

*British Economic Policy in Palestine, 1919 - 1935:
the Construction of Haifa harbour, a case study*

Ghada Issa Sa'id Rifai

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Abstract

This dissertation addresses the question of how Britain was able to achieve its imperial goals in Palestine in spite of the limitation imposed by the League of Nations' mandate system. To do so, it investigates the construction of Haifa harbour as a case study. The crucial issue was that Britain as the mandatory power and as a founding member of the League of Nations was compelled to adhere to the open door clause and give foreign nationals access to economic opportunities in the mandated territories. Conformity with the mandate system provided the legitimacy necessary for the British government to control Palestine in the context of the new international law that emerged as a result of World War I, prohibiting annexation of acquired territories. Debates in Whitehall occurred about how to obtain economic and strategic benefits whilst keeping rivals away and without breaching the mandate system. Broadly speaking, the Colonial Office's position was to follow the traditional colonial approach while the Foreign Office insisted on adapting to the new global regulations. On several issues policy functioned: on the method of carrying out the harbour works; on the issuing of a loan for Palestine; and on efforts to convince the Iraq Petroleum Company to adopt a route for the oil pipeline from Iraq to terminate in Haifa. This was also made possible due to the British government's employment of an interventionist policy. With the completion of the construction at Haifa harbour, the British government was able to achieve a balance between its own interests and the requirements of the international community and the needs of the local inhabitants.

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Introduction

At the San Remo conference of 1920, the League of Nations assigned the mandate of Palestine to Britain. This was no burden to the British who recognised the economic and strategic importance of Palestine. The first British High Commissioner there, Herbert Samuel, wrote in his July 1921 report that ‘the prospects of Palestine are not limited, on the economic side. [...] Its geographical position rendered it in ancient times, and may render it again, a centre of no small importance to the commercial traffic of the larger territories that surround it. [...]The seaborne commerce, such as it is, is loaded and discharged in the open roadsteads of Jaffa and Haifa: there are no harbours.’¹ Later, in 1928, Arthur Balfour, Lord President of the Council, said in a Cabinet memorandum that ‘Palestine has special characteristics depending on its geographical position which greatly increase its Imperial importance. It lies at the very place where the Power primarily responsible for the security of the Suez Canal would wish to place it.’²

The means by which the British sought to maximise the economic and strategic importance of Palestine for British interests was to construct a harbour there. In fact, constructing harbours formed one of the British government’s investments in the colonised territories and characterized Britain’s approach to Empire before World War One (WWI). As Cain and Hopkins explained, Britain’s commercial expansion was ‘accompanied by railway and harbour construction’ which required machinery that gave ‘employment to British

¹ TNA/CAOG9/60, Herbert Samuel, High Commissioner for Palestine (hereafter H.Cr.) ‘An Interim Report on the Civil Administration of Palestine, during the period 1 July 1920 – 30 June 1921, Prepared to Parliament by Command of HM August 1921. HMSO [Cmd. 1499].

² TNA/CAB24/193/21, Memorandum by Arthur Balfour, the Lord President of the Council, 5.3.1928.

manufacturers and personnel'.³ In light of this explanation, it is fair to say that in spite of the fact that the acquisition of Palestine was not planned, the British government had clear objectives for using the newly acquired territory. That is the building of a harbour in Palestine would achieve the expected strategic and economic goals from Palestine as if it were an imperial project.

The purpose of this thesis is to demonstrate how the British government, through the construction of Haifa harbour, maintained its colonial approach towards Palestine, even though it was under the League of Nations mandate, in order to advance its economic and strategic goals. This hypothesis is in line with the understanding that Britain as mandatory power should get something 'exclusive out of it' as declared in the first meeting of the League of Nations Assembly by A. Balfour, the British representative on the League's Council.⁴ This thesis shows how Britain skilfully managed to do this by manipulating the provisions of the mandate and balance her interests and those of the international community with those of local inhabitants. A threefold objective is presented here in order to examine Britain's three-way balancing act. First, I intend to demonstrate that Britain sought to secure her imperial interests as a matter of paramount importance in pursuing projects (Britain created a climate conducive to economic expansion, to enhance the British economy). Secondly, I expect to show that the interests of the international community and economic equality - as guaranteed by the League of Nations - were taken into consideration by Britain. Nevertheless, Britain was able to neutralize the efforts of foreign interests to contribute to the project. Thirdly, I will show that local interests were cared for through the application of fair labour conditions when employing local labour. Therefore, Britain

³ Peter Cain and Anthony Hopkins, *British Imperialism, 1688-2000* (second edition) (Harlow, England: Pearson Education, 2002), p. 313.

⁴ Herbert Gibbons, 'The Defects of the System of Mandates', *Annals of the American Academy of Political and Social Science*, vol. 96, The Place of the United States in a World Organization for the Maintenance of Peace (July 1921), pp. 84-90, p.89; Susan Pedersen, *The Guardians, The League of Nations and the Crisis of Empire* (Oxford: Oxford University Press, 2015), p. 51.

continuously attempted to reconcile its interests with its obligations towards Palestine and the international community through its commitment to the League of Nations. This problem provides the constant thread running through the whole discussion of Britain's deliberations over the construction of the Haifa harbour.

The core question in this thesis is, what were Britain's economic and investment policies in Palestine during the period in question, 1919-1935, and how were they formed? The case study on the construction of Haifa harbour offers a good example of how wider British policy towards the mandate was formed. Hence some of the questions that have to be posed are: To what extent was Britain's approach towards the harbour construction influenced by its economic and strategic concerns? How did Britain's international commitments affect its decisions about the construction of Haifa harbour? What impact did Britain's foreign policy have on its insistence on the Haifa terminus for the Iraqi oil pipeline? And, how was Britain's imperial approach towards acquired territories adapted to fit the mandate system?

In the newly acquired territories after WWI, Britain maintained its colonial approach in seeking to secure for itself economic and strategic interests. However, Britain's approach was hindered by the fact that the acquired territories were now subject to the provisions of the mandate system as designed by the League of Nations. Consequently, Britain maintained the fundamental features of its imperial approach in those acquired territories, such as using their natural resources, but had to introduce changes to its method, such as that related to the harbour construction. This was so in spite of the fact that mandated Palestine was not annexed by Britain but was nonetheless treated as a *de facto* colony.⁵ It is

⁵ Pitman Potter, 'Origin of the System of Mandates under the League of Nations', *The American Political Science Review*, 16/4, (November 1922), pp. 563-583.

by detecting these features that characterized Britain's approach to Empire where we can learn about its policies toward the construction of the Haifa harbour. To achieve that, this thesis revises existing knowledge of British policy before and during the period between the two World Wars. The available literature provides material that enables us to see when Britain followed an imperial approach in Palestine or something that differed from it when faced with circumstances that demanded it.

In examining the influence of economic factors in Britain during British rule in Palestine, there is reason to agree with Cain and Hopkins' argument that 'the central weakness in existing accounts of overseas expansion and imperialism is that they underplay or misjudge the relationship between the British economy and Britain's presence abroad'.⁶ They suggested that 'putting the metropolitan economy back at the centre of the analysis' makes it possible to 'establish a new framework for interpreting Britain's historic role as a world power'.⁷ This thesis explores the commercial benefits gained by Britain's expansion in Palestine through which new markets for British products were created as seen in the building of the harbour. Cain and Hopkins' analysis of British imperialism forms an essential element of this thesis. Their suggestion that there is a link between the economic conditions in Britain and its policy abroad forms the backbone of this study. In fact, this study provides evidence supporting some of their assumptions, particularly those pertaining to Britain's attempts to maximise the economic benefits to her Empire. Therefore, this thesis demonstrates how the building of the harbour contributed, although only marginally, to the economic benefit of Britain.

⁶ Cain and Hopkins, *British Imperialism*, p.25.

⁷ *Ibid.*

John Hobson in *Imperialism* argued that there was a connection between territorial expansion and economic requirements as a response to the social changes expressed in what he termed 'new imperialism'. Hobson's assumption that economic matters and specifically 'consumption' were the reason behind Britain's territorial expansion is contested by other historians who point to political and strategic reasons. Hobson's assumption, however, is still valid. It is not the concern of this thesis to pass judgement on the causes that led to the prevailing economic conditions in Britain after WWI, but rather it deals with evaluating how these conditions affected the shaping of Britain's economic policy towards Palestine. As Hobson states 'the distinction between the "political" and "strategic", on the one hand, and the "economic", on the other, whilst useful for analytical purposes, may not be accorded such a separation in real life where political and economic institutions formally interact.'⁸ In explaining his point, for example, he states that Egypt was occupied in 1882 in order to protect routes of communication with India that Britain required for trade and investment, clearly demonstrating the strategic and economic reasons for maintaining control of the country.⁹ In this context it is possible to see Britain's interest in Palestine as providing 'suitable bases or jumping-off points for regional business penetration'.¹⁰ It was vital for Britain's 'worldwide commercial and maritime interests' to control access to 'various zones of land and sea' to reach its 'long-established colonies'.¹¹ In light of this explanation, the development of the harbour could be viewed as serving a similar task to Gibraltar and Malta. As established above, factors of politics and economics are inseparable, and are reflected in the many deliberations in Whitehall that took place over the construction of Haifa harbour.¹²

⁸ John Hobson, *Imperialism, A Study* (Third edition with introduction by J. Townshend) (London: Unwin Hyman, 1988), Townshend introduction, p. 40.

⁹ Ibid.

¹⁰ E. Hobsbawm, *History of Civilization The Age of Empire* (New York: Vintage Books, 1987), p. 67.

¹¹ Ibid., pp. 67-68.

¹² Ibid, p. 68; Hobson, *Imperialism*, p.40.

Cain and Hopkins argued that WWI is 'conventionally regarded as marking the dividing line between the expansion and decline of Empire.'¹³ It is safe to suggest that the fact that Britain seized additional territory after the War makes the dividing line rather blurred than vivid, particularly under the mandate system. This is evident in Elizabeth Monroe's explanation that 'the mandatory undertakings amounted to a cross between liberalism and adherence to war aims, but were not the same thing as old-style colonialism'.¹⁴ Furthermore, John Darwin argued that the expansion in the Middle East after WWI showed that British imperialism in the twentieth century 'operated under very different conditions from its Victorian counterpart and displayed somewhat different characteristics'.¹⁵ The view presented in this thesis is in agreement with Darwin, as the case of Palestine's mandate does not present a decline of Britain's Empire but rather direct imperial rule. Britain's imperialism in Palestine, Darwin argues, became conspicuous after Britain had to undergo an abrupt and radical change in 1935-36 courtesy of the Arabs' revolt.¹⁶ Before this, however, this thesis demonstrates how Britain sought to conceal its imperial approach in Palestine. This is possible to understand by following the process of building Haifa harbour, from the time it was initially proposed and contemplated by the British military authorities up to the point when it was built, which gives us a genuine insight into Britain's imperial approach in Palestine.

Part of the motivation to build a harbour in Haifa could be interpreted in connection to L. J. Butler's argument about the presence of the British Army in the Middle East. Butler argues that, during the 1920s, British defence goals required a presence in the Middle East to

¹³ Cain and Hopkins, *British Imperialism*, p. 654.

¹⁴ Elizabeth Monroe, *Britain's Moment in The Middle East 1914-1971* (second edition) (London: Chatto & Windus, 1981), p. 71.

¹⁵ John Darwin, 'An undeclared empire: The British in the Middle East, 1918-1939', *The Journal of Imperial and Commonwealth History*, 27/2, (1999), pp. 159-176, p. 174.

¹⁶ *Ibid.*, p. 169.

defend the Empire from potential Russian aggression against India.¹⁷ This thesis demonstrates that the construction of Haifa harbour enhanced Britain's assurances of securing fuel needed for the Navy in the event of war. Hence, Haifa harbour became part of Britain's strategic considerations. Additionally, Monroe provides a thorough account about Britain's developing interest in the Middle East culminating in Britain's investment in Middle Eastern oil.¹⁸ This thesis extends Monroe's argument particularly in regards to Middle Eastern oil through its analysis of discussions of Haifa harbour and the Mosul oil pipeline terminus that was there.

It was not only political, but also financial decisions that were centralised in London. Eric Hobsbawm saw the role of the City of London during the era of 'New Imperialism' as the 'switchboard for the world's international business transactions' in commercial and financial services. This depiction certainly applied to the period after WWI since capital export, according to Hobsbawm, began in the late nineteenth century and 'lasted until the Great Slump of 1929-33'.¹⁹ This was reflected in Britain's guarantee of a loan for the government of Palestine. A loan was therefore raised on the British market, of which some of the proceeds were directed to the harbour project at Haifa. In addition, the raising of a loan on the British market can be understood in light of Fieldhouse's argument that during the imperial age, the employment of surplus capital outside Britain gave 'a high interest return'. Fieldhouse continues that in order to attain this objective, 'some political control' over a territory was necessary. Indeed, subject to the provisions of the mandate, Palestine was already under Britain's 'comprehensive economic and political controls'.²⁰ Having said that, it is worth noting that raising a loan for Palestine did not follow the norm used in the

¹⁷ L. Butler, *Britain and Empire, Adjusting to a Post-Imperial World* (London; New York: I.B. Tauris Publishers, 2002), p. 4.

¹⁸ Monroe, *Britain's Moment*, p. 52.

¹⁹ Hobsbawm, *History*, pp. 51-66.

²⁰ David Fieldhouse, "'Imperialism": An Historiographical Revision', *The Economic History Review*, New Series, 14/2, (1961), pp. 187-209.

colonies (i.e. facilitated by the Crown Agents); instead, it was raised as a British government loan through the Bank of England.

All key decisions were taken in London and by virtue of the mandate system Britain took responsibility for Palestine's foreign affairs and dealt with the international community on behalf of territory. With the construction of Haifa harbour, Britain was compelled to change its imperial method, but not its goals, in order to comply with this emerging international order. In constructing the harbour, Britain succeeded in excluding her rivals from developing influence in Palestine. Darwin is right in saying that Britain played the 'part of a colonial power *par excellence*'.²¹

Discussions of the Palestine Loan, and the method of constructing the harbour, need to be examined in light of the prevailing economic conditions in Britain during the period in question. Solomous Solomou argues that after WWI the British economy was characterised by slow growth and was viewed as being beset by 'poor investment opportunities'.²² Similarly, this thesis demonstrates that British firms and contractors were anxious to be involved in the construction of the Haifa harbour because of the shortage of work at home. Plans to obtain equipment for the harbour from the British market served the purpose of alleviating domestic economic problems. Furthermore, B. Alford argues that although British postwar politics were defined by the 'politics of victory', its power declined relatively during the 1920s owing to international competition in trade and finance, which created new economic uncertainties and difficulties. Alford describes the complexity of the relationship between postwar political changes and the economic conditions.²³ With

²¹ Ibid.

²² Solomos Solomou, *Themes in Macroeconomic History, the UK Economy, 1919-1939* (Cambridge: Cambridge University Press, 1996), p. 2.

²³ B. Alford, *Britain in the World Economy since 1880* (London and New York: Longman Group Limited, 1996), pp.116-124.

regards to Palestine, as we shall see, the British government had to take into consideration the mandate system and the provisions of the Palestine mandate when weighing investment in the Haifa harbour project.

Furthermore, and particularly during the first two decades following First World War, the British economy witnessed significant changes which were reflected in Britain's approach to Palestine.²⁴ For example, key events in the British economy such as the downturn of 1919-1920, had an impact on the military authorities in Palestine who proposed investing in the development of Haifa harbour, in order to contribute to the relief of the British economy. Another example related to Britain's economic condition was presented by her guaranteeing a loan to the Palestine government, which would allow purchases to be performed in Britain.

The fact that the British controlled Palestinian territory did not mean that they applied the exact same colonial practices as elsewhere. At the same time, the fact the mandate was acquired as a result of the War meant there were no *fundamental* changes to Britain's imperial approach. In Palestine, 'a 'colonial'-style administration was created'.²⁵ The view of Quincy Wright, an authority on the mandate system, was that it 'marked an important step in the anti-imperial trend of the twentieth century'.²⁶ This view is problematic, however, as it was clearly contradicted by the fact that Palestine was absorbed under British rule as a new territory.

²⁴ Cain and Hopkins, *British Imperialism*, p. 32.

²⁵ Butler, *Britain*, p. 16.

²⁶ Quincy Wright, 'The Mandates in 1938', *The American Journal of International Law*, 33/2, (April 1939), pp. 342-349, p. 342.

