mainly British, especially when the Baghdad railway was ready for service. (I O R, L / P.S / 10 / 367, 1914:6) The British passenger traffic, including the Pilgrim traffic, between India and the Gulf, was profitable. The political and commercial atmosphere of the Gulf was entirely favorable to British lines before 1906. It monopolized not only the trade activities in the sea and rivers, but also controlled all roads from the Gulf inland, except the activities of smugglers.⁽²⁾

The question that needs to be examined more closely is why international powers competed to such a great extent in the Arabian Gulf when the region was small and its population limited. Several factors must be considered. First, as was mentioned earlier, being strategically located, the Gulf encouraged active trade. A second point is that, practically, the Gulf region was used as a transit station for international trade. Most of the goods that reached the region were retraded and distributed in the areas around the Gulf. Third, trade competition in the region led to a decrease in the cost of goods and provided money to encourage both the export and import trade in the region and surrounding countries, i.e. Iraq, Persia, Syria, and Turkey.

Keeping this in mind, let us look at Britain and Germany more closely. When they found themselves face-to-face in the Gulf where they had to deal with each other, this led to their signing a rate agreement. This agreement was fruitful for both sides and at the same time served Germany's purposes in keeping rates low. Germany had also signed similar agreements with others (I O R, L / P.S / 10 / 367, 1914:8).

An example could be given to show the economic return for both sides. The graph that follows indicates how much sugar Persia imported from 1908 to 1914 from several European countries, including Germany and Britain. In 1908, Britain exported about 2,925 tons of sugar to Persia, whereas Germany exported only about 1,950 tons.



Source: India Office Records, L/P + S/ 10 / 367, 1914, P. 11

In comparison, we notice a major difference in the amount of sugar exports in 1913 when Britain exported only 650 tons, a drastic reduction from five years earlier, while Germany more than doubled its exports at 4,550 tons. For this reason, Britain was extremely concerned (I O R, L / P.S / 10 / 367, 1914: 10-11).⁽³⁾ Among the European countries that traded with Persia during this time, it is clear from these figures that British sugar exports to Persia were the lowest. This was not the case, of course, after World War I when Britain became the main power in dealing economically and politically with the region.

There was criticism from some British officials of the British policy regarding the release of official information with respect to trade in the region. This is evident in Captain George Lloyd's M. P. statement at the beginning of World War I:

When, however, the enquirer wishes to examine the conditions of foreign trade in Iraq and Turkish Arabia, and its important Persian transit trade, he is handicapped by the absolute lack of any official information on the subject.... Comparative statistics as between Britain and her competitors... are not given at all (I O R, L / P.S / 10 / 367, 1914: 10-11).

Captain Lloyd's views explain Britain's anxiety over German competition in Iraq where Germany succeeded in dominating the trade there before World War I. In his report of 1912, the British Consul in Basra supplied some information regarding the amount of trade in 1911 which showed how important trade activity in the region was to the Europeans:

The amount of grain shipped to London and Hamburg, respectively, and their figures show that 80,000 tons of grain were shipped by the Germans to Hamburg and Antwerp, against 90,000 tons to England.⁽⁴⁾ This was in 1911, only five years after the beginning of German operations, and British merchants complained bitterly of the loss of this trade to the Germans (I O R, L / P.S / 10 / 367, 1914: 10-11).

What was also worrying Britain was the political influence expected to be linked with the trade activity, especially in the crucial period before World War I. Each international power was preparing itself for the war, and because economic status was important in winning it, trade in the region was highly important. Therefore, at that time those powers were in fierce competition.

To further understand British policy in the Arabian Gulf region during World War I, let us look at an excerpt of a letter from Lieutenant-Colonel Sir P. Z. Cox, Chief Political Officer in Basra, to Mr. A. H. Grant, Foreign Secretary to the government of India, No. 6510, dated 18th-24th July 1916:

Whilst our whole energies should be and are for the present devoted to the prosecution of the war, it, nevertheless, seems to me to be of great im-

portance that we should set to work whilst we may collect material before the conclusion of the war on which deliberate judgments can be formed in regard to various questions affecting these territories (I O R, L / P.S / 10 / 367, B. 240, 1916:1).

There are two factors in this quotation that should be analyzed. First some of the British officials had doubts that Britain would win the war; consequently, they asked their government to collect material available before the conclusion of the war. There was a probability of Britain playing it politically in order to gain as much as they could in future agreements when the war **was** over. Second, the attitude of Colonel P. Z. Cox explains to what extent this region was important to Britain because of its natural resources.

Another letter, sent by P. Z. Cox to the Deputy Political Resident in the Gulf, dated the 28th of February, 1918, will also help to clarify Britain's position:

We have the lesson before us of the result of German efforts in this direction, and it seems essential that, so far as our war preoccupations will permit of it, we should avail ourselves of the present absence of direct foreign competition to obtain for British trade as predominant a position as possible in order to stem the rush of competition which may be expected at the conclusion of hostilities (I O R, L / P.S / 10 / 367, B. 240, 1918:1).

Many events took place after World War I which created additional anxiety for Britain despite its achievements from the war. There was a revolution in Russia which made the West rethink its strategies in the East, and the United States called for an open-door policy. This, however, meant putting an end to British trade in the region, or at least allowing the Americans to participate in the region's affairs. As a result, after the war, western competition in the region entered a new stage.

British officials in the Arabian Gulf region reported annually about the economic situation in the region and its development. One of the British official reports stated:

In the last 20 years the situation has undergone fundamental changes, but the threats to our present well established trade ascendancy in those regions still come from Germany and Russia.... On the other hand, the extinction of Turkish sovereignty in all the regions of the Persian Gulf, and the ascendancy of British influence in Iraq, together with oil developments in that country and Persia, would seem to do more than counter balance the changes in the other direction, which have just been referred to (I O R, R / 15 / 5 / 393, 1928: 1 «British Board of Trade»)⁽⁵⁾

The following figures indicate the capacity of the chief participating countries in Persian trade (exports and imports) in the periods between 1913-1914 and 1923-1924.

TABLE 1 Chief Participating Countries In The Persian Trade		
Countries	Percent Of Capacity	
	1913 - 1914	1923 - 1924
British Empire (including India)	21	57
Russia	60	18
Germany	3	1
United States	1	4
Egypt	4	4
Turkey)	5	(2
and)		(-
Iraq)		(3

Source: India Office Records, R/15/5/393, 1928, p. 1 (British Board of Trade)

It should be noted that in the later years, the ports on the Gulf dealt with about half the total trade of Persia, but, here again, oil accounts for the greater portion of this trade (I O R, R / 15 / 5 / 393, 1928: 1 «B. B. T.»). This table would indicate that the amount of British trade after World War I had increased. This was not, of course, confined to Persian trade only, but also to the region's trade as a whole.

British Trade with Main Ports in the Gulf after World War I

British trade in the Gulf began with Persia from Persian ports on the Gulf coast, while British trade on the northern Persian borders was basically with Russia. Britain also traded with Iraq and the Gulf Emirates. The following are three important ports of the Gulf which were the main stations for British trade in the region after World War I.

Bahrain

The British Board of Trade, which gave statistics about the British trade with Bahrain up to March 31, 1926, shows that Bahrain imports totalled Rs. 2,400,392, the equivalent of £ 209,684. There were no German, Russian, or United States trade activities with Bahrain that year, compared with the previous year when Bahrain im-

ports from Germany and the United States reached £ 27,290. The value of goods retraded to the other areas in 1926 was £ 1,104,777. Thus, British trade passed the crucial period because of German and Russian competition (I O R, R / 15 / 5 / 393, 1928:3).

Bahrain's basic income came from its trade with the other **Arabian Gulf** ports and India. Bahrain ships which carried goods to the Gulf ports increased their activity during the first quarter of the twentieth century. The real role of the Bahrain trade, however, was to distribute their imports to neighbouring areas (Romaini, 1975: 82).

Kuwait

Kuwait's trade for the year 1925 was more than £1,000,000, including both imports and exports. Kuwait traded with other Gulf ports, Iraq, Iran, and India, but trade did not continue at the same level. It decreased because of the decline of the pearl industry.

Imports from India were made up chiefly of piece-goods, rice, tea, and sugar, and the chief exports to other Gulf ports were rice, sugar, and piece-goods. This was done by sailing crafts. There was a great deal of sailing vessel traffic at Kuwait ports, which included local, Iraqi, and Persian crafts, as well as British steamers, in 1926 and 1927 (I O R, R / 15 / 5 / 393, 1928: 2-3).

What was difficult to account for was the smuggling. The smugglers were local traders, carrying goods to the neighbouring countries illegally, and using Kuwait as a transit spot for their activities.

Muscat

Because of Muscat's important location on the Gulf of Oman, its trade was active and significant to the outside world. Trade for the years between 1924 and 1927 amounted to £ 1,761,000. Its imports predominated, being generally twice the amount of the exports. These imports were almost all from India. The chief imports from India were rice, cotton, goods, and coffee, while the chief exports to that country were dates and dry sardines. In addition, Muscat traded with other foreign countries, like Britain and the United States. Both of them took considerable quantities in exports and imports from Muscat. However, most of this country's trade was carried by British steamers. There were 117 British steamers entering and clearing Muscat's Port in 1926 - 1927. In general, Britain was the main foreign country which dealt with the Gulf trade after World War I. This can be seen clearly in the following table:

Table 2			
Country	Imports	Exports Produce and Manufactures	Re-exports
Persia	£ 9,449,000	£ 2,247,000	£ 170,000
Iraq	£ 1,708,000	£ 3,689,000	£ 142,000
Muscat and Oman	£ 9,000	£ 15,000	£ 1,000
Other Native Arab States	£ 6,000	£ 147,000	£ 1,000

Source: India Office Records, R / 15 / 5 / 393, 1928, pp. 2-3

From reading this table, we notice two facts. First, the basic British exports and imports in 1927 were mainly delivered to and from Iraq and Persia. Second, the value of British exports to Iraq and Iran in that year was approximately similar, including products such as oil, crude, gum, skins, dates, barley, and carpets. The British exports to those two countries reached £ 4,830,000 (I O R, R / 15 / 1 / 201, File 5, 1898 : «slave Trade»). The value of British imports and exports in the region was important to the British economy. For that reason, in the period between the two World Wars, Britain entered a trade competition in the region, and increased its political and military activity.

Before World War I, there was a thought that any real economic development in the Gulf region would depend mainly upon the achievement of establishing a railway from Europe to the Gulf, either through the German-Baghdad Railway Project or through a desert railway connecting Baghdad with a port on the Mediterranean coast, such as Haifa in Palestine. This line, from the British point of view, would develop the Gulf and India trade with Europe (I O R, R / 15 / 5 / 393, 1928: 3) .

It is interesting to note that the Hijaz Railway started at the same time as the German-Baghdad Railway Project. It was also a German project the aim of which was to strengthen Germany's influence in Hijaz and Yemen on the Red Sea. Thus, Britain rejected this project. In 1908, the work on this line reached Medina in Hijaz with the cooperation of the Ottomans and the Germans. The work on the line stopped when Sharif Hussain, King of Hijaz, prevented the continuation of this line, and it was obvious that the British were behind Hussain's attitude (Lotusky, N. D.: 433-34) .

Conclusion

The strategic location of the Arabian Gulf made it a very important waterway for international trade. It has been a field of transit trade. Therefore, it is difficult to find a

European country which was not involved in its trade activities. Such activities forced these powers into competition with each other, particularly between Britain and Germany. This sort of competition had a political impact.

This paper dealt with the British-German trade competition in a very important period. This competition had prevented any trade monopoly in the region from developing. Despite the limitation of the region's resources and population, trade activities were effective because it was used as a transit region for many kinds of traded goods. The British-German competition was linked with transportation projects, such as the railways from Europe to the Gulf, and locally within the region itself. The region's location has been one of its major problems because it has encouraged international powers to compete on its land, and this has not always been beneficial.

Notes

- 1 - The report did not mention just what these inroads into the British trade in the Gulf and Persia actually were!
- 2 - Smuggling, **carried** on both by sea and land, was one of the British Problems in the Gulf region.
- 3 - See, also, Z. Y. Hershlag, *Madkal Ela Al-Tariq Al-Iqtisadi Al-Hadeeth lil Sharq Al-Awsat*, Translated into Arabic by: Mustafa Al-Husaini, Beirut, 1973, P. 25.
- 4 - These figures indicate the importance of the Iraqi grain production at that time.
- 5 - See, also: Carl Brokiman, *Tariq Al-Shuub Al-Islamia*, Trans. into Arabic by: Nabeeh Faris and Moneer Balabki, 2nd ed., Beirut, 1974, pp. 678, 682, 790-1.

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