



## Britain's Quest For Oil: The First World War and the Peace Conferences

by Martin Gibson.

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It is an old adage of the oil industry that what goes up must come down.<sup>1</sup> The decline in oil prices starting in 2013 in the wake of the so-called “shale boom” has had the same effect as long periods of low prices in the past: discouraging investment while spurring consumption. To make matters worse, geopolitical tensions have recently caused prices to double, while great powers seek to preserve their access to oil or deny it to potential adversaries.

The most energetic player today is the People’s Republic of China, whose leaders are painfully aware of their dependence on imported supplies vulnerable to US interdiction. To guarantee adequate supplies of oil at stable prices, the Chinese have emulated Winston Churchill in 1912–14, when he oversaw the Royal Navy’s transition from burning coal to oil, which required ensuring diversity in supply. For the British, that meant expanding their sources of supply beyond the Western Hemisphere. For the Chinese, it means building relationships with producers beyond the Middle East, including in Africa, the Western Hemisphere, Russia, and Central Asia. Through their so-called “Belt and Road Initiative,” the Chinese hope to create an overland source of oil and natural gas secure from US interference, just as the British exerted their maritime predominance to safeguard imports from the Middle East.<sup>2</sup>

This is an opportune moment to re-examine the origins of British oil strategy. In the avalanche of books commemorating the centenary of the Great War, the subject of oil has been relatively neglected.<sup>3</sup> Author Martin Gibson has his work cut out for him, however, for he is treading on ground first explored in several excellent studies during the 1970s and 80s.<sup>4</sup>

Chapter 1 recapitulates the Royal Navy’s switch from coal to oil.<sup>5</sup> Marion Jack and Ronald Ferrier<sup>6</sup> have already explored how concerns about the Royal Navy’s future oil supplies led the British

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1. See Blake Clayton, *Market Madness: A Century of Oil Panics, Crises, and Crashes* (NY: Oxford U Pr, 2015), and Robert McNally, *Crude Volatility: The History and the Future of Boom-Bust Oil Prices* (NY: Columbia U Pr, 2017).

2. See Jennifer Lind and Daryl Press, “Markets or Mercantilism? How China Secures Its Energy Supplies,” *Internat’l Security* 42 (2018) 170–204.

3. Two exceptions: Timothy Winegard, *The First World Oil War* (Toronto: U Toronto Pr, 2016), and David Hamlin, *Germany’s Empire in the East: Germans and Romania in an Era of Globalization and Total War* (NY: Cambridge U Pr, 2017).

4. E.g., Marian Kent, *Oil and Empire: British Policy and Mesopotamian Oil, 1900–1920* (NY: Barnes and Noble, 1976); Geoffrey Jones, “The British Government and the Oil Companies, 1912–1924: The Search for an Oil Policy,” *Historical Journal* 20 (1977) 647–72 and *The State and the Emergence of the British Oil Industry* (London: Macmillan, 1981); and Brian McBeth, *British Oil Policy, 1919–1939* (London: Cass, 1985).

5. Much of the chapter is drawn from Gibson’s “‘Oil Fuel Will Absolutely Revolutionize Naval Strategy’: The Royal Navy’s Adoption of Oil before the First World War” in *A Military Transformed? Adaptation and Innovation in the British Military, 1792–1945*, ed. Michael Locicero et al. (Solihull: Helion, 2014) 110–23.

6. In, respectively, “The Purchase of the British Government’s Shares in the British Petroleum Company, 1912–1914,” *Past and Present* (1968) 139–68, and *The History of the British Petroleum Company*, vol 1: *The Developing Years, 1901–1932* (NY: Cambridge U Pr, 1982) 158–201.

Government to buy a controlling share of the Anglo-Persian Oil Company (today British Petroleum [BP]). Gibson is more interested in why the Royal Navy made the shift in the first place. He makes a compelling argument that historians have overstated the role of First Sea Lord, Adm. John “Jacky” Fisher, by demonstrating that support for converting to oil was widespread across the Royal Navy.<sup>7</sup> Gibson then discusses the formation in 1914 of the Turkish Petroleum Company, a joint Anglo-Dutch-German venture that would prospect for oil in the Ottoman Empire. The outbreak of war prevented the firm from acquiring a concession to the province of Mosul. British officials did not forget Mosul and made frequent references to it during the deliberations of the De Bunsen Committee, which considered British war aims against the Ottoman Empire in 1915. The defense of British oilfields and refineries in Persia also figured in the decision to dispatch troops to Basra in 1914, which set in motion the events culminating in the disaster at Kut in December 1916.

Chapter 2 offers a wide-ranging discussion of oil during World War I. Gibson starts with the imbalance in supplies between the belligerents, before moving on to the dispatch of the so-called Dunsterforce to Baku in 1918. He then turns back to consider British administrative measures to coordinate oil supplies and policy after 1916.<sup>8</sup> He concludes with a summary of British efforts to bolster domestic oil production. The chapter includes an insightful discussion of the opportunity cost of producing oil tankers vs. merchant ships (62–63), but its lack of focus and a clear chronology will test the reader’s patience.

Chapter 3 outlines the invaluable American contribution to Britain’s wartime oil supplies as well as the growing importance of Mexico, where production continued to rise even as the country descended into revolution. Gibson’s treatment of Anglo-American disputes over ship construction stresses that both sides feared the other might gain an edge in postwar overseas trade (79–84).

Chapter 4 begins with oil’s re-emergence in British war aims in 1918, thanks to the efforts of Cabinet Secretary Maurice Hankey (89–94). Following the capture of Baghdad in March 1917, the British stayed on the defensive in Mesopotamia, but as the war drew to a close, they raced to secure Mosul for its oil (97–98). Meanwhile, in London, the government resumed efforts to formulate a long-term oil policy under the aegis of the Petroleum Imperial Policy Committee, which recommended a deal with Shell to secure British “control” of the firm’s operations in exchange for a larger postwar role for Shell in Iraq (99–101).

Chapter 5 starts with a discussion of Anglo-French oil diplomacy leading up to the San Remo Conference of 1920, which confirmed Britain and France’s League of Nations mandates in the Middle East and each power’s share of Iraq’s future oil production. This settlement was overshadowed by unrest in Iraq, where the spiraling cost of the occupation called Britain’s Middle East strategy into question. Churchill again played a key role by overseeing a strategic reassessment in 1921 that enabled Britain to exert control through airpower and indirect means (123–29).<sup>9</sup>

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7. See also Warwick Michael Brown, “The Royal Navy’s Fuel Supplies, 1898–1939: The Transition from Coal to Oil” (diss. King’s College London 2003) 59–62; Steven Gray, *Steam Power and Sea Power: Coal, the Royal Navy, and the British Empire, c. 1870–1914* (London: Palgrave Macmillan, 2018); and Bernard Brodie, *Sea Power in the Machine Age* (Princeton: Princeton U Pr, 1941).

8. See, further, Timothy Winegard, “Dunsterforce: A Case Study of Coalition Warfare in the Middle East, 1918–1919,” *Canadian Army Journal* 8 (2005) 93–109, and Edward Lemon, “Dunsterforce or Dunsterfarce? Re-evaluating the British Mission to Baku, 1918,” *First World War Studies* 6 (2015) 133–49.

9. See William Stivers, *Supremacy and Oil: Iraq, Turkey, and the Anglo-American World Order, 1918–1930* (Ithaca: Cornell U Pr, 1982); Charles Townshend, “Civilization and ‘Frightfulness’: Air Control in the Middle East between the Wars,” in

Chapter 6 draws the reader back to the naval perspective. The Admiralty supported Adm. Edmund Slade's suggested postwar strategy of breaking Britain's dependence on the United States, developing Iraq and Persia, and bringing Shell under British control without surrendering the government's shares in Anglo-Persian (136–38, 149–51). The Royal Navy's proposal to build a petroleum reserve equal to twelve months of wartime consumption met with stiff opposition by the Treasury as pressure for retrenchment grew (139–46, 170–77). (Readers will have to look elsewhere for the denouement.<sup>10</sup>) Gibson astutely notes that the Royal Navy's interest in oil was not shared by the merchant fleet, which still preferred (cheaper) coal (146).

Chapter 7 describes the strains on Anglo-American relations regarding oil after 1916. In 1922, through intermediaries like John Cadman, the government's leading technical adviser on oil policy during the war (and a future chairman of Anglo-Persian), Britain and the United States resolved their key points of contention, including US access to Iraq and North Persia (166–70).

The last chapter concerns the unfinished business with Turkey. The rise of the Kemalists in 1919 soon rendered the punitive Treaty of Sèvres a dead letter, and the Turks' victory over Greece in 1922 left them in total command of Anatolia and poised to threaten Mosul, over which it claimed sovereignty. Bereft of allies and war-weary, Britain returned to the peace table at Lausanne. The author makes it clear that oil was the paramount factor behind British opposition to Turkish claims on Mosul (183–84).

Gibson adds little to the existing scholarship on British oil policy and strategy in the World War I era. Like earlier studies, his book identifies energy independence from the United States as Britain's foremost postwar objective. He also builds on earlier work to demolish any notion that oil was not the driver of Britain's involvement in the Middle East.<sup>11</sup> That said, he has mastered a set of sources often overlooked by oil historians—the private papers of British policymakers. These do not contradict the official record, but they do add granular detail missing in earlier works.

The book has its shortcomings, partly due to its origins as a dissertation. Gibson too often simply summarizes documents instead of analyzing them for the reader's benefit (see, e.g., 141–46). And, too, his exclusive reliance on British sources makes for a degree of myopia. For example, Gibson claims that an American effort before the 1921 Washington Naval Conference to sign a bilateral agreement guaranteeing an "Open Door" to the world's oilfields was a private initiative (163–65); in fact, US records show that the author of the agreement was Arthur Millspaugh, the Economic Adviser to the Secretary of State, who worried that Britain wanted exclusive control over oil reserves outside the Western Hemisphere.<sup>12</sup> Equally puzzling is the author's failure to consult corporate records. While few historians have gained access to Shell's records, BP's are accessible at the University of Warwick.

Gibson pays disproportionate attention to Iraq, neglecting the Middle East's largest oil producer until the 1950s—Persia (Iran after 1935). He also makes only a single mention of Venezuela (195),

*Warfare, Diplomacy and Politics: Essays in Honour of A.J.P. Taylor*, ed. Chris Wrigley (London: Hamish Hamilton, 1986) 142–62; David Omissi, *Air Power and Colonial Control: The Royal Air Force, 1919–1939* (Manchester: Manchester U Pr, 1990); and Kristian Coates Ulrichsen, "The British Occupation of Mesopotamia, 1914–1922," *Journal of Strategic Studies* 30 (2007) 349–77.

10. Viz., Brown (note 7 above) 193–225

11. See Helmut Mejcher, *Imperial Quest for Oil: Iraq, 1910–1928* (London: Ithaca Pr, 1976), and Peter Sluglett, *Britain in Iraq: Contriving King and Country* (NY: Columbia U Pr, 2007).

12. See my "An Anglo-American 'Petroleum Entente'? The First Attempt to Reach an Anglo-American Oil Agreement, 1921," *The Historian* 79 (2017) 56–79.

whose oil production skyrocketed after 1922 and accounted for almost 10 percent of global output by 1937, compared to 3.6 percent for Iran and 1.5 for Iraq. Venezuela's share of Britain's oil imports was 40 percent vs. 19.4 from Iran and 3.8 from Iraq.<sup>13</sup> Further, Venezuela's wartime shipments to Britain were more secure than those from the Middle East or Dutch East Indies.<sup>14</sup>

Gibson criticizes British officials for devoting more attention to the nationality of oil companies supplying Britain—hence its obsession with bringing Shell under “British” control—than to controlling oilfields themselves (47, 153). Eventually, they recognized their mistake and changed course. “By 1923, Britain's oil strategy had achieved its objective of having access to secure supplies of oil in a friendly state” (196). This judgment overlooks the British Government's gains from its partnership with Anglo-Persian, which guaranteed the Royal Navy a large quantity of oil at below-market prices.<sup>15</sup>

More importantly, the author's claims about the security of British-controlled oilfields in the Middle East are suspect. One wonders which “friendly state” he is referring to. Was it Persia, which resented Britain's meddling and Anglo-Persian's financial chicanery? The same Persia whose Shah canceled Anglo-Persian's concession in 1932 and threatened to do so again in the late 1930s.<sup>16</sup> Or perhaps he means Iraq. But, after the suppression of the 1920 uprisings, Iraq caused Britain no end of aggravation. By 1922, as Gibson himself recounts, British frustrations with King Faisal's objections to the Anglo-Iraqi Treaty had reached a point where the British considered deposing their former puppet (132).

Gibson ends his story in the 1920s, when Britain's oil situation appeared promising. But the Second World War soon exposed the shallow foundations of Britain's achievements. The author himself concedes that the closure of the Mediterranean after 1940 made oil exports west of Suez impractical (195–96), but underplays the gravity of Britain's wartime dependence on US-controlled oil due to insufficient tankers to transport Middle Eastern oil.<sup>17</sup> Its shortage of foreign exchange was equally harmful. During the previous war, Britain had persevered for three years before it confronted bankruptcy.<sup>18</sup> Twenty years later, hobbled by an underperforming economy and a financial crisis in 1938–39, it lasted barely a year before it had to beg for American financial assistance.<sup>19</sup> This is hardly a record of success, as Gibson would contend, but it is one worth bearing in mind as the world contemplates the role oil may play in the geopolitical rivalries of the twenty-first century.

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13. Committee of Imperial Defence, Oil Board, “Thirteenth Annual Report” (24 Jan. 1939), O.B. 294, British Nat'l Archives, CAB 50/7.

14. Id., “Expropriation of the Properties of the Oil Companies in Mexico” (8 May 1938), O.B. 252, British Nat'l Archives, CAB 50/7. See also: McBeth (note 4 above) 86–120.

15. Jack (note 6 above) 162–67.

16. See Mostafa Elm, *Oil, Power, and Principle: Iran's Oil Nationalization and Its Aftermath* (Syracuse: Syracuse U Pr, 1992) 1–43.

17. See McBeth (note 4 above) 121–47, and Anand Toprani, “Oil and Grand Strategy: Britain and Germany, 1918–1941” (diss. Georgetown Univ., 2012) 179–268.

18. See Kathleen Burk, “J.M. Keynes and the Exchange Rate Crisis of July 1917,” *Econ. Hist. Rev.* 32 (1979) 405–6, “Great Britain in the United States, 1917–1918: The Turning Point,” *Internat'l. Hist. Rev.* 1 (1979) 228–45, “The Diplomacy of Finance: British Financial Missions to the United States 1914–1918,” *Historical Journal* 22 (1979) 351–72, and *Britain, America and the Sinews of War, 1914–1918* (London: Allen and Unwin, 1985).

19. See D.J. Payton-Smith, *Oil: A Study of War-time Policy and Administration* (London: HMSO, 1971) 147–53, and R.A.C. Parker, “The Pound Sterling, the American Treasury and British Preparations for War, 1938–1939,” *Eng. Hist. Rev.* 98.387 (1983) 261–79.