In general, the formation of British policy was very much influenced by the limits imposed by the League of Nations' mandate system.²⁷ Authorities such as William Rappard, Edward Jenkins, and William Roger Louis have discussed various aspects related to the mandate. William Roger Louis demonstrates that the mandate system adopted by the League of Nations was accepted by Britain as a compromise between the traditional annexation of acquired territories and the more liberal approach recommended by the Americans.²⁸ This theme was echoed by Monroe as mentioned earlier. William Rappard, the Swiss political economist and Director of the Mandates Section of the League, while examining imperial control and ownership of acquired mandated territories, explains that sovereignty was not vested in the mandatory but rather 'held in suspense' by the international community.²⁹ Britain was authorized to administer Palestine on behalf of the League of Nations but did not have full sovereignty over the territory. Rappard further argues that although the mandatory powers were committed to the League of Nations, they sometimes violated the provisions of the League's Covenant and the League's recommendations.³⁰ In light of Rappard's argument, this thesis discusses the method of the harbour construction where the provisions of the mandate system were under consideration by the British government and were not necessarily fully adhered to. Britain's commitment to the Covenant gave it the legitimacy it needed to control Palestine whilst simultaneously requiring it to respect the interests of other League members. This delicate issue, of Britain's attempt to abide by the League's rules, whilst maintain its own interests is discussed in this thesis. This meant that the open door policy secured by article 22 of the League's Covenant, as Jenkins argued, had to be observed. Jenkins explains that this was attainable through a mechanism adopted

²⁷ Pedersen, *The Guardians*, p. 4.

²⁸ William Roger Louis, 'African Origins of the Mandates Idea', *International Organization*, 19/1, (Winter 1965), pp. 20-36, pp. 20-21.

²⁹ William Rappard, *International Relations as viewed from Geneva* (New Haven: Yale University Press, 1925), p. 33.

³⁰ William Rappard, 'Nationalism and the League of Nations Today', *The American Political Science Review*, 27/5, (October 1933), pp. 721-737, p. 724.

by the League's Permanent Mandates Commission to follow the matters related to mandated territories.³¹ This delicate issue of abiding by the League's rules and maintaining its own interests is discussed in this thesis.

In fact, a lot of literature is available about the British Empire in general, on the reasons for territorial expansion and on the relationship between political and economic factors within these.³² To a lesser extent, literature exists that discusses the mandate system and much less investigating the economic conditions in Palestine.³³ Literatures about the construction of the harbour are few in number and treat the issue mostly in passing.³⁴ The examination of some of these publications was useful in analysing the actions and decisions made regarding the process of carrying out the works at the harbour. Hence, by discussing Britain's imperial approach to Palestine as reflected in the construction of Haifa harbour this thesis fills some of the gaps left by other scholars. This has significance particularly in light of what John Darwin says about the lack of appropriate scholarly work on imperialism in the Middle East in comparison to other places. He emphasised that the area was not scrutinized enough although in the Middle East there was 'played out the last, if not the highest, stage of British imperialism.'³⁵

³¹ Edward Jenkins, 'Economic Equality and the Mandates Commission', *Journal of Political Economy*, 37/5, (October 1929), pp. 604-616, p. 615.

³² Cain and Hopkins, *British Imperialism*; Hobsbawm, *History*; T. Lloyd, *The British Empire 1558-1983* (Oxford: Oxford University Press, 1984).

³³ Pedersen, *The Guardians*; John Darwin, *The Empire Project, The Rise and Fall of the British World-System, 1830-1970* (Cambridge: Cambridge Press University, (4th printing) 2013); Sa'id Himadeh, (ed.) *Economic Organization of Palestine* (Beirut: American University, 1938); Roger Owen, (ed.), *Studies in the Economic and Social history of Palestine in the Nineteenth and Twentieth Centuries* (London: The Macmillan Press, Ltd., 1982).

³⁴ Barbara Smith, *The Roots of Separatism in Palestine: British Economic Policy, 1920-1929* (Syracuse: Syracuse University Press, 1993); Gilbert Herbert, and Silvina Sosnovsky, *Bauhaus on the Carmel and The Crossroads Of Empire, Architecture and Planning in Haifa During The British Mandate* (Jerusalem: Yad Izhak Ben-Zvi, 1993).

³⁵ Darwin, 'An undeclared', p. 161.

On the arrangements established between the British government and the governments of the dependencies, two former officials of the Colonial Office, Charles Jeffries and Cosmo Parkinson, provide good accounts of the relationship between the Colonial Office and the Crown Colonies from which the treatment of Palestine can be understood.³⁶ By highlighting some details on how the decisions regarding the harbour building were formed, this thesis explains the nature of the relationship between the Colonial Office and the government of Palestine. The political decisions involved were made in London, a fact emphasised by many including May Seikaly. Although Seikaly was mainly concerned with discussing the social structure of the city of Haifa she rightly argued that investment projects in Palestine were determined by the British government and thus centralized in London. For example, she explains that loans for the development of the city of Haifa were granted through the Anglo-Egyptian Bank at the request of the Colonial Office.³⁷ This is viewed in contrast to the Palestine loan of 1926 which was also extended upon the directions of the British government but was raised by the Bank of England since its proceeds were for imperial purposes.

Barbara Smith discusses British economic policy in Palestine in its entirety, including, for example, trade and currency issues in relation to Britain.³⁸ Smith provides significant analysis on the formation of policy within the British government during the mandate period. She discusses the delicacy of Britain's position regarding the method used in constructing the harbour in light of the potential criticism by members of the League of Nations. This study confirms in some instances Smith's analysis and in others corrects or

³⁶ Sir C. Jeffries, *The Colonial Office* (London: George Allen & Unwin Ltd., 1956); Sir C. Parkinson, *The Colonial Office from Within* (London: Faber and Faber Limited, 1945).

³⁷ May Seikaly, *Haifa, Transformation of a Palestinian Arab Society 1918-1939* (London, New York: I.B. Tauris Publishers, 1995), p. 56.

³⁸ Smith, *The Roots*.

completes it in those areas concerning the formation of British investment policy for the harbour.

A portrait of British rule in Palestine during the mandate period can be seen in Naomi Shepherd's *Ploughing Sand*, though she focuses on the political and social history of Palestine with emphasis on health and education.³⁹ She argues that although the primary obligation of Britain as mandatory power was to prepare the country for independence, it is striking that there was no reference to training Palestine for the exercise of political responsibility.⁴⁰ Hence, decisions about the harbour construction were mainly taken by the Colonial Office, sometimes with, and many times without, consultation with the government of Palestine. Although Shepherd says that there was a 'reluctance to spell out British interests' in Palestine, she rightly argues that Britain 'saw the control of Palestine as a strategic necessity in the imperial context' and that the strategic interests behind British rule in Palestine remained constant throughout the Mandate's existence.⁴¹ Palestine gave Britain a foothold for preserving its strategic interests in the Eastern Mediterranean. It was a buffer between the Suez Canal and enemies to the north, besides offering an overland route to Iraq and its oil reserves.⁴²

Britain's imperial interest and supremacy in the region was viewed as secure when the terminus of the oil pipeline from Iraq was completed in Haifa. The conflict over the route of the pipeline, as examined by Colin Davies and Edward Fitzgerald, highlighted the crucial relationship Britain had with its rivals France and with the United States, the latter on

³⁹ Naomi Shepherd, *Ploughing Sand: British Rule in Palestine 1917- 1948* (London: John Murray, 1999).

⁴⁰ *Ibid.*, pp. 5 & 15.

⁴¹ *Ibid.*, pp. 5 & 7.

⁴² *Ibid.*, pp. 5 & 7.

whom Britain was dependent for oil supplies.⁴³ In order to secure its access to the Middle Eastern oil, G. Gareth Jones rightly argues that the British government used an interventionist policy after WWI.⁴⁴ This thesis discusses that policy, with reference to the decision about the route of the pipeline that was supposed to be taken by Iraq Petroleum Company, solely on a commercial basis.

My claim about Britain's continued imperialism in Palestine finds reinforcement in Butler's work which argues that 'the importance of the imperial system was unquestioned' among politicians and policy-makers during the interwar period.⁴⁵ It was also true that before WWI the government was not 'anxious to preside over the liquidation of the British Empire'.⁴⁶ Certainly, the condition of Palestine as a mandate territory, and the government's inability to annex it, was 'no proof of reluctance to control' on Britain's part.⁴⁷ Whether the period before WWI could be described as formal or informal Empire, or one of anti-Imperialism, in fact the British government's activity and approach towards acquired territories was the same after the War. What therefore defined British imperialism in Palestine?

'New imperialism', Hobson argued, was characterized by the existence of competing empires, the dominance of financial over mercantile interests and the absorption of new territories populated by people for whom self-government was not intended.⁴⁸ Certainly, specific features of that period persisted. There were now competing Powers instead of

⁴³ Colin Davies, 'British Oil Policy in the Middle East 1919 - 1932', (Ph.D. Thesis, University Of Edinburgh, 1973); E. P. Fitzgerald, 'Business Diplomacy: Walter Teagle, Jersey Standard, and the Anglo-French Pipeline Conflict in the Middle East, 1930-1931', *The Business History Review*, 67/2 (Summer 1993), pp. 207-245.

⁴⁴ G. Gareth Jones, 'The British Government and the Oil Companies 1912-1924: The Search for an Oil Policy', *The Historical Journal*, 20/3 (September 1977), pp. 647-672.

⁴⁵ Butler, *Britain*, p. xii.

⁴⁶ John Gallagher and Robert Robinson, 'The Imperialism of Free Trade', *The Economic History Review*, New Series, 6/1, (1953), pp. 1-15, p. 3.

⁴⁷ *Ibid.*

⁴⁸ Hobson, *Imperialism*, p. 19.

Empires. The 1916 Sykes-Picot Agreement allowed the partition of the Ottoman Empire and the absorption of its territories.⁴⁹ Hence, the partition of the Middle East into spheres of interest and influence was in fact 'annexation masquerading under a different name' to reconcile international rivalries.⁵⁰ The partition determined Britain's political, strategic and economic objectives in the Mediterranean.⁵¹ Other characteristics of the old colonial system that pertained during the sixteenth and seventeenth century included that of monopoly and exclusion. Colonies were viewed solely as source of benefit and enrichment for the mother country, since they were required to purchase their supplies from it.⁵² In fact this was the case in Palestine where materials were acquired in Britain in spite of the fact that the mandate, in theory, had a different purpose and the open door policy that recognized the interests of other nationals was meant to be respected. However, in order to establish its power, Britain 'preferred to work through informal methods of influence when possible, and through formal methods of rule only when necessary'.⁵³ Hence, it is understood that Britain's general approach to Palestine was imperialist. However, the British government had to adjust its colonial methods when needed due to the limitations imposed by the new world order represented by the League of Nations' mandate system.⁵⁴

The British government most often treated Palestine as a colony for the simple reason that it did not know of any other way to treat an external territory that is controlled. Limited under article 22 of the League of Nations' Covenant, the British government, throughout its

⁴⁹ 'British Mandate for Palestine' [24 July 1922], *The American Journal of International Law*, 17/3, Supplement: Official Documents (July 1923), pp. 164-171.

⁵⁰ D. Platt, 'Economic Factors in British Policy during the "New Imperialism"', *Past & Present*, No. 39 (April 1968), pp. 120-138, p. 127; Herbert and Sosnovsky, *Bauhaus*, p. 35.

⁵¹ Hobsbawm, *History*, p. 62.

⁵² William Culbertson, 'The "Open Door" and Colonial Policy', *The American Economic Review*, 9/1, Supplement, Papers and Proceedings of the Thirty-First Annual Meeting of the American Economic Association (March 1919), pp. 325-340, p. 325.

⁵³ John Gallagher, *The Decline, Revival and Fall of the British Empire, The Ford Lectures and other essays* (Cambridge: Cambridge University Press, 1982), p. 75.

⁵⁴ Pedersen, *The Guardians*, p. 13.

regime in Palestine, had to find ways to develop appropriate tools and techniques that would differ from colonial practice. Constant conflict between the Treasury, the Foreign Office, the Colonial Office and the government of Palestine was characteristic of the direction of Britain's economic development policy in Palestine.⁵⁵ The case study of the construction of the harbour at Haifa reveals many of the disagreements that occurred within Whitehall over the methods through which the harbour would be built.

The British government, during the construction of Haifa harbour, went through a muddled and unsuccessful process before it decided on the appropriate means that fitted with Britain's interests, whilst avoiding international criticism. The deliberations of the British government about the harbour demonstrate how the policy towards investment in the mandated territory was formed. They also show how the mechanism for treating the territory was developed. This was significant, as those officials who were seeking to establish ways of managing the mandated territory were mostly those who were charged with the management of the colonies. The colonial mind-set was dominant and they found themselves obliged to adjust their methods and mentality in regards to Palestine. Britain's inability to employ traditional colonial practices in Palestine was a consequence of its obligations under the League of Nations and not because Britain sought to depart from its Imperial approach and from its Empire as a whole.

There were several investment projects carried out in Palestine by the British government. This included the airport in Lydda and the extraction of chemicals from the Dead Sea. However, the construction project at Haifa harbour offers the best case study for analysing the issues at hand, particularly British economic policy in Palestine. By tracing the stages from the point the construction was initiated and built, we gain insights into how Britain

⁵⁵ Smith, *The Roots*, p. 46.

formed its policies towards Palestine. Moreover, since various internal and international aspects were taken into consideration throughout the project, this provides wide insight into various aspects relating to Britain's interventionist policy and its international relations. Additionally, the length of time between the project's conception in 1919, under the military administration, and its completion in 1933 represents a long enough period to examine the British government's decision-making. The establishment of the oil dock was of significant strategic consequence to the British government, which therefore provides a rationale to conclude this thesis in 1935 when the oil terminus was opened. This period includes, through building the harbour, the achievement of key economic and strategic aims on the part of the British government.

In debates over Haifa harbour's construction, the British government developed an approach towards the newly acquired territories to secure the greatest benefit from them. Britain's thinking had shifted from its established approach because of the world order that emerged after the WWI. Throughout this thesis, it is possible to see that the debates in government obliged the state and Parliament to change Britain's attitude and approach in mandated Palestine. The mandate system awarded equal economic opportunities only as between nationals of League of Nations members. as those for the mandatory.⁵⁶ Outside states claimed privilege on the basis of special treaties such as the United States. However, Britain always had fears that, in the event a foreign firm was given economic rights in the mandated territory, this would undermine Britain's authority and allow for foreign control. This was because economic privileges in the colonies meant political sovereignty for a foreign country and Britain did not want to see this happening in Palestine.

⁵⁶ Quincy Wright, *Mandates Under the League of Nations* (Chicago, Illinois, The University of Chicago Press, 1930), [electronic book], p. 477.

Colonial thinking figured in the mandatory power's exploitation of the natural resources of an acquired territory was the principal reason for keeping international firms out of the harbour project. However, the basic colonial practices laid down by the Colonial Office did not fit with the League's spirit or, possibly, the requirements of the mandate. Through the debate in Whitehall about how to maximize benefit from the mandate while meeting international obligations, an appraisal of the world system appeared to value the changing conditions. In this regard, the intention of this thesis is to address the difficulties encountered during harbour construction, as deliberated by the British government. The dispute between the Foreign Office and Colonial Office was not only over the method of constructing the harbour, it was also about power and competing arguments made to safeguard Britain's world status and its authority over Palestine.

In order to understand better the forces at play in the construction of Haifa harbour, we must be aware of the underlying change in the approach of the British government. The key issues this study will therefore examine are: the relationship between Palestine and the Imperial capital; the significance of Haifa and Palestine to the British Empire; the shaping of British policy under the influence of the economic equality policy of the mandate system; and the consequence of this for the harbour construction project.

Britain's approach to Palestine was two-fold: one was its actual activity in the territory; the other was how Britain presented or justified its actions before the international community. The significance of this research is to show that in spite of international supervision and the limitations imposed by the introduction of the mandate system, Britain was able to act within the context of its established practice when acquiring a new country. Having international supervision did not prevent it from utilizing the sources of a country to its own benefit.

In terms of methodology, this study is presented in chronological order marked by the key stages and developments in the harbour's construction. The decisions of the British government were mainly determined by the influence of Britain's foreign relations and economic conditions. More specifically, decisions relating to the chosen approach to construct the harbour were framed by the regulations of the mandate system and the government's desire to benefit the British economy from such a project. The latter in particular saw securing the construction of an oil terminal in Haifa as particularly important to satisfy strategic purposes.

The theme that dominates this thesis is that Britain's approach to building Haifa harbour was based on economic and strategic grounds but that these essentially imperial actions had to be pursued under limitations presented by the Covenant of the League of Nations. This means that Britain's interest in the harbour development had economic and strategic motivations, however, decisions about them were governed by political considerations. Discussions in Whitehall were concerned not only with how to achieve the government's goal without infringing the provisions of the mandate system, but also with maintaining its public image in view of rival powers and the League. This was made possible by the British government actively demonstrating concerns for the interests of the mandated territory (mainly by employing local labour) when devising an appropriate approach and method for the construction of Haifa harbour. However, the purchase of British equipment, machinery and material, and building the strategically important oil dock within the harbour, still ensured Britain's economic and strategic goals were fulfilled. Hence, it is possible to say that Britain's policy in mandated Palestine was as it has been described elsewhere 'annexation in all but name'.⁵⁷

⁵⁷ Roger Louis, 'African Origins', p. 20.

Sources and Structure

The research on which this thesis is based primarily rests upon official British documents held at the National Archives. These include minutes and memoranda from Cabinet meetings and Cabinet committees, files from the Prime Minister's office, the Colonial Office, the Foreign Office and the Treasury. Primary sources, particularly those of the Colonial Office, provide details essential to understanding British government policy towards the construction of Haifa harbour. Also Hansard's parliamentary debates and command papers were very useful. Other documents such as the publications of the Institution of Civil Engineers, and the Energy Institute, fill some important gaps about how events unfolded. The documents of the Bank of England contained invaluable material that was complimentary to government documentary sources.

The chapters in this thesis are divided both chronologically as well as thematically. The period covered by this thesis extends from the British government's first interest payment in 1919 up to the completion of the harbour's construction, inclusive of its oil dock in 1935. The first chapter covers the period from before WW I to the confirmation of the Palestine mandate in 1922. The chapter discusses the origins of Britain's interest in Palestine and particularly the port of Haifa. It also examines the development of the relationship between the British government and the government of Palestine with regards to the harbour construction. In the second chapter, the study moves from the initial deliberations about building Haifa harbour in 1919, to the eventual decision to construct the port in 1926. The chapter discusses the development of interest in the Haifa harbour from the period of military rule, through the civil administration until the British government's endorsement of the harbour project. In 1926, the building of the port required a loan to be raised in Britain for the government of Palestine and is discussed in chapter three. The chapter examines

the progress of raising the loan since it was first requested under the Foreign Office. It also investigates the deliberations in the British government about guaranteeing a loan to Palestine and East Africa, and then raising the loan and its implication.

The chosen method for carrying out the works posed a dilemma, due to the particular conditions of Palestine as a mandated territory. Chapter four covers the period from 1927 to mid-1928 and discusses the significance of the method of carrying out the harbour works. Accordingly, Britain was not able to give the works automatically to a British firm. The British government found itself forced to evaluate the alternative methods that were used in other territories under its control in order to use in Haifa harbour without infringing the mandate system. This chapter explains the departmental method as being an alternative used in the colonies. That is a department of the government mainly the Public Works Department would carry out the works. It discusses the advantageous as well as the shortcomings of using this method, hence, it also examines the reasons why the British had to abandon it. Chapter five covers the period from June 1928 to April 1929 and examines the contracting method by which Britain hoped to benefit its own firms. The contracting method was to give the whole work for a British contracting company such as that given to McAlpine for the building of a harbour in Takoradi. The chapter examines the limitations imposed by the rules and regulations set by the League of Nations' Covenant with regards to respecting equal economic opportunities to members of the League. It also details the final solution used for the execution of the works through the formation of the ad hoc Haifa Harbour Works Department. The chapter reveals how the policy was formed by the British government and in the process demonstrates how Britain had to be innovative in dealing with investment projects in Palestine.

Chapter six discusses how Britain wanted to transport oil from its fields in Iraq through a pipeline to the seaboard of the Mediterranean, in order to fulfil the economic and strategic benefit of the harbour,. The contests over the route and the terminus of the pipeline at Haifa and the building of the oil dock between 1927 and 1935 demonstrate Britain's foreign policy concerns in regards to Europe and the United States. Finally, chapter seven discusses Britain's interventionist policy in securing the purchases of machinery, equipment and material for the harbour works in Britain. The chapter also shows how Britain, on the one hand, gave consideration to labour conditions and to foreign firms as a gesture of complicity vis-à-vis international regulations. On the other hand, it reveals British attempts to underline their supremacy in the region by donning Imperial clothing when it came to the opening ceremony of the harbour.

The argument of this thesis focuses on explaining that Britain's approach to empire was maintained in Palestine. The British government had definite economic and strategic goals to achieve through the construction of the harbour at Haifa. However, owing to the restrictions imposed on all mandatory powers by virtue of the provisions of article 22 of the League of Nations' Covenant, Britain, as the mandatory power for Palestine, was not able fully to employ its colonial methods in Palestine, although on certain occasions it was able to do so. Consequently, the British government went through serious disagreements and negotiations in Whitehall until it was able to reach solutions that met its own interests but, at the same time, breached neither the provisions of the mandate systems generally nor those provisions of the Palestine mandate specifically. This meant that Britain was able to maintain its foreign relations safely although some countries complained about Britain's lack of adherence to the principle of equal economic opportunity called for by the League of Nations. Nevertheless, the League of Nations did not criticise Britain since the mandate system did not provide details about how the mandate should be managed. This thesis

shows that with the completion of the harbour construction the British government was able to establish a convenient balance between its own interests and those of the international community, as well as with the interests of the local inhabitants of Palestine.

Chapter One

The origins of Britain's interest in Palestine: from the First World War to the Mandate

Introduction

This chapter provides a historiographical-based overview of the importance of Palestine to the British government before, during and after WWI. It brings in the setting from which the construction of the harbour at Haifa emerged. Britain's imperial approach had dominated its actions and decisions towards the Middle East. With the gradual decline of the Ottoman Empire and the growing ambitions of European Powers, particularly Russia and France, Britain was anxious to establish firm ground in the Arab provinces. Britain's supremacy in the Mediterranean was of paramount concern in order to maintain prestige and safeguard her interests which extended from the Far East to Africa. Recognizing her rival France's connection to Syria, Britain wanted to assert its presence in Palestine as a power on the eastern shores of the Mediterranean. This was possible since British troops had seized Palestine, Iraq and Syria and with Britain's attempts to retreat from the Sykes-Picot Agreement after the War.

The introduction of American President Woodrow Wilson's new method of 'territorial settlement' after 1919 compelled Britain to acquiesce to the new global arrangements. Britain accepted that rivals' economic interests had to be met in order to avoid future wars and to secure world peace. The mandate system adopted by the League of Nations was accepted by Britain as not being entire annexation at the same time was not fully liberal

approach.⁵⁸ The British government's rule of Palestine was designed to operate in accordance with this system.

The argument is that by tracking the development of Britain's interest in Palestine it is possible to assume that Britain did not depart from its traditional colonial approach in the manner in which it treated the seized territory. This was true during the military rule when Palestine's destiny was not yet assured, as well as during the establishment of the civil administration when Britain was awarded the mandate for Palestine. The beginning of this chapter describes the onset of Britain's interest in Palestine. This interest took shape when Britain entered into an agreement with the Allied Powers during the War regarding the partition of those Arab provinces and territories of the former Ottoman Empire. The introduction of the League of Nations' mandate system legalized the division of territories but, at the same time, prevented traditional annexation. The special character of the mandate sought to organise the relationship between the mandatory powers and their mandated territories. In the case of Palestine, the British Colonial Office was charged with responsibilities of administration while, with its commercial arm the Crown Agents, managed investment projects.

Most of this chapter employs on secondary material. Literature discussing the conditions that prevailed during the late Ottoman regime which led Britain to consider advancing a strategic interest in Haifa is found in Shahar Huneidi's book *A Broken Trust*, and Rashid Khalidi's *British Policy towards Syria and Palestine*. Their extensive description provided the primary background necessary to understand the development of Britain's interest in

⁵⁸ Roger Louis, 'African Origins', pp. 20-21.

Palestine.⁵⁹ Additionally, Frederick Maurice in his article '*British Policy in the Mediterranean*' argues how the changing political status of Britain in Egypt stimulated its government to consider controlling some of the Mediterranean's eastern shores.⁶⁰ This thesis shows that since Britain was not the only power in the Mediterranean, it relied on striking agreements to secure her interests. Commitment to these agreements was reconsidered after the War owing to the changing political conditions where Britain asserted her power in the region. Peter Sluglett argues that the agreements reached by the Allied Powers during the War did not offer the concerned powers equitable parts in the partitioning of the Middle East.⁶¹ Indeed, it was principally Italy that was the country left out in the partition period. Nevertheless, after the War, Britain's tendency was to release itself from former obligations as discussed by Paul Helmreich.⁶² Hence, as Jan Tanenbaum has suggested, the French were concerned about British attempts to push them out of the territory and deprive them of control over Syria and Lebanon.⁶³

These international concerns were addressed through the establishment of the League of Nations and the introduction of the mandate system. Investigations about the League and its role in world peace were discussed by various authors including, for example, William Rappard, Quincy Wright and Campbell Upthegrove.⁶⁴ The arguments of Rappard on the sovereignty, and ownership of the acquired territories as mandated areas are examined, in

⁵⁹ Sahar Huneidi, *A broken Trust: Herbert Samuel, Zionism and the Palestinians 1920-1925* (London: I. B. Tauris, 2001); Rashid Khalidi, *British Policy Towards Syria and Palestine 1906-1914* (London: Ithaca Press, 1980).

⁶⁰ F. Maurice, 'British Policy in the Mediterranean', *Foreign Affairs*, 5/1, (October 1926), pp. 103-113.

⁶¹ P. Sluglett, 'An improvement of colonialism, The 'A' mandates and their legacy in the Middle East', *International Affairs*, 90/2, (2014), 413-427.

⁶² P. Helmreich, 'Italy and the Anglo-French Repudiation of the 1917 St. Jean de Maurienne Agreement', *The Journal of Modern History*, 48/2, On Demand Supplement (June 1976), pp.99-139.

⁶³ J. Tanenbaum, 'France and the Arab Middle East, 1914-1920', *Transactions of the American Philosophical Society*, 68/7, (1978), pp. 1-50.

⁶⁴ William. Rappard, 'The Practical Working of the Mandates System', *Journal of the British institute of International Affairs*, 4/5, (September 1925), pp. 205-226; Wright, 'The Mandates'; Campbell Upthegrove, *Empire by Mandate, A history of the Relations of Great Britain with the Permanent Mandates Commission of the League of Nation* (New York: Bookman Associates, 1954).

this thesis, in relation to how mandated Palestine was treated and are demonstrated through the deliberations and negotiations in Whitehall.⁶⁵ An important issue within this study relates to the mandate system and the 'open door' policy secured by article 22 of the League of Nations' Covenant discussed by Jenkins.⁶⁶ In fact, the open door policy was essential in determining Britain's foreign policy with regards to the mandated territories.

Britain's interest in Palestine before, during and after WWI

Britain's interest in Palestine is best understood within the regional and international context. It has to be seen in connection with Britain's broader approach to the Middle East. Before WWI, a heated contest between rival European powers in the area increased the importance of Palestine for Britain. In particular, France's connection with Egypt and Syria and Germany's influence in the Ottoman Empire motivated Britain to safeguard its interests in the area. Palestine's strategic location and in particular the port of Haifa attracted Britain to serve her strategic and economic interests. It became axiomatic that Britain valued Palestine as a defensive buffer zone for the Suez Canal, and as a key component of the overland route to India.⁶⁷ Why did Britain need a buffer-zone or a secured route?

The opening of the Suez Canal in 1869 promoted Great Britain's political and strategic interests in the region.⁶⁸ The policy of the British government was directed towards obtaining a controlling interest in the Suez Canal Company. In November 1875, Britain purchased Khedive Ismail's 44 per cent of outstanding shares of the company for the sum

⁶⁵ Rappard, 'The Mandates'.

⁶⁶ Jenkins, 'Economic Equality', pp. 604-616.

⁶⁷ Butler, *Britain*, p. 16.

⁶⁸ Huneidi, *A Broken Trust*, p. 4.

of £4,000,000.⁶⁹ It was vital for Britain's authority and power that the Canal should belong to Britain.⁷⁰ This was the shortest, cheapest and most convenient route to the East and the Pacific in peace time, making the canal centrally important to Britain.⁷¹ This was reinforced by various events. Huneidi argues that the crisis of 'Aqaba incident' marked the beginning of Britain's strategic interest in Palestine and the adjacent regions in Syria.⁷² In conformation of this idea, Khalidi explains that this incident sparked 'a full-scale reassessment' of Britain's strategic approach towards Egypt and provided 'the opportunity and the pretext' for an active policy in Syria.⁷³

After the settlement of the dispute with the Turks, the British government, represented in the main by the General Staff, the Admiralty and the Foreign Office, feared an attack from the east on Egypt.⁷⁴ In 1907 and 1909, following an intensive study, the recommendation of the Committee of Imperial Defence (CID) was that the best means to defend Egypt was 'to make a large-scale landing at Haifa' in order to cut the lines of communication of an invading army.⁷⁵ In general, influential British soldiers and diplomats were interested in southern Syria at the Bay of Acre to form this 'shield of the Suez Canal'.⁷⁶ After the Turkish

⁶⁹ W. Munro, 'The Neutralization of the Suez Canal', *The Annals of the American Academy of Political and Social Science*, vol. 17 (May 1901), pp. 13-34, p. 19.

⁷⁰ H. Hoskins, 'The Suez Canal in Time of War', *Foreign Affairs*, 14/1, (October 1935), pp. 93-101, p. 95.

⁷¹ Maurice, 'British Policy', p. 112.

⁷² Huneidi, *A Broken Trust*, p. 5; The Aqaba crisis of 1906 was that "the British were concerned about the possible building of a short branch line which would have provided the new Hijaz railway with the outlet to the Red Sea via the Gulf of Aqaba, and that the Turks simultaneously perceived the British actions as a threat to their control of Aqaba. (Khalidi, *British Policy*, p. 20).

⁷³ Khalidi, *British policy*, p. 48.

⁷⁴ Ibid, p. 62.

⁷⁵ Ibid, p. 71, 73; TNA/CO537/869, CID meeting in July 1923 on 'The Strategic Importance of Palestine'. The Committee of Imperial Defence (CID) was reconstructed in 1905 by Arthur Balfour and served as the center of politico-military planning for Britain's two greatest wars. It was headed by a secretary, Maurice Hankey, who had the "power of initiative and of reminding the Prime Minister of his responsibilities for strategic planning and decision-making." (F. Johnson, 'The British Committee of Imperial Defence: Prototype of U.S. Security Organization', *The Journal of Politics*, 23/2, (May 1961), pp. 231-261, p. 237).

⁷⁶ A. L. Tibawi, *Anglo-Arab Relations and the Question of Palestine 1914-1921* (London: Luzac & Company Ltd., 1978), p. 27.

defeat in the Balkans in 1913, the British government's concern over possible Turkish retaliation, through an attack on Egypt, increased. Confident of its powers, which before WWI were in essence 'geographical location, prestige, and the navy,' the British government had launched a survey of southern Palestine as a preparation for any attack.⁷⁷ It should be noted here that the opinion of the CID was sought regularly and the CID assisted in making policy.⁷⁸ The secretary of the CID, from 1912-1938, Colonel Sir Maurice P.A. Hankey (who became Lord Hankey of The Chart), was also the Secretary of the Cabinet, 1919-1938. Hankey, possessed considerable power and was especially anxious to formulate plans for immediate action by all departments, services and Dominions in case of war.⁷⁹

During the late nineteenth and early twentieth centuries, it was not only Britain who had economic interests in the Arab provinces of the Ottoman Empire, but also France.⁸⁰ Britain was concerned with its rival France because in addition to their assets in Egypt, the French wanted to expand their interests albeit by 'peaceful conquest.'⁸¹ The British foresaw that 'not only would Marseilles profit,' from a harbour in Jaffa but it would increase France's political influence.⁸² In fact, the Ottoman Empire recognized 'France's pre-eminent position in the Levant' and its various ties with it.⁸³ In addition, French entrepreneurs were granted concessions to build railways and harbours in Syria including in Jaffa and Haifa. When WWI broke out, and during 1915, the French, including the military officials, urged the government to send troops to the Levant in order to secure their control when territorial

⁷⁷ J. Ferris, 'The Greatest Power on Earth': Great Britain in the 1920s', *The International History Review*, 13/4, (1991), pp. 726-750, p. 733; Khalidi, *British policy*, p. 333.

⁷⁸ E. Goldstein, 'British Peace Aims and the Eastern Question: The Political Intelligence Department and the Eastern Committee, 1918', *Middle Eastern Studies*, 23/4, (October 1987), pp. 419-436, p. 422.

⁷⁹ Johnson, 'The British CID', p. 235.

⁸⁰ Sluglett, 'An improvement', p. 414.

⁸¹ M. Yazbak, 'Templars as Proto-Zionists? The "German Colony" in Late Ottoman Haifa', *Journal of Palestine Studies*, 28/4, (Summer 1999), pp. 40-54, p. 44; Sluglett, 'An improvement', p. 414.

⁸² Yazbak, 'Templars', 44.

⁸³ Tanenbaum, 'France and the Arab', p.5.

settlement was determined after the War. Tanenbaum maintains that the French imperial approach was justified owing to France's fear that 'Britain would move France out of the Middle East.'⁸⁴ At the same time the British government was considering its policy regarding the future of the Arab territories of the Ottoman Empire.⁸⁵ They had declared Egypt, which was occupied in 1882, a British protectorate with a promise to reconsider the position of the country after the war.⁸⁶ Britain had concerns that if Palestine was occupied by another European power the security of the Suez Canal would be threatened.⁸⁷ It was in the interest of Britain to enter into secret wartime treaties 'for the partition of the 'Sick man of Europe''.⁸⁸

The head of the Middle East Department at the War Office Mark Sykes expressed his thoughts in April 1915 about controlling territories in the Middle East. He suggested that the non-Turkish portions of the Ottoman Empire should be annexed by the various Allies or that the Empire should be maintained intact and divided into zones of commercial and political interests. In either scenario Sykes explained that Britain should acquire, in addition to Mesopotamia (as Iraq was then called), the territory from Haifa in the north to Egypt in the south.⁸⁹

⁸⁴ Ibid, p. 6.

⁸⁵ E. Kedourie, 'Britain, France, and the Last Phase of the Eastern Question', *Proceedings of the Academy of Political Science*, 29/3, Soviet-American Rivalry in the Middle East (Mar 1969), pp. 189-197, p. 189.

⁸⁶ Maurice, 'British Policy', p. 108.

⁸⁷ B. Wasserstein, *The British in Palestine: The Mandatory Government and the Arab-Jewish Conflict 1917-1929* (London: Royal Historical Society, 1978), p.7.

⁸⁸ T. Bryson, 'Admiral Mark L. Bristol, an Open-Door Diplomat in Turkey', *International Journal of Middle East Studies*, 5/4, (September 1974), pp. 450-467, p. 454.

⁸⁹ A. Thornton, *The Imperial Idea and Its enemies: A Study in British Power* (London: MacMillan & Co Ltd., 1959), p.164; Elie Kedourie and Mark Sykes, 'Sir Mark Sykes and Palestine 1915-16', *Middle Eastern Studies*, 6/3, (October 1970), pp. 340-345, p. 340; Johnny Mansour, 'Historical Features: The Hijaz-Palestine Railway and the Development of Haifa'. *Jerusalem Quarterly*, no. 28, (2006), pp. 5-21, p.16; Frank Manuel, 'The Palestine Question in Italian Diplomacy, 1917-1920', *The Journal of Modern History*, 27/3, (September 1955), pp. 263-280, p. 263.

This division of territory refers back to time when the Hijaz railway had 'provoked British fears of Turco-German designs on areas adjacent to its course.'⁹⁰ In order to avoid clashes, a network of agreements was set up. This culminated in the 1910 railway agreement among the powers concerning Turkish railways that sought to establish 'the sphere of influence of each [power]' without challenging French predominance in Syria.⁹¹ In fact, France had commercial rights in Turkey and Marseilles relied heavily upon eastern Mediterranean trade. Nonetheless, the Mediterranean was part of Britain's most important trade route to India and Haifa was the entry point to the Middle East at large.⁹²

Another important territorial treaty was the Sykes-Picot Agreement resulting from secret Anglo-French negotiation during-the-war in the spring of 1916, which also required Russian and Italian consent. The agreement defined the French and British zones of direct control and influence in the Asian areas of the Ottoman Empire.⁹³ The basis for the plan was the principle of the 'equitable division of geographical space' with the purpose of avoiding future quarrels.⁹⁴ According to the Agreement the divided area expanded from eastern Egypt to Western Iran. Britain was assigned southern Iraq with the colour red, France northern Iraq, south-eastern Turkey and Syria/Lebanon, coloured blue. In addition, Russia was assigned the straits and north-eastern Anatolia, Italy, after protesting against the agreement and demanding an 'equitable part' in the partition of the Ottoman Empire, was assigned parts of south-western Anatolia.⁹⁵

⁹⁰ Khalidi, *British Policy*, p. 115.

⁹¹ *Ibid.*, p. 185.

⁹² John Marlowe, *Rebellion in Palestine* (London: The Cresset Press 1946), p. 39; Kedourie and Sykes, 'Sir Mark Sykes', p. 341.

⁹³ Helmreich, 'Italy', p.104.

⁹⁴ Edward Said, *Orientalism*(First edition) (New York: Pantheon Books, 1978), p. 220.

⁹⁵ Sluglett, 'An Improvement', p. 415; Tanenbaum, 'France and the Arab', p. 12, 14.

The agreement also stipulated that Palestine was to be put under the control of an 'as yet unspecified international regime' to be agreed upon later by Britain and France after consulting Russia, the Sherif of Mecca, and 'other allies'.⁹⁶ The reason for this arrangement was that in return for Russia's agreeing to France's post-war claim to Syria, Russia's unique historical and religious connections with the Holy Land was taken into account.⁹⁷ Britain however insisted that a small enclave around Haifa was to be controlled by her.⁹⁸ This was because Britain was contemplating to build a railway from Haifa to Baghdad since it wanted to have a sphere of interest in Iraq.⁹⁹ Additional discussions held among Britain, France and Italy in April 1917 at St. Jean de Maurienne were translated by the Italian Foreign Office into a 'formal agreement embodying the international administration of Palestine'.¹⁰⁰ It was drafted as a tentative agreement to settle Italy's interest in the Middle East. However, the internationalization solution was barred by the League of Nations due to the inefficiency of direct international administration of a territory.¹⁰¹

With the progress of the War and General Allenby's advance into Palestine in December 1917 the picture of the Middle East had changed.¹⁰² The capture of Jerusalem made Britain the *de facto* ruler of Palestine and 'underlined the paramount position of Britain' in the Middle East and the Mediterranean.¹⁰³ In October 1917, after the defeat of Russia and following the entry of the United States into the War, the British Foreign Secretary notified

⁹⁶ Slugett, 'An improvement', p. 415; Marlowe, *Rebellion*, p. 341.

⁹⁷ F. Brecher, 'French Policy toward the Levant 1914-18', *Middle Eastern Studies*, 29/4, (October 1993), pp. 641-663, p. 648; E. M., 'Palestine: The Background of Present Discontents', *Bulletin of International News*, 12/25, (20 June 1936), pp. 3-16, p. 6; Leonard Stein, *The Balfour Declaration*, (London: Vallentine, Mitchell & Co. Ltd., 1961), p. 245.

⁹⁸ Marlowe, *Rebellion*, p. 39; Kedourie and Sykes, 'Sir Mark Sykes', p. 341; Manuel, 'The Palestine Question', p. 263.

⁹⁹ D. K. Fieldhouse, *Western Imperialism in the Middle East, 1914-1958* (Oxford: Oxford University Press, 2008), p. 51; Elie Kedourie, *England and the Middle East, The Destruction of the Ottoman empire 1914-1921* (London: Mansell Publishing Limited), 1987, p. 35.

¹⁰⁰ Monroe, *Britain's Moment*, p. 42.

¹⁰¹ Wright, *Mandates*, p. 26.

¹⁰² *Ibid.*, p. 43.

¹⁰³ R. Miller (ed.), *Britain, Palestine and Empire: The Mandate Years*, ASHGATE, electronic resource, 2010, p. 7.

France that the 1916 Sykes-Picot agreement should be significantly altered.¹⁰⁴ The British government's eastern experts did not support the Sykes-Picot Agreement and decided by 1918 to retreat from its provisions gradually.¹⁰⁵ With the defeat of Germany, Britain reviewed her imperial interests in the Middle East. Britain was determined not to allow France, its commercial and imperial rival, to enhance further its authority and undermine Britain's Imperial supremacy in the region.¹⁰⁶ Despite its military significance, Britain wanted to avoid previous episodes of conflict so sought renegotiations as part of a general peace settlement. France resisted Britain's attempt to keep her 'out of the Arab lands,' and insisted on the validity of the Sykes-Picot Agreement.¹⁰⁷ In this context, Britain regarded the St. Jean de Maurienne Agreement as null and void as the Russian government's consent, due to the Russian revolution, had never been obtained.¹⁰⁸ Consequently, Italy's share of the spoils of the Ottoman Empire was also endangered.

In spite of its position towards wartime agreements, when Britain seized the Middle East, the question posed was: 'What was to become of these territories?'¹⁰⁹ The British government decided in the War's aftermath that 'Palestine must not fall into French hands,' and that Britain should exert ultimate control.¹¹⁰ Britain stood in France's way in the Orient and Edward Said rightly argues that there was 'very little France could do to get between Britain' and the lands under its control (extending from India to the Mediterranean).¹¹¹ Furthermore, General Jan Smuts, South African statesman and member of the War Cabinet

¹⁰⁴ Tanenbaum, 'France and the Arab', p. 22.

¹⁰⁵ T. Paris, 'British Middle East Policy-Making after the First World War: The Lawrentian and Wilsonian Schools', *The Historical Journal*, 41/3, (September 1998), pp. 773-793, p. 775.

¹⁰⁶ Helmreich, 'Italy', p. 101.

¹⁰⁷ *Ibid.*, p. 102; Goldstein, 'British Peace Aims', p. 424.

¹⁰⁸ Helmreich, 'Italy', p. 102.

¹⁰⁹ S. Pedersen, 'The Meaning of the Mandates System: An Argument', *Geschichte und Gesellschaft*, 32. Jahrg., H. 4, *Sozialpolitik transnational* (Oct. - Dec., 2006), pp. 560-582, p. 560.

¹¹⁰ D. Gillon, 'The Antecedents of the Balfour Declaration', *Middle Eastern Studies*, 5/2, (May 1969), pp. 131-150, p. 137.

¹¹¹ Said, *Orientalism*, p. 217.

1917-1919, asserted that in conjunction with Iraq, Palestine would give Britain a land route to India and would 'bring together the British empire of Africa and Asia.'¹¹²

The League of Nations and the mandate system

World War I was described by some as "the war to end war". Stephen King-Hall maintained that the Great War was to eliminate the old system of competition between national states run by the rule that 'might was right'.¹¹³ The destiny of those territories of the Middle East was the subject of negotiations at the League of Nations which was established as a result of the Peace Conference of Paris in 1919.¹¹⁴ The League was an international organization to 'promote voluntary cooperation, public discussion, and pacific negotiations among its members.'¹¹⁵ A Covenant for the League of Nations drafted by the victors, primarily in their interest, came into force in January 1920.¹¹⁶ The mandate system was introduced by virtue of article 22 of the League's Covenant and served a dual purpose. The system arranged the relationship amongst the world's countries and organised the relationship between world powers and the wrested territories. Dealing with these aspects helps to assist an understanding, in later chapters, of the discussions that revolved around the construction of the Haifa harbour.

The structure and function of the League of Nations' organs varied. Membership of the League was the most fundamental feature of its structure. Initially, 23 countries joined the League and that number rose to 56 by 1927. Those states enjoyed equal privileges and had

¹¹² Huneidi, *A Broken Trust*, p. 5.

¹¹³ S. King-Hall, 'Anglo-French Relations', *International Affairs* (Royal Institute of International Affairs 1931-1939), 10/6, (November 1931), pp. 778-802, p.780.

¹¹⁴ Upthegrove, *Empire*, p. 11.

¹¹⁵ William Rappard, 'The Evolution of the League of Nations', *The American Political Science Review*, 21/4, (November 1927), pp. 792-826, p. 794.

¹¹⁶ *Ibid.*, p. 795.

intended to observe international obligations.¹¹⁷ This is significant because, for example, Italy observed Britain's administration of the harbour construction which influenced the British government's decision making in more than one instant. The important organs of the League were the Council, the Assembly, the Secretariat, the Court and the International Labour Organization. The Secretariat, the administrative body of the League established in January 1920, was headed by Sir James Eric Drummond, a British Foreign Office official who stayed there until 1933.¹¹⁸ The Secretariat was to prepare and to carry out the decisions of the Assembly and the Council and was not authorised to shape any policy of its own.¹¹⁹ The Council had an executive committee composed of five permanent members, most of whom were the principal Allied Powers as well as four non-permanent members.¹²⁰ Its meetings were held four times a year to study treaties and determine policies.¹²¹ The Assembly, comprised of representatives of three delegates from each member state, met annually. Its purpose was to debate the reports of the Council and to adopt decisions.¹²² The Assembly had the role of the general director of 'League policy and as a link between the Council and the public opinion of the world.'¹²³

¹¹⁷ M. Hudson, 'Membership in the League of Nations', *The American Journal of International Law*, 18/3, (July 1924), pp. 436-458, p. 436, 454; Rappard, 'The Evolution', p. 795; L. Lloyd, 'The League of Nations and the Settlement of Disputes', *World Affairs*, 157/4, Woodrow Wilson and the League of Nations: Part One (Spring 1995), pp. 160-174, p. 160.

¹¹⁸ C. Levermore, 'The Record of the League of Nations', *The Journal of International Relations*, 12/1, (July 1921), pp. 1-13, p. 1.

¹¹⁹ Rappard, 'The Evolution', p. 810.

¹²⁰ *Ibid.*, p. 795.

¹²¹ Hamilton Holt, 'The League of Nations Effective', *Annals of the American Academy of Political and Social Science*, vol. 96, The Place of the United States in a World Organization for the Maintenance of Peace (July 1921), pp. 1-10, p. 6.

¹²² C. Levermore, 'Achievements of the League of Nations in Its First Year', *Annals of the American Academy of Political and Social Science*, vol. 96, The Place of the United States in a World Organization for the Maintenance of Peace (July 1921), pp. 11-16, p. 11.

¹²³ Rappard, 'The Evolution', p. 807.

In fact, the form of the League of Nations was thought by the British government to frame the conduct of international relations to make war less likely in the future.¹²⁴ Susan Pedersen sees the League as a transition from formal Empire to 'a world of formally sovereign states'.¹²⁵ Thus, the League became a remedy against international anarchy.¹²⁶ The preamble of the Covenant of the League of Nations explains its purpose and the method to achieve it. It stipulated that governments' agreement to the Covenant was, *inter alia*, 'in order to promote international cooperation and to achieve international peace and security.' Free trade and mutual exchange were the basis for international cooperation in order to establish peace. This was to be attained through 'open, just and honourable relations between nations' and by 'the maintenance of justice and a scrupulous respect for all treaty obligations.'¹²⁷ In essence the Covenant provided for the arrangement of relations amongst the international community as well as between them and the inhabitants of the seized territories.

The United States, which moved towards isolationism, and the Bolshevik regime in Russia, did not join the League. This was despite the fact that President Wilson had been a leading figure in the establishment of the League. The United States Senate refused to ratify the Paris Peace treaty. Consequently, the United States ceased to attend the League's Supreme Council, resulting in Britain and France being afforded greater freedom and power to decide the future of the acquired Arab countries as they wished.¹²⁸ The absence of the

¹²⁴ H. Winkler, 'The Development of the League of Nations Idea in Great Britain, 1914-1919', *The Journal of Modern History*, 20/2, (June 1948), pp. 95-112, pp. 95-6.

¹²⁵ S. Pedersen, 'Back to the League of Nations', *The American Historical Review*, 112/4, (October 2007), pp. 1091-1117, p. 1092.

¹²⁶ C. Duffy, 'Province The League of Nations', *The Irish Monthly*, 78/922, (Apr., 1950), pp. 166-174, p. 166.

¹²⁷ League of Nations, 'Covenant of the League of Nations', 28 April 1919, available at Yale Law School, Lillian Goldman Library, The Avalon Project, http://avalon.law.yale.edu/20th_century/leagcov.asp.

¹²⁸ Tibawi, *Anglo Arab Relations*, p.382.

Americans and the Russians, in effect, reduced the League's scope and cohesion.¹²⁹ Without the United States, William Rappard maintained that the League was feeble and a mere association of nations whose corporate solidarity was weak.¹³⁰ Though the United States was not a member of the League, the liberty and integrity of South and Central American Republics guaranteed by the United States under the Monroe doctrine were secured by the League of Nations.¹³¹

Before WWI a vicious system of commercial monopoly had existed and was secured by political control. In order to destroy this system and to end secret treaties, the League's Covenant stated that no 'treaty shall be binding until registered with the League'.¹³² Article 20 of the Covenant provided that the members must accept that all previous understanding or obligations which were inconsistent with the Covenant must be expunged.¹³³ Consequently, by virtue of the League's Covenant, Britain released itself from obligations of pacts such as the Sykes-Picot Agreement relating to the partition of the territories acquired by war. It was convenient for the British to claim that these were superseded by the League's regulations. In its zeal to control the routes to India, Britain did not wish France and Italy to be major powers in the Middle East and urged them to renounce their claims under the secret treaties.¹³⁴ Nevertheless, the French were angry, and a confrontation almost occurred.¹³⁵

¹²⁹ M. Smith, 'The League of Nations and International Politics', *British Journal of International Studies*, 2/3, (October 1976), pp. 311-323, pp. 316-7.

¹³⁰ Rappard, 'The Evolution', p. 797; William Rappard, *International Relations as Viewed from Geneva* (New Haven: Yale University Press, 1925), p.5; Pedersen, 'The Meaning', p. 562.

¹³¹ H. Pell, Jr., 'The League of Nations Covenant', *Proceedings of the Academy of Political Science in the City of New York*, 8/3, The League of Nations Covenant (July 1919), pp. 46-49, p. 47.

¹³² A. Sweetser, 'The First Year and a Half of the League of Nations', *Annals of the American Academy of Political and Social Science*, Vol. 96, The Place of the United States in a World Organization for the Maintenance of Peace (July 1921), pp. 21-30, p. 27.

¹³³ Herbert Gibbons, 'The Defects of the System of Mandates', *Annals of the American Academy of Political and Social Science*, Vol. 96, The Place of the United States in a World Organization for the Maintenance of Peace (July 1921), pp. 84-90, p. 86.

¹³⁴ Goldstein, 'British Peace Aims', p. 421.

¹³⁵ Gibbons, 'The Defects', p. 87.

The guiding principles for the territorial settlement, as a result of WWI, were laid down by American President Woodrow Wilson's famous fourteen points announced in January 1918. His insistence upon the rights of native populations and absolute impartial adjustment of all colonial claims formed a fundamental contribution to the system.¹³⁶ Wilson provided for 'a program for national self-determination' which seemed to invalidate the plans arrived at by the colonial powers.¹³⁷ He effectively blocked the route for the traditional solution of outright annexation.¹³⁸ General Jan Smuts in his *A Practical Suggestion* published in December 1918, offered a concrete plan for a system of internationally supervised colonial administration.¹³⁹ In this way, he introduced a 'mandatory plan' which provided an instrument of government.¹⁴⁰ Indeed, President Wilson not only was the father of the League but he also supported the adoption of General Smuts' suggestions that the League of Nations should be the trustee for former German colonies and the seized territories of the Ottoman Empire.¹⁴¹ The notion of trusteeship revived the claim to rule 'in civilization's name'.¹⁴²

The plan, referred to as the 'mandates system' in article 22 of the League's Covenant, was adopted by the Supreme Council in January 1919 and came into force in January 1920.¹⁴³ This article looked to internationalize colonial policy, with the intention of honouring the principle of the 'open door'.¹⁴⁴ It was generally felt that the fundamental causes of modern

¹³⁶ Mills, 'The Mandatory System', p.50

¹³⁷ Said, *Orientalism*, p. 221.

¹³⁸ Rappard, 'The Practical', p. 205

¹³⁹ Upthegrove, *Empire*, p. 11; Mills, 'The Mandatory System', p. 51; Pedersen, 'The Meaning', p. 560.

¹⁴⁰ Norman Bentwich, 'The Legal System of Palestine under the Mandate', *Middle East Journal*, 2/1, (January 1948), pp. 33-46, p. 36.

¹⁴¹ Gibbons, 'The Defects', p. 87.

¹⁴² S. Atran, 'The Surrogate Colonization of Palestine, 1917-1939', *American Ethnologist*, 16/4, (Nov., 1989), pp. 719-744, p. 719.

¹⁴³ Upthegrove, *Empire*, p.15; Rappard, 'The Practical', p. 207.

¹⁴⁴ Upthegrove, *Empire*, p. 11.

warfare stemmed from those policies that led to colonial rivalry and exploitation of underdeveloped regions.¹⁴⁵ It is perhaps right to say that the mandate system was adopted as a 'compromise' between imperial desires to annex territories and Wilson's insistence on the abandonment of the traditional colonial approach.¹⁴⁶

The principles incorporated in article 22 were to organise the relationship between these rivals and the territories acquired as a result of war. William Rappard defines the mandate system as 'the scheme of international supervision of the national administration of certain backward areas'.¹⁴⁷ Much later, this interwar assumption of backwardness was criticised by Said who noted that almost all colonial schemes begin with an 'assumption of native backwardness' and their general inadequacy to be independent.¹⁴⁸ Article 22 defined the terms upon which the Allied Powers agreed and according to which they could claim an interest in the acquired territories.¹⁴⁹ It is imperative for this study to investigate the provisions of article 22 in order to understand better how Britain's relationship with the international community, as defined by the mandate, affected its policy towards the construction of the harbour at Haifa and the building of the Iraqi oil pipeline terminus at Haifa.

Article 22 stipulated that those territories seized as a result of the War which inhabitants were 'not yet able to stand by themselves under the strenuous conditions of the modern world'. As a result, these territories should be entrusted to advanced nations as

¹⁴⁵ Mills, 'The Mandatory system', p. 50.

¹⁴⁶ Upthegrove, *Empire*, p. 15; Jenkins, 'Economic Equality', p. 604-5.

¹⁴⁷ Rappard, 'The Mandates', p. 408

¹⁴⁸ E. Said, *Culture and Imperialism* (New York: Alfred A. Knopf, 1994), p. 80.

¹⁴⁹ A. McNair, 'Mandates', *The Cambridge Law Journal*, 3/2, (1928), pp. 149-160, p. 150. McNair was of Gray's Inn, Barrister-at-Law, Fellow of Gonville and Caius College, Reader in Public International Law in the University of Cambridge and then later judge of the International Court of Justice. (R. Y. J., 'Arnold McNair', *The Cambridge Law Journal*, 34/2, (November 1975), pp. 177-181).

'[m]andatories on behalf of the League' to secure their well-being and development.¹⁵⁰ By the terms of this trust, which was defined and regulated by international law, the people should be prepared for their independence and self-government.¹⁵¹ The provisions of the article referred specifically to those 'communities formerly belonging to the Turkish Empire' and as having reached a particular stage of development. Therefore, their 'existence as independent nations can be, provisionally recognised' provided that they were given 'administrative advice and assistance' by a mandatory that was approved by the territory.¹⁵² In fact, the British mandate for Palestine was 'hardly compatible' with the League's Covenant since Palestine was not provisionally or finally recognised as independent.¹⁵³ Yet other countries became independent only later as it was deemed appropriate to serve the interests of the mandatory.¹⁵⁴

The character of the mandate was gauged by a country's stage of development, therefore, there was no uniformity in how the mandate system applied to each country. Variation was part of the system as applied to different regions and territories.¹⁵⁵ The former Turkish possessions including Syria, Lebanon, Palestine and Iraq were classified as 'A' mandates.¹⁵⁶ This meant that these people reached a more advanced stage than those classified as 'B' and 'C' mandates in Africa and the Pacific.¹⁵⁷ In summary, the principles incorporated in article 22 were: the administration of the peoples of the mandated territories was a trust for their benefit with no annexation of the land; the terms of this trust were in accordance

¹⁵⁰ League of Nations, 'Covenant', Article 22.

¹⁵¹ Wright, 'The Mandates', p. 342; N. Bentwich, 'Colonial Mandates and Trusteeships', *Transactions of the Grotius Society*, vol. 32, Problems of Public and Private International Law, Transactions for the Year 1946 (1946), pp. 121-134, p. 122.

¹⁵² League of Nations, 'Covenant', article 22; Mills, 'The Mandatory System', p. 52.

¹⁵³ Wright, *Mandates*, p. 62.

¹⁵⁴ Iraq became independent in 1930, Lebanon and Syria in 1943 and Jordan in 1928 but was kept under the British mandate until 1946. (J. Salmon, 'Declaration of the State of Palestine', *The Palestine Yearbook of International Law*, vol. V, 1989, p. 73-74).

¹⁵⁵ Pedersen, 'The Meaning', p. 564.

¹⁵⁶ Jenkins, 'Economic Equality', p. 605.

¹⁵⁷ D. Miller, 'The Origins of the Mandates System', *Foreign Affairs*, 6/2, (January 1928) pp. 277-289, p.287.

with international law; the open door policy was to be maintained; and the people should be prepared 'for eventual independence and self-government'.¹⁵⁸ At the same time, the League's covenant did not mention anything with regards to how long the mandatory control would last, how it would end, or what the League of do if the mandatory power failed to uphold the principles of the sacred trust.¹⁵⁹

By the provisions of article 22 the Council of the League was entitled to the supervision but not the control of the mandate system, aided by the advice and assistance of the Permanent Mandates Commission (PMC). The majority of the Commission's nine members were nationals of states not holding mandates, however, only four of them were.¹⁶⁰ They were not representatives of governments but individuals with colonial experience in administration and governorship.¹⁶¹ Major William Ormsby Gore, Under-Secretary of State for the Colonies, was the British representative on the Permanent Mandates Commission (PMC).¹⁶² In order to guarantee the observance of the mandates the PMC received 'through duly authorized representatives' annual reports from the mandatories on the administration of the mandated territories.¹⁶³ This systematic supervision was possible only due to the existence of the League of Nations.¹⁶⁴ According to this system the representatives of the mandatory powers were expected to be prepared to answer questions and offer explanations or supplementary information.¹⁶⁵ To ensure compliance with the League's regulations, it was stated in article 24 of the Palestine mandate that

¹⁵⁸ P. Potter, 'Origins of the System of Mandates under the League of Nations', *The American Political Science Review*, 16/4, (November 1922) pp 563-583, p. 570; Bentwich, 'The Legal System', p. 36; Wright, 'The Mandates', p. 342.

¹⁵⁹ Pedersen, *The Guardians*, p.2.

¹⁶⁰ Sweetser, 'The First Year', p. 27; Pedersen, *The Guardians*, p. 60.

¹⁶¹ Rappard, 'The practical', p. 214; A. Kanya-Forstner, review of *Mandates Mattered Mandates and Empire: The League of Nations and Africa, 1914-1931* by Michael D. Callahan, *The Journal of African History*, 42/3, (2001), pp. 521-523, p. 522.

¹⁶² Mills, 'The Mandatory System', p. 60.

¹⁶³ Wright, 'The Mandates', p. 348.

¹⁶⁴ Wright, *Mandates*, p. 64.

¹⁶⁵ McNair, 'Mandates', p. 152.

'copies of all laws and regulations promulgated or issued during the year shall be communicated with the [annual] report.'¹⁶⁶ In the case of the Palestine mandate the High Commissioner or high official of the Colonial Office would appear before the Commission at Geneva and be interviewed about the report and the administration as a whole.¹⁶⁷ After examining these reports and adding its observation, the Commission would forward them to the Council for publishing.¹⁶⁸ More importantly, it was evident that these observations formed the basis for the Council's decisions.¹⁶⁹

Edward Jenkins, from the University of Chicago, explains that PMC was purely an advisory body with no power to render decisions or recommendations upon the mandatory.¹⁷⁰ The League was in no position, in the opinion of a British official, to 'interfere with mandatories' and the function of the Commission was to enquire into any grave complaint made in a mandated territory, but 'not undertake administration'.¹⁷¹ In fact, the submission of annual reports was viewed by the mandatories as a limitation on their freedom. This is because the Commission's powers were those of moral persuasion and the 'threat of public rebuke' as these reports would provoke public uproar and pressure.¹⁷² Therefore, both the British and the French were anxious to avoid public criticism and 'tailored not merely their reports but also their policies accordingly'.¹⁷³ Indeed, the British government presented reports about the administration of Palestine in a manner to show its commitment to the principles of the mandate.

¹⁶⁶ 'British Mandate for Palestine'.

¹⁶⁷ Bentwich, 'Colonial Mandates', p. 128.

¹⁶⁸ Mills, 'The Mandatory System', p. 59.

¹⁶⁹ Jenkins, 'Economic Equality', p. 607.

¹⁷⁰ *Ibid.*, p. 607.

¹⁷¹ William Roger Louis, 'The United Kingdom and the Beginning of the Mandates System, 1919-1922', *International Organization*, 23/1, (Winter 1969), pp. 73-96, p. 93.

¹⁷² Sweetser, 'The First Year', p. 27.

¹⁷³ Kanya-Forstner, review of *Mandates and Empire*, p. 522.

The 'A' mandates were distributed and accepted by the mandatory powers. Here, Britain was granted the mandate of Iraq and Palestine and France that of Syria and Lebanon.¹⁷⁴ Before the League of Nations ratified these mandates, the British Cabinet, in June 1921, held discussions to make sure that retaining the mandate of Iraq and Palestine was of significance to Great Britain. The question was also discussed in Whitehall and Parliament. In fact, there were voices in Britain that were not fully in support of the mandate. Although the Cabinet provisionally approved the terms of the mandate for Palestine in 1921, the House of Lords passed a motion against it in 1922.¹⁷⁵ Additionally, the General Staff of the British Army declared in 1923 that Palestine was not vital to the defence of the Suez Canal.¹⁷⁶ In fact the defence of the canal depended on forces stationed on the banks of the Suez and not in Palestine.¹⁷⁷ However, the Colonial Office and the CID held the opposite position that maintained Palestine's importance to Suez. Given this apparent dispute, why was it so important for Britain to gain control over Palestine?

One argument put forward was that the British government had an obvious incentive to sustain control of Palestine given that it had spent 'over one hundred million pounds' in Palestine and Mesopotamia since the armistice.¹⁷⁸ The decision was that however 'undesirable and expensive' controlling any of the Arab areas might be, it would be still more undesirable and expensive if 'they passed [to] the control of any other European Power.'¹⁷⁹ Moreover, the Cabinet thought that it was difficult to withdraw from Palestine and Mesopotamia and 'hand those countries over to anarchy'.¹⁸⁰ Rappard claims that 'it

¹⁷⁴ McNair, 'Mandates', p. 153.

¹⁷⁵ TNA/CAB 24/125/5, Note by the Secretary 'League of Nations, "A" Mandates', 2.6.1921; Miller, *Britain, Palestine*, p.3.

¹⁷⁶ Porath, *The Emergence*, p. 168.

¹⁷⁷ Kenneth Williams, 'Palestine: A New Policy Wanted', *Fortnightly review*, May 1865-June 1934, (December 1933), 134, *British Periodicals*, pp. 665-673, p. 672.

¹⁷⁸ TNA/CAB24/125/41, Palestine and Mesopotamia Mandates, Winston S Churchill, 1.6.1921.

¹⁷⁹ *Ibid.*

¹⁸⁰ TNA/CAB24/125/29, League of Nations, 'A' & 'B' Mandates', 1.6.1921.

was held politically impossible' to leave the acquired territories under their former rulers, so the Colonial powers opted 'to annex them, or to grant them independence'.¹⁸¹ He argues that the mandate was a form of administration that justified itself in the 'eyes of the world' because of the intrinsic advantages it offered to those concerned. Who were those concerned in the mandate? Rappard explains that the three parties concerned were the inhabitants of the mandated territory, the mandatory powers, and the League of Nations.¹⁸² In fact, these three interests constitute the three strands of this thesis as directed toward an investigation into the construction of the Haifa harbour.

The strategic importance of Palestine to the Suez Canal, particularly after the conversion of Egypt to protectorate status in 1921, was one key justification for retaining the mandate of Palestine.¹⁸³ The opinion of the Middle East Department of the Colonial Office was that the key to Great Britain's sea and air communications was shifting from Egypt to Palestine by which the latter gained political and strategic importance.¹⁸⁴ The July 1923 opinion of the CID was that the 'retention of Palestine was desirable at present'.¹⁸⁵ This was because if Palestine's ports were to fall into 'hostile hands', a naval menace would present itself vis-à-vis the Suez Canal.¹⁸⁶ Palestine was also important to allow the Anglo-Persian Oil Company to transport oil to and from the Mediterranean.¹⁸⁷ In brief, Britain's imperial interests in Palestine were first and foremost to keep it out of the hands of any hostile power; second, to serve strategic purposes related to the defence of the Suez Canal; and third, to achieve economic and communication goals.¹⁸⁸ Moreover, it was thought that in the event of war

¹⁸¹ Rappard, 'The Practical', p. 208.

¹⁸² Ibid.

¹⁸³ Maurice, 'British Policy', p. 108-9.

¹⁸⁴ TNA/CO537/869, Palestine 1926, CID on Haifa.

¹⁸⁵ Ibid.

¹⁸⁶ Ibid.

¹⁸⁷ Ibid.

¹⁸⁸ Abdul-Wahab Kayyali, 'Zionism and Imperialism: The Historical Origins', *Journal of Palestine Studies*, 6/3, (Spring 1977), pp. 98-112, p 112.

India would provide Britain with crucial military recruiting ground, therefore it was vital that the Suez Canal would be open for ships to India, alongside overland and air routes via Palestine and Iraq.¹⁸⁹

Article 23 of the League's Covenant provided that the stated provisions must define the relationship between the mandatory power with the local community on one hand and that with the international community on the other. It is vital at this stage to mention some of the items of this article that will be discussed in this thesis in relation to the construction of the Haifa harbour. For example, item (a) stipulated, *inter alia*, that the members of the League should 'endeavour to secure and maintain fair and humane conditions of labour' both within and outside their countries. For this purpose the International Labour Organization (ILO) was established. Item (e) of the article stipulated that the members of the league should 'secure and maintain freedom of communications and of transit and equitable treatment for the commerce of all members of the League.' This was in reference to the 'open door' policy which, as Pitman Potter, the author of the Covenant said, was to be maintained in the colonial territories under the mandatory power.¹⁹⁰ Equitable treatment did not mean free trade or lower revenue tariffs, but rather equality and uniformity of treatment in terms of duties, dues and regulations, shares in raw materials and equal opportunities for investments or concessions.¹⁹¹ Article 23 also provided 'general obligations for the well-being of native inhabitants' of the mandated territories though no machinery was set up for implementation.¹⁹²

¹⁸⁹ Brian Lapping, *End of Empire*, Based on the Television series, Granada: in association with Channel Four Television Company Limited and Granada Television Limited (Granada Publishing Limited, 1985), p. 113.

¹⁹⁰ Potter, 'Origins', p. 570.

¹⁹¹ Culbertson, 'The "Open Door"', p. 325.

¹⁹² Bentwich, 'Colonial Mandates', p. 122.

The Council of the League held a session in July 1922 in London primarily to ‘consider the mandate for Palestine’ and decided to approve it.¹⁹³ The Council considered it desirable that the British and French mandates should come into operation simultaneously. Thus the Palestine mandate was held in ‘abeyance’ until Franco-Italian differences, in regard to questions raised by Italy about the French mandate in Syria, had been resolved.¹⁹⁴ Thus it took until September 1923 for the Palestine, Syria and Lebanon mandates to come into operation.¹⁹⁵ It is worth noting that the United States made no territorial claims after the War and therefore avoided the burden of administrative responsibility.¹⁹⁶

In the guise of mandatory powers, Britain and France took control of the Arab lands formerly under Turkish rule.¹⁹⁷ It is possible to say that France had achieved her objectives in the Levant although it was agreed Britain’s belated insistence on unilateral control of Palestine.¹⁹⁸ Due to Britain’s position, friction over territorial settlement between Britain and France was unavoidable in the view of some British officials.¹⁹⁹ The mandatories were selected by the principal Allied Powers for purely political reasons and not because of their ‘peculiar colonial experience’.²⁰⁰ The wishes of the Palestinian community in the selection of the mandatory were not sought as dictated by article 22 of the League’s Covenant. Similarly, Alexandre Millerand, the French Prime Minister did not believe, with regards to

¹⁹³ Mills, ‘The Mandatory System’, p. 61.

¹⁹⁴ TNA/CO537/869, CID on Haifa, Middle East Department, Colonial Office, 16.2.1923; N. Bentwich, ‘Palestine’, Review of Legislation, 1922’, *Journal of Comparative Legislation and International Law* (Third Series), 6/3, (1924), pp. 186-194, p. 186; Mills, ‘The Mandatory System’ p. 61.

¹⁹⁵ McNair, ‘Mandates’, p. 160.

¹⁹⁶ Mills, ‘The Mandatory System’, p. 57.

¹⁹⁷ H. Hall III, ‘Lloyd George, Briand and the Failure of the Anglo-French Entente’, *The Journal of Modern History*, 50/2, On Demand Supplement (June 1978), pp. D1121-D1138, p. D1123.

¹⁹⁸ F. Brecher, ‘French Policy toward the Levant 1914-18’, *Middle Eastern Studies*, 29/4, (October 1993), pp. 641-663, p. 646.

¹⁹⁹ G.F. Clayton, Allenby’s Chief Political Officer, expressed his view: “if Britain were installed permanently in Palestine then there would be endless friction with the French in Syria.” (J. Fisher, ‘Syria and Mesopotamia in British Middle Eastern Policy in 1919’, *Middle Eastern Studies*, 34/2, (April 1998), pp. 129-170, p. 142.)

²⁰⁰ Rappard, ‘The Practical’, p. 207.

Syria, that the Arabs 'should participate in the political decisions affecting their lives.'²⁰¹ The mandate system had legalized Europe's direct control over the acquired territories of the Middle East.

While the League had now agreed the creation of the mandates, the compromise at their core brought criticism for being a 'cloak for further imperialistic expansion'.²⁰² In effect, the mandatory system through the agency of the League of Nations, gave Britain and France rights to the acquired territories. This indirect allocation of territories for administration and development was not to offset Germany's payment of compensation for the loss and damage caused during WWI according to the Treaty of Versailles of June 1919 with the Allied Powers. It was also a means of justification to the Italians and others, who did not obtain appropriate proportional territorial gains as a result of the War.²⁰³ For this reason the mandate was adopted 'without prolonged discussion'.²⁰⁴ It was agreed in Cabinet that it was important to 'get the mandates passed without delay'.²⁰⁵

Monroe rightly argues that although the mandate system was not the same as traditional colonialism, the British were still the primary power in the mandated territory. Monroe also explains that the local peoples were subordinated 'to British interests outside the Middle East' under the 'the magic of the word 'mandate''.²⁰⁶ In her view the term 'mandate' was elastic enough to allow for the British to claim that the Imperial defence would remain 'safely in British hands'.²⁰⁷ In this sense, it is possible to describe the mandate as 'an

²⁰¹ Tanenbaum, 'France and the Arab', p. 42.

²⁰² Mills, 'The Mandatory System', p. 54.

²⁰³ Ibid.

²⁰⁴ Ibid.

²⁰⁵ TNA/CAB24/125/29, League of Nations, 1.6.1921.

²⁰⁶ Monroe, *Britain's Moment*, p. 72.

²⁰⁷ Ibid., p. 66.

improvement on colonialism'.²⁰⁸ Nevertheless, the result was that Palestine 'remained a Crown Colony'.²⁰⁹

Neutral nations such as Sweden characterized the League as an attempt to 'create a permanent condition of tutelage' under the mandates system.²¹⁰ Moreover, the British and the French negotiated the boundaries of the territories with no consideration for 'ethnographic frontiers' or the recognition of the provisional independence of the nations concerned.²¹¹ Additionally, the articles of the Covenant fell short of stipulating the method of mandate allocation. Neither did it specify the instrument for obtaining the wishes of the respective communities, nor the basis of accepting or rejecting the mandatories.²¹²

The League of Nations achieved a very important aspect of its purpose in maintaining world peace with the establishment of the mandate system. Nevertheless, its effectiveness depended very much on the willingness of the mandatory powers to consider the interests, mainly economic, of the other members of the League.

The mandate for Palestine

Self-determination was meant to be one of the primary elements providing for the adoption of the mandate system. President Wilson wanted an international commission to consult the inhabitants of the non-Turkish formerly Ottoman Empire so that their wishes could be brought into the process. However, the American King-Crane Commission that was appointed by the League of Nations to investigate the desire of the inhabitants produced

²⁰⁸ Sluglett, 'An improvement', p. 416.

²⁰⁹ Shepherd, *Ploughing Sand*, p. 17.

²¹⁰ M. Cronin, 'The League of Nations Covenant', *An Irish Quarterly Review*, 8/29, (March 1919), pp. 19-34, p. 19.

²¹¹ Gibbons, 'The Defects', p. 88.

²¹² TNA/CAB 24/125/41, Palestine and Mesopotamia Mandates, 1.6.1921.

no results. This was due, as Monroe explains, to the fact that ‘consultation was a virtue only if the consulting authority has the will and ability to act on what it learns.’²¹³ The Foreign Secretary Balfour wrote in 1919 that the contradiction between the ‘letter’ of the Covenant and the policy of the Allies was ‘even more flagrant in the case of the independent nation of Palestine’ than in others ‘for in Palestine we do not propose even to go through the form of consulting the wishes of the present inhabitants of the country.’²¹⁴ The Commission was not able to act according to the inhabitants’ wishes and the mandatory power was certainly not interested in those desires directed toward an ‘independent nation’ of Palestine.

The end of the mandate upon a certain territory depended on the mandatory judgment that the mandated territory was developed enough to be able to stand alone. The preamble of the mandate for Palestine provided that the Allied Powers selected and entrusted the British mandatory with the administration of Palestine. Although the mandatory states enjoyed full powers of legislation and administration, William Rappard argues that ‘the [m]andatories were not, however, to become the sovereign masters of these territories.’²¹⁵ Additionally, Arnold McNair, a British legal scholar, says that the detached territories under the mandate system were ‘not in the ownership of any state.’²¹⁶ Indeed, J. Stoyanovsky, confirmed that the mandate was not ‘merely a ‘change of form’, but it was a change of policy’. This is because it formed a ‘breach with the old practice of annexation’.²¹⁷ However, Rappard challenges these arguments, including his own, when he states that the Palestine mandate was peculiar and that the administration as designed in

²¹³ Monroe, *Britain’s Moment*, p. 63.

²¹⁴ P. Mansfield, ‘Did we double-cross the Arabs?’, *New Statesman*, October 1st 2007, p. 60. (The original article in the *New Statesman* was dated 1967 and written by the Middle East expert Peter Mansfield half a century after the issuing of the Balfour Declaration).

²¹⁵ Rappard, ‘The Mandates’, p. 409.

²¹⁶ McNair, ‘Mandates’, p. 149.

²¹⁷ J. Stoyanovsky, *The Mandate for Palestine, A contribution to the theory and practice of international mandates* (London, New York, Toronto: Longmans, Green and Co., 1928), p. 12. (Stoyanovsky was a lawyer in Paris who was believed to be the first to deal with the question of mandates).

line with the mandate system did not 'apply to that territory' whose inhabitants could certainly not be 'regarded as [a] backward people'.²¹⁸

In light of this the British government could be viewed as not being consistent with the spirit of the mandate by reinstating its role as 'sovereign master' of Palestine and by continuing its colonial policy. Roger Owen demonstrates that the British terms of the administration and the policies in Palestine had common features with 'ordinary British colonies'.²¹⁹ In fact, Britain's mastery was evident from the early days of the Palestine mandate treaty where the Balfour Declaration, with the agreement of the Allied Powers, was inserted in the preamble of the mandate. The terms of the Declaration stipulated that the British government viewed favourably the establishment of a national home for the Jews in Palestine. At the same time, however, the British government felt nothing should prejudice the civil and religious rights of existing non-Jewish communities in Palestine, nor the rights and political status enjoyed by Jews in any other country. Indeed, the British government preserved its commitment to the creation of a Jewish national home, which ran counter to earlier pledges, made by Sir Henry McMahon to Sharif Hussein of Mecca, acknowledging the independence of the Arab countries including Palestine.²²⁰ The Arab population of Palestine were therefore 'antagonized at the outset'.²²¹

In July 1922 the Council of the League of Nations approved the embodiment of the Balfour Declaration 'with some modifications (not affecting the policy of the Declaration).'²²² The

²¹⁸ William Rappard, 'Mandates and Trusteeships with Particular Reference to Palestine', *The Journal of Politics*, 8/4, (November 1946), pp. 520-530, p. 527.

²¹⁹ R. Owen (ed.), *Studies in the Economic and Social history of Palestine in the Nineteenth and Twentieth Centuries* (London: The Macmillan Press, Ltd., 1982), p. 4.

²²⁰ M. Abcarius, *Palestine, Through the Fog of Propaganda* (London: Hutchinson & Co. (Publishers) Ltd., 1946), p.26.

²²¹ D. MacDhomnuill', 'Problems in Palestine', *The English Review*, 1908-1937, (January 1930), *British Periodicals*, pp. 49-60, p. 49.

²²² TNA/CO537/869, Palestine, Strategic importance of Haifa, 1926.

modification referred to was the substitution of the words 'juridical and political rights' for 'civil and religious rights' of the non-Jewish communities in Palestine.²²³ Thus, the endorsement of the mandate for Palestine in its form by the principal Allied Powers and the United States could be viewed as supportive of Britain's desire to do as it pleased in Palestine. In light of this, Roger Owen's argument, that the inclusion of the terms of the Balfour Declaration into the Mandate was 'one significant difference from the formal colonies', is contested.²²⁴ This is because the insertion of the Declaration provides evidence that Britain had the intention to do in Palestine what it desired without consideration of the wishes of its inhabitants. Sarah Graham-Brown's claim that the development of a Jewish national home in Palestine is a factor which 'modified the 'colonial' aspect' is also insufficient.²²⁵ This factor confirmed, rather than modified, the colonial aspect. Balfour himself explained that the mandate was sovereignty 'exercised over the conquered territory'.²²⁶ In addition, the then Colonial Secretary, Winston Churchill, stated that quoting the Balfour Declaration in the preamble of the Palestine mandate would make it 'impossible to obtain the consent' of the representatives of the country to those terms.²²⁷ In the end, the Palestinians 'have seen an alien regime' foisted upon them by force and threatened their existence.²²⁸ Chaim Weizmann maintained that the shortcomings of the British government were found in its failure to explain to the Arab population 'the real meaning and implications' of the Balfour Declaration.²²⁹

²²³ G. Antonius, *The Arab Awakening: The Story of the Arab National Movement* (London: Hamish Hamilton, 1938), p. 394.

²²⁴ Owen (ed.), *Studies in the Economic*, p.4.

²²⁵ S. Graham-Brown, 'The Political Economy of the Jabal Nablus, 1920-48', in *Ibid.*, p. 94.

²²⁶ League of Nations -- Official Journal, 30.6.1922 [Excerpts from League of Nations Official Journal, June 1922, pp. 546-549
(<http://unispal.un.org/UNISPAL.NSF/0/B08168048E277B5A052565F70058CEF3#sthash.393Sbiu6.dpuf>).

²²⁷ TNA/CAB24/125/41, Palestine and Mesopotamia Mandates, 1.6.1921.

²²⁸ Gibbons, 'The Defects', p. 88.

²²⁹ Chaim Weizmann, 'Palestine's Role in the Solution of the Jewish Problem', *Foreign Affairs*, 20/2, (January 1942), pp. 324-338, p. 333.

There is no doubt that the Palestinian Arabs had 'looked forward' to the mandate but, feeling antagonized at the outset, rejected it.²³⁰ When the first High Commissioner for Palestine Herbert Samuel arrived in Palestine in June 1920 to assume his position as governor of the country, he was met with demonstrations.²³¹ During the debates in the Council of the League of Nations over the ratification of the mandate in July 1922, the Palestinians 'openly announced' that they 'did not accept the mandate based upon the Balfour Declaration.'²³² The opposition to the mandate continued to be expressed in various means and forms. Their rejection was communicated to London, by Palestinian delegations representing the Arab Muslims and Christians, forming 93 per cent of the population, as well as through repeated written representations to the British government. They wrote, in 1923 when the mandate came into force, that the 'mandate as it exists has been rejected and will continue to be rejected by the people of Palestine.'²³³ The position was maintained by the indigenous-Arabs of Palestine throughout the mandatory period. They demanded the annulment of the Balfour Declaration, the prohibition of Jewish immigration and the establishment of a national government.²³⁴ As Kenneth Williams noted in 'Palestine: A New Policy Wanted', 1933, the Arabs of Palestine simply 'will not have the [m]andate.'²³⁵ The British mandate, violating self-government from the outset, was imposed on Palestine in spite of 'local populations' clear preference for independence' in all of the Middle East.²³⁶

Amid the wider discussions on the mandate, it is worth noting that, as Herbert and Sosnovsky argue, there was 'no hint [...] in all the discussions on the harbour in Whitehall' of the promise made by Balfour in relation to the Jewish homeland in Palestine. Though the

²³⁰ Williams, 'Palestine', 671.

²³¹ Porath, *The Emergence*, p. 133.

²³² *Ibid.*, p. 148.

²³³ TNA/PREM1/24, Foreign Policy: Request by Palestine Arab Delegation for interview, 1923.

²³⁴ Porath, *The Emergence*, p. 133.

²³⁵ Williams, 'Palestine', p. 665.

²³⁶ Pedersen, 'The Meaning', p. 556.

building of the harbour meant that Britain was committed to the mandate, it did not have any bearing on Britain's responsibilities towards the Jewish National Home.²³⁷ This meant that the construction of Haifa harbour was purely a British imperial enterprise that had no connection to the fact that a promise was given to the Jews to settle in Palestine.

Those articles of the Palestine mandate that did have a bearing on the British government were the provisions of article 22 of the League's Covenant.²³⁸ Those articles were referred to and discussed by the British government when debates were held about the construction of the Haifa harbour. They generally allowed Britain, as the mandatory power, to benefit economically from the mandated territory of Palestine.²³⁹ Of the 28 articles of the Palestine mandate, the following articles were especially important. Article 11 of the Palestine mandate provided, in part, that

The administration of Palestine shall take all necessary measures to safeguard the interests of the community in connection with the development of the country, and, subject to any international obligations accepted by the mandatory, shall have full power to provide for public ownership or control of any of the natural resources of the country or of the public works, services and utilities established or to be established therein.²⁴⁰

The provisions of this article gave the British government the right to control and use the natural resources of Palestine, provided that it could safeguard the interests of the community and meet international obligations. The building of the Haifa harbour certainly contributed to the development of the country, although it inspired disputes with other countries related to previous obligations. Additional facilities were given to the mandatory nation such as that provided by article 17 that 'The [m]andatory shall be entitled at all times to use the roads, railways and ports of Palestine for the movement of armed forces

²³⁷ Herbert and Sosnovsky, *Bauhaus*, p. 51.

²³⁸ Wright, 'The Mandates', p. 342.

²³⁹ I. Pappé, *A History of Modern Palestine: One Land, Two People* (Cambridge University Press, 2004), p. 82.

²⁴⁰ 'British Mandate for Palestine', p. 166.

and the carriage of fuel and supplies.’ This article made it possible for the British government, as the author of the provisions of the Palestine mandate, to consider utilizing Haifa harbour for strategic purposes particularly in connection with securing a terminus for the oil pipeline from Iraq to terminate at Haifa.

In connection with Britain’s relationship with the international community, article 18 of the Palestine mandate observed the interests of the members of the League of Nations and stipulates that there should be.

..no discrimination in Palestine against the nationals of any state member of the League of Nations (including companies incorporated under its laws) as compared with those of the mandatory or of any foreign state in matters concerning taxation, commerce or navigation, the exercise of industries or professions, or in the treatment of merchant vessels or civil aircraft. Similarly, there shall be no discrimination in Palestine against goods originating in or destined for any of the said states, and there shall be freedom of transit under equitable conditions across the mandated area. Subject as aforesaid and to the other provisions of this mandate, the administration of Palestine may, on the advice of the mandatory, impose such taxes and customs duties as it may consider necessary, and take such steps as it may think best to promote the development of the natural resources of the country and to safeguard the interests of the population. It may also, on the advice of the mandatory, conclude a special customs agreement with any state the territory of which in 1914 was wholly included in Asiatic Turkey or Arabia.²⁴¹

Article 18 was meant to conform explicitly to the League of Nations’ policy of economic equality or the ‘open door’ policy, as it was frequently called, which was mentioned only by implication in article 22 of the League’s Covenant. Edward Jenkins argues that economic equality is the guarantee of equal tariff treatment and equality of opportunity to compete and participate in the resources of national wealth or contract for public works on an equal footing with the nationals of the country granting the privilege.²⁴² Article 18 was joined by article 19 in securing economic equality to all nations of the League. Article 19 stated that ‘The mandatory shall adhere on behalf of the administration of Palestine to any general

²⁴¹ ‘British Mandate for Palestine’.

²⁴² Jenkins, ‘Economic Equality’, p. 605.

international conventions [...] relating to commercial equality, freedom of transit and navigation.’ Additionally, article 26 provided that in the event of a dispute between the mandatory and another member of the League, relating to the interpretation or application of the mandate, and could not be settled by negotiations, it should be submitted to Permanent Court of International Justice. The Permanent Court of International Justice was created in 1920 by the provisions of article 14 of the Covenant of the League. Its task was to hear and determine any dispute of an international character, and to give legal advice to the League. Usually, negotiations were a preferable solution owing to ‘the costly and uncertain decision of a court’.²⁴³ Finally, in the event of the termination of the mandate, article 28 stated that the Council of the League of Nations should make arrangements and use its influence to ensure that ‘the Government of Palestine will fully honour the financial obligations legitimately incurred by the administration of Palestine during the period of the mandate.’ This meant that the government of Palestine was responsible for paying back any financial obligations including loans that were extended to it during the mandate as well as employees’ salaries.

The provisions of these articles show that Britain’s approach to Palestine as mandated territory took into considerations the purpose set out in the League’s Covenant. Britain’s commitment to world peace was reflected in attempts to integrate rivals’ interests in some articles of the Palestine mandate such as article 18. At the same time, the provisions of the mandate proved useful in defending Britain’s position towards the method of carrying out the construction of Haifa harbour. This was not achieved without some shortcomings.

²⁴³ Rappard, ‘The Evolution’, pp. 819-822.

The government of Palestine

In light of the provisions of article 22 of the Covenant of the League of Nations and of the articles of the Palestine mandate, it is important to this study to understand how the government of Palestine worked. Upon the occupation of Palestine in 1918, a military administration, answerable to the Foreign Office, was established to rule the country and remained in place until 1920 when the fate of the country was provisionally decided at the Paris Peace Conference.²⁴⁴ In October 1918 General Allenby established, what was termed in military parlance, the Occupied Enemy Territory Administration (OETA) South to administer Palestine.²⁴⁵ Its jurisdiction was extended over the area of approximately 27,000 square kilometres from the Mediterranean north of Acre just south of Ras al-Naqura to include the town of Safad and Lake Hulah. To its eastern border was the River Jordan, and to the south was the international border with Egypt.²⁴⁶ The population of Palestine was estimated at 757,000, of which about 54 per cent derived their livelihood from agriculture, and few from industry.²⁴⁷ The middle class mostly included business men, contractors, directors and managers of companies and banking institutions. Many of the educated had received their training outside Palestine in different fields. At the time of military rule, the people were suffering from the hardships and privations that the country had endured under Turkish military regime.²⁴⁸

Under the general direction of General Allenby, chief military administrators assisted by district military officers managed the country according to the laws of war.²⁴⁹ These officials

²⁴⁴ Abcarius, *Palestine*, pp. 22, 59 & 58.

²⁴⁵ J. McTague Jr., 'Anglo-French Negotiations over the Boundaries of Palestine, 1919-1920', *Journal of Palestine Studies*, 11/2, (Winter 1982), pp. 100-112, p. 103.

²⁴⁶ Tibawi, *Anglo-Arab Relations*, p. 319.

²⁴⁷ S. Himadeh, (ed.) *Economic Organization of Palestine* (Beirut: American University, 1938), pp. 7, 43, 6, & 111.

²⁴⁸ Abcarius, *Palestine*, pp. 22 & 59.

²⁴⁹ For the Manual of Military Law in J. Marlowe, *The Seat of Pilate, An account of the Palestine Mandate* (London: The Cresset Press, 1959) p. 66.

and their staff, many of whom continued to serve under the civil rule, laid the foundations of firm British regime.²⁵⁰ Prominent among these officials were Norman Bentwich, the Attorney-General and Colonel R. Holmes, the General Manager of Railways.²⁵¹ They ruled a country exhausted by war whose population was depleted and in severe distress, their land left untilled and their commerce at a standstill.²⁵² Although they were instructed to maintain the *status quo*, they were entitled to organise the government, to restore essential services, and to begin the work of construction. However, they were not allowed to introduce changes to legislation where the Ottoman rules and regulations continued to operate.²⁵³

Although technically the country was still under military occupation, the military administration came to an end under the service of General Sir Louis Bols.²⁵⁴ In July 1920, he handed the administration of Palestine to Herbert Samuel as the first High Commissioner for Palestine, (i.e. the head of the government) who was also the Commander in Chief.²⁵⁵ Samuel observed that the government of Palestine as mandatory was a 'form of constitution that the world has had no experience of', particularly as it was not known how long the mandate would last.²⁵⁶ Until the position of Palestine was stabilised and better defined, the British government acted upon a letter provided, in October 1921, by the President of the League of Nations's Council inviting Britain to 'continue to carry on the administration of the territories committed' to its charge in the

²⁵⁰ TNA/CAOG 9/60, Samuel, 'Interim Report', p. 56.

²⁵¹ Ibid.

²⁵² Ibid.

²⁵³ The Royal Institute of International Affairs, *Great Britain and Palestine 1915-1945, Information Papers No. 20*, (3rd ed.) (London and New York: Oxford University Press, 1946) p. 38; A. Granovsky, *Land Taxation in Palestine*. (Authorized Translation) (Jerusalem: Azriel Press, 1927), p.9.

²⁵⁴ Marlowe, *The Seat*, p. 67 , 72; Bentwich, 'The Legal System', p. 38.

²⁵⁵ Huneidi, *A Broken Trust*, p.43.

²⁵⁶ TNA/CAOG 9/60, High Commissioner of Palestine (hereafter) H.Cr. to Earl Curzon of Kedleston (S.S. FO), 4.10.1920.

'spirit of the draft Mandates'.²⁵⁷ Samuel was succeeded by six High Commissioners who ruled Palestine between 1920 and 1948, but was the only Jew among them.²⁵⁸ Being a Jew and a Zionist, the Arabs' suspicions were aroused by Samuel's 'easy and sympathetic understanding with leading Zionists'.²⁵⁹ In fact an article appeared in *The Times* in April 1920, in the context of attempts to invalidate the Balfour Declaration, calling for the appointment of impartial executives of the mandatory power in Palestine.²⁶⁰ However, the question of whether Samuel fulfilled the requirement of impartiality is not addressed in this thesis.

The government formed in mandated Palestine was a reproduction, but in a simple form of British pattern.²⁶¹ An advisory council was established in 1922 in place of a legislative council which was indefinitely postponed.²⁶² This council was supposed to represent the people of the country, but in fact was composed of the heads of departments of the colonial service.²⁶³ Similarly, high ranks of the civil service consisted mainly of British officials, under the pretence that Palestinians lacked the necessary qualifications to undertake tasks in the administration.²⁶⁴ Consequently, the Palestinian notables who had served in senior office under the Ottoman regime were denied positions.²⁶⁵ In brief, the government of Palestine was British-run and principally by the High Commissioner and British officials.

²⁵⁷ TNA/CO537/869, CID on Haifa, 16.2.1923.

²⁵⁸ Wasserstein, 'Herbert Samuel', p. 753.

²⁵⁹ Lapping, *End of Empire*, p. 111.

²⁶⁰ *The Times*, 27.4.1920, p. 17.

²⁶¹ Jeffries, *The Colonial Office*, p.33.

²⁶² Porath, *The Emergence*, p. 170

²⁶³ Jeffries, *The Colonial Office*, p.33; M. Abcarius, 'The Fiscal System', in Himadeh (ed.), *Economic Organization*, pp. 505-556, p. 510.

²⁶⁴ N. Bentwich, *England in Palestine* (London: Kegan Paul, Trench, Trubner & Co. Ltd., 1932), p. 47

²⁶⁵ Porath, *The Emergence*, p. 160.

The constitution to govern the country was issued in the form of an Order in Council that provided the practiced legislative form for the colonies under British administration.²⁶⁶ This was possible only after the mandate was officially promulgated and martial law was rescinded by mid-1921.²⁶⁷ The Order in Council conferred absolute legislative and administrative powers on the High Commissioner and ensured that all the operative decisions remained in the hands of mandate officials.²⁶⁸ The powers of the Executive Council, which in some sense acted as a Cabinet, also followed the colonial model. The High Commissioner governed the country in consultation with the Executive, the Advisory Councils which were composed entirely from British officers - the Chief Secretary, the Attorney-General and a representative from the Treasury - were in fact, 'rubber stamps'.²⁶⁹

To change the existing Ottoman laws or to introduce new legislations, the government of Palestine initiated and proposed a legislative bill and presented it to the Colonial Office. Upon the approval of the proposed legislation by the Secretary of State for the Colonies, the legislation was published as a Bill after which it was enacted by an order by the High Commissioner under the Royal Prerogative.²⁷⁰ The constitutional form implemented in Palestine showed that the territory was a separate unit. It was not an independent sovereign state but dependent upon the United Kingdom, albeit with control by the British government exercised in a flexible manner.²⁷¹ This was because there were no rigidly defined practical manual set by the League as to the method of practicing or exercising the mandate.

²⁶⁶ Bentwich, 'The Legal System', p. 38.

²⁶⁷ TNA/CO733/2, H.Cr. to W. Churchill CO, 28.4.1921, & from W. Churchill to H.Cr., 6.6.1921.

²⁶⁸ Shepherd, *Ploughing Sand*, p. 17.

²⁶⁹ Wasserstein, *The British*, p 129; Jeffries, *The Colonial Office*, pp. 32-3.

²⁷⁰ Abcarius, *The Fiscal System*, p. 510.

²⁷¹ Jeffries, *The Colonial Office*, p. 34.

In the colonies and other mandated territories local indirect rule supplemented the work of British officials, but this was not the case in Palestine.²⁷² The ruling governments in the colonies were composed of local inhabitants where the government of Palestine was composed of British officials. Christians and Muslims worked together in Palestine 'sharing the same aims of independence and unity' and in 1920 elected the Arab Executive as the head of their nationalist movement. This body, which 'denied the validity of the mandate,' usually 'handled the Arab case' against the government.²⁷³ It was not until the end of the twenties that the government of Palestine fully recognised the Arab Executive as 'representative of the Palestine Arab population.'²⁷⁴ On the other hand, the Jewish Agency was given an advisory role to the government from the outset of the mandate as provided by article four of the Palestine mandate.²⁷⁵ Arabs were not given similar status. Instead, the mandatory administration established the Supreme Muslim Council with Haj Amin el Husseini, the Grand Mufti its president, with no formal political role.²⁷⁶

In London, the Foreign Office, under Curzon, was responsible for the mandating government in Palestine until February 1921 when the Middle East Department was established in the Colonial Office.²⁷⁷ Also, responsibility for both external and internal security was transferred from the War Office and placed in the hands of the Air Ministry.²⁷⁸ The British government was reluctant to transfer the responsibility of the mandated Arab-speaking territories to the Colonial Office for fear that this administrative move might look

²⁷² G. Shafir, 'Capitalist Binationalism in Mandatory Palestine', *International Journal of Middle East Studies*, 43 (2011), 611–633, p. 621.

²⁷³ The Royal Institute, *Great Britain and Palestine*, p. 27.

²⁷⁴ Porath, *The Emergence*, p. 127.

²⁷⁵ Shepherd, *Ploughing Sand*, p.16.

²⁷⁶ Ibid.

²⁷⁷ Huneidi, *A Broken Trust*, p. 49.

²⁷⁸ C. Townshend, 'The Defence of Palestine: Insurrection and Public Security, 1936-1939', *The English Historical Review*, 103/409, (October 1988), pp. 917-949, p. 917; M. Cohen, 'Direction of Policy in Palestine, 1936-45', *Middle Eastern Studies*, 11/3, (October 1975), pp. 237-261, p. 237.

like annexation.²⁷⁹ Staff for the Middle East Department was drawn from other government offices. Winston Churchill, the then Colonial Secretary, appointed John Shuckburgh, who was head of the Mesopotamia Department of the India Office, as head of the department under the title of Under-Secretary.²⁸⁰ Ronald Vernon, from the Treasury, Hubert Young and O.G. R. Williams were appointed as his assistants, in addition to Grattan Bushe, as legal adviser.²⁸¹ The long tenure of the permanent staff provided a consistency in policy towards Palestine as determined in Whitehall.²⁸² There were around eight Secretaries of State who were in office during the period of the study. From these Leopold Amery served the longest (6 November 1924 – 4 June 1929) and had the biggest impact upon the harbour construction project at Haifa. Although these Secretaries served under the government of the different political parties, they all, in fact, agreed upon ‘the general lines of policy’ regarding protecting indigenous peoples of a territory under British control, in return for the right to trade and control external relations of those countries.²⁸³ It is worth noting that similar to the practice in the colonies, the foreign relations of Palestine, and the defence of the country and the preservation of peace within its boundaries were kept in the hands of the British government as the mandatory power. This meant that the government of Palestine had no direct diplomatic relations, could not enter into treaties or make war upon any other state.²⁸⁴ Thus, negotiations regarding the oil pipeline from Iraq were mainly handled by Whitehall where some Departments differed in the application of the principles but remained committed to the principles themselves.²⁸⁵

²⁷⁹ H. Mejcher, ‘British Middle East Policy 1917-21: The Inter-Departmental Level’, *Journal of Contemporary History*, 8/4, (Oct., 1973), pp. 81-101, p. 97

²⁸⁰ *Ibid.*, p. 101.

²⁸¹ Huneidi, *A Broken Trust*, p. 49; Jeffries, *The Colonial Office*, p. 17, 105; G. Sheffer, ‘British Colonial Policy-Making towards Palestine (1929-1939)’, *Middle Eastern Studies*, 14/3, (October 1978), pp. 307-322, p. 308; Parkinson, *The Colonial Office from within*, p. 103, 110.

²⁸² Sheffer, ‘British’, p. 308, 310.

²⁸³ Jeffries, *The Colonial Office*, p. 38.

²⁸⁴ *Ibid.*, p. 175.

²⁸⁵ *Ibid.*

Cosmo Parkinson, Official of the Colonial Office and occupied the position of Permanent Under-Secretary of State from 1937 until 1942, pointed out that the burden of 'hard labour and daily worry' rested on the shoulders of the Middle East Department.²⁸⁶ More important was that the Department could not function for 'a day without regard to international reactions in one part of the world or another.'²⁸⁷ As we will see, in the construction of the Haifa harbour, the pivotal point was the consideration paid to the relationship Britain had with the international community.

Another important factor to weigh in the relationship between the governments of Palestine and Britain in regard to the construction of the harbour, was the significance of the role of the Crown Agents. The Colonial Office was not capable of carrying out development and investment projects, per se, in the colonies or the mandated areas. The Crown Agents for the Colonies, who were specialised in the field and operated under the direct control of the Colonial Office, were usually charged with this work. The significance of examining the role of the Crown Agents in Palestine is that their activity served as an indicator of the policies adopted by the British government. Moreover, owing to the scarcity of the literature on the Crown Agents' work during the period between the two World Wars, this study could contribute significantly by adding to the existing literature and provide an account of their work in Palestine during this period.

Who were the Crown Agents and what was the scope of their work? The Crown Agency Office was a back office supporting the business operations for the Colonial Office. Established in 1833, the Crown Agents for the Colonies were a quasi-independent body. While under the supervision of the Colonial Office, which appointed the Agents and monitored their activities, they were administratively and financially independent of the

²⁸⁶ Parkinson, *The Colonial*, p.62.

²⁸⁷ Ibid.

government. Their headquarters were housed in a single office complex in Millbank, London.²⁸⁸

The personnel of the Crown Agents were former Colonial Office officials such as Sir William Mercer, Sir Reginald Antrobus, Sir Percy Ezechiel and Sir Henry Lambert who was the first Crown Agent from 1921 to 1932.²⁸⁹ Like their Colonial Office counterparts, all the Crown Agents were educated at public schools and belonged to the upper middle class.²⁹⁰ The Crown Agents, thus, performed a complementary job by which they lightened the burden for the Colonial Office. In general, the characteristics assigned to the Crown Agents were that of 'commercial and financial agents' supposedly unconcerned with political matters.²⁹¹ The Crown Agents performed the work needed in Britain on behalf of the governments of the colonies and protectorates.²⁹² They operated through an apparatus composed of four Crown Agents assisted with eight heads of departments and chief clerks and staff.²⁹³

The Crown Agents explained in their July 1917 report that the nature of business transacted by them included financial, commercial and the management of projects and works. The tasks they performed included: the negotiation, issue and management of loans; the management of sinking funds of loans; purchasing stores and material for railways and public works and shipping them; and negotiating contracts for the execution of public works and managing correspondence with consulting engineers. In addition, the Agents

²⁸⁸ David Sunderland, *Managing British Colonial and Post-Colonial Development: The Crown Agents, 1914-1974* (Suffolk, UK: The Boydell Press, 2007), p. 275.

²⁸⁹ Parkinson, *The Colonial*, p.111; TNA/CAOG16/1, A report by CA, 10.11.1921.

²⁹⁰ David Sunderland, 'Principals and Agents: The Activities of the Crown Agents for the Colonies, 1880-1914', *The Economic History Review*, New Series, 52/2, (May 1999), pp. 284-306, p. 289.

²⁹¹ Lillian Penson, 'The Origin of the Crown Agency Office', *The English Historical Review*, 40/158, (April 1925), pp. 196-206, p. 206.

²⁹² *Ibid.*, p. 202.

²⁹³ V. Ponko, Jr., 'Economic Management in a Free-Trade Empire: The Work of the Crown Agents for the Colonies in the Nineteenth and Early Twentieth Centuries', *The Journal of Economic History*, 26/3, (September 1966), pp. 363-377, p. 364.

were also empowered with the selection and engagement of candidates for appointments of certain jobs and positions, mainly technical, and in secondment of their staff to perform specific tasks. The Agents covered their expenditure through a system of charges imposed on the colonial governments for achieved services.²⁹⁴ The general principle of obtaining supplies followed by the Crown Agents was 'to invite competition direct from British manufacturers, limited however to firm of known capability, resources, and trustworthiness.'²⁹⁵ This meant that they did not use the method of public tendering in obtaining material and stores. They explained that this was the case in order to avoid raising prices and to exercise quality-control arrangements.

The Crown Agents' ultimate goal, however, was to bring benefit to the British economy through the employment of British firms and purchase of British material to the colonies as well as to the mandated territories. Their main function was 'to act as general agents for the Governments of the Crown Colonies and Protectorate'.²⁹⁶ They also acted as the agents for mandated Palestine as confirmed by Herbert Samuel in 1920.²⁹⁷ This is significant because there were in fact other countries such as Austria and Germany who, in accordance with provisions of the Palestine mandate, offered to supply the government of Palestine with required goods and commodities. The administration of Palestine thought that these offers would be more economic than those of the British but the Crown Agents were still Palestine's official agents and favoured British material and goods.²⁹⁸

The preference toward the British market and enterprises for the purchase of supplies and stores was confirmed officially in April 1921 by the Secretary of State for the Colonies. His

²⁹⁴ Sunderland, *Managing British*, p. 284.

²⁹⁵ TNA/CAOG 14/107, The Main Function of the Crown Agents, 9.7. 1917.

²⁹⁶ Sunderland, *Managing British*, p. 2; TNA/CAOG14/107, The main functions.

²⁹⁷ TNA/CAOG14/107, Civil Secretary for H.Cr. to S.S. FO, 15.7.1920.

²⁹⁸ TNA/CAOG 14/107, Government House, Jerusalem, to S.S FO. 17.2.1921.)

instruction to which the administration of Palestine conformed was to follow the usual practice laid down in Colonial Regulations. This put business affairs that could not be attained locally in the hands of the Crown Agents.²⁹⁹ In light of their functions, the Crown Agents' role was significant to the construction of the harbour at Haifa.

Conclusion

Increasing European interests and activities in the Middle East before WWI had led to greater British attention to the economic and strategic importance of the region. The Suez Canal became a vital aspect for Britain's commercial and strategic position and defending it was to be achieved at all costs. Controlling the shores of Palestine on the east coast of the Mediterranean, and not those of Syria which were France's interest, emerged as the most suitable option for the British government. When WWI broke out and British troops seized Palestine, Britain became the paramount power in the region and likewise became the *de facto* power in Palestine. It is possible to conclude that as a result of the War Britain was able to achieve its economic and strategic goals and was empowered to retreat from previous obligations without harm. Britain was able to safeguard its commercial interests by securing a safe passage for British ships and vessels through the canal and by strengthening its strategic presence in the basin of the Mediterranean in Palestine.

In order to reduce the possibility of future wars, the conveners at the Peace Conference in Paris in 1919 agreed on the establishment of the League of Nations, the main purposes of which was to prevent wars and secure world peace. One way to do this was by introducing the mandate system which was on the initiative of the American President. The mandate

²⁹⁹ TNA/CAOG14/107, H.Cr.to S.S. CO , 9.4. 1921; and S.S. CO to H.Cr., 9.3.1921; Ponko, 'Economic Management', p. 363.

system was meant to prevent the annexation of occupied territories and secure the 'open door' policy to equalise economic opportunities for all League members (rival or not). This system had two purposes: hindering the exploitation of wrested territories and their inhabitants; and affording rival countries equality of treatment. The mandate system offered a mechanism that, if adhered to, could organise the relationship between the world's countries. Moreover, it afforded a basis for transforming the traditional colonial approach towards seized territories and their population. Accepting the mandate of Palestine and Iraq made it possible for Britain to exceed the limits of its territorial aspiration before the War so that it would build not only a railway but also an oil pipeline linking the two countries under British rule. Britain controlled these areas in the Middle East in a manner that was not counted as spoils of war. The British government's commitment to the provisions of the Covenant was highlighted in the discussions about the construction of Haifa harbour, as will be seen in later chapters.

The provisions of the Palestine mandate addressed the administration of the territory and secured the interests of foreign countries. This chapter has examined how the provisions of the mandate related to the development of the inhabitants of Palestine in order to understand the British government's position towards various aspects of labour condition, as are discussed in the thesis. It was crucial for Britain to keep Palestine away from the hands of any hostile power, using it to serve strategic purposes relating to the defence of the Suez Canal and achieving economic and communication goals were possible as a result of being granted the mandate for Palestine.

The fact was that the government of Palestine was formed in the image of colonial government and consisted mainly of British officials running the country. Foreign relations, treaties and contracts were consequently administered by the government in London.

Therefore the project at Haifa was by default managed by the Crown Agents for the Colonies as was the case in the colonies. The exception to this was where a change was needed in order to avoid international criticism. It is to these issues and how they played out, that this thesis now turns.

Chapter Two

Early attempts to develop Haifa harbour, 1918 - 1926

Introduction

After capturing the Palestinian territories as a result of WWI, the British military authorities and the civil administration that controlled the country sought, as one of their primary objects, to develop the harbour at Haifa. The peace negotiations in Paris and their outcome, in addition to League of Nations regulations, framed the great powers' treatment of the seized territories. However, previous colonial practices, such as exploiting natural resources of the newly wrested territories, were possible after the War. This chapter explores how Britain's imperial economic purposes provoked interest in developing the harbour at Haifa. Both the military authorities and the civil administration in Palestine had at the base of their thinking the prevailing economic conditions in Britain when considering the construction of Haifa harbour.

The town of Haifa had been built by Sheikh Daher el-Umar of the Zaydani family in 1785 during a period when commodities from Palestine such as cotton and tobacco were exported to Europe through the Bay of Acre.³⁰⁰ Later in the nineteenth century, although Jaffa was the main port for orange exports, Haifa emerged as an exporter of citrus fruit, as well as of other products, coming from the hinterland of Syria and eastern Jordan.³⁰¹ Laurence Oliphant, British diplomat, author and amateur archaeologist, explained that Haifa had gradually become 'one of the great grain-exporting ports of the country' notably

³⁰⁰ I. Schattner, 'Haifa: A Study in the Relation of City and Coast', *Israel Exploration Journal*, 4/1 (1954), pp. 26-46, p. 43; Marwan Buheiry, 'The Agricultural Exports of Southern Palestine, 1885-1914', *Journal of Palestine Studies*, 10/4 (Summer 1981), pp. 61-81, p.66.

³⁰¹ Buheiry, 'The Agricultural Exports', p. 74.

for exporting cereals coming from Hauran province in Syria.³⁰² The railway line constructed from Haifa in 1905 was to meet a line in Dar'a in southern Syria which itself was to connect Damascus with the Hijaz.³⁰³ In addition, a new dockyard was built in Haifa port to house ships and to offload freight even during storms and strong winds.³⁰⁴ This strengthened the position of Haifa and spurred further economic and population growth.³⁰⁵ Thus, Haifa became a vital intersection for international communications that connected it with the Palestinian cities and with neighbouring countries.³⁰⁶ This turned Haifa 'into a *bona fide* port city' with strategic location granting it advantages over other coastal cities.³⁰⁷

The theme of this chapter is to highlight the way in which economic conditions back in Britain impinged upon the administrators of Palestine and enhanced decisions such as the harbour construction. In order to understand this, it is important to ask the following questions: What motivated military officials to propose the development of the port at Haifa? Why did they think it was important to propose the development of the harbour whilst the political status of Palestine was not yet determined? Why did the civil administration of Palestine continue to pursue their interest in the port? What influence did political conditions have on their proposal? What was the position of the British government towards Haifa harbour specifically given that all of Palestine was under its control?

This chapter argues that despite uncertain political conditions in Palestine after WWI, the military and civil administrations in control of Palestine alike pursued the construction of a

³⁰² Laurence Oliphant, *Haifa: or Life in Modern Palestine* (Edinburgh and London: William Blackwood and Sons, 1887), p.23.

³⁰³ Johnny Mansour, 'Historical Features: The Hijaz-Palestine Railway and the Development of Haifa', *Jerusalem Quarterly*, No. 28, (Autumn 2006), pp. 5-21, p. 6.

³⁰⁴ *Ibid.*, p. 6.

³⁰⁵ Herbert and Sosnovsky, *Bauhaus*, p. 17.

³⁰⁶ Seikaly, *Haifa*, p. 23; Schattner, 'Haifa', p. 40.

³⁰⁷ Mansour, 'Historical Features', p. 6.

harbour at Haifa not only to develop the country but most importantly to contribute in reviving the British economy.

Solomou has described how, after WWI, the British economy was characterised by slow growth and was viewed as having only 'poor investment opportunities'.³⁰⁸ Thomas, offering a similar view, points to a low rate of investment that weakened the British economy.³⁰⁹ Hence, the construction of Haifa harbour was thought of as an investment project that would open opportunities for Britain. On the other hand Alford argues that although British post-war politics was defined by the 'politics of victory', this declined during the 1920s due to international competition in trade and finance that created new economic uncertainties and difficulties. Alford describes the relationship between post-war political changes and the economic conditions as 'complex'.³¹⁰ Indeed, this complexity was also felt in relation to investment in Palestine, though Herbert and Sosnovsky's argument that Haifa was seen as key to Britain's commercial interests and imperial defence in the eastern Mediterranean and the Middle East.³¹¹

This chapter is structured to investigate the military administration's interests in developing the port of Haifa and how this related to the interests of the British government. Then it explores the civil administration's pursuit of the harbour development and the view of the British government towards its construction. Finally, it examines the interest of the British government in the harbour and its consequent actions, particularly the authorising of an investigation of Haifa port's suitability for development.

³⁰⁸ Solomou, *Themes*, p 2.

³⁰⁹ Mark Thomas, 'The macro –economics of the inter-war years', in Roderick Floud and Donald McCloskey (eds.) *The Economic History of Britain since 1700*, 3 vols., (2nd ed.) (Cambridge: Cambridge University Press, 1994), p. 321.

³¹⁰ Alford, *Britain*, pp.116-124.

³¹¹ Herbert and Sosnovsky, *Bauhaus*, p. 39.

Norman Bentwich, the Attorney General of Palestine from 1922-1931, described the limitations of the military administration in the early days of the British rule in Palestine. He explained that the major task was to restore ordinary life in Palestine through the introduction of limited construction and reform.³¹² In fact, the development of the Haifa harbour demanded for something more substantial because as Butler argues, British defence policy during the 1920 needed to shield the Empire from potential Russian aggression.³¹³ The Royal Navy bore the responsibility for defending the Empire, thus it was vital to the defence of the Suez Canal and 'Britain's new regional interests' to have a naval base in Palestine.³¹⁴ In order to secure its supremacy in the region, Marian Kent argues, Britain also had to uphold her commercial and political dominance in the region; a further benefit of a new harbour at Haifa.³¹⁵

The military administration's harbour proposals

It is the intention of this section to explore why the military administration (1918 - July 1920) was concerned with developing the harbour at Haifa at a time when introducing improvements to the recently occupied territory was restricted. The military administration immediately demonstrated its interest in developing Haifa, after the city was captured by British imperial troops in September 1918.³¹⁶ This poses a question: what motivated the military administration to promote investment projects in Palestine during a time of post-war economic uncertainty? The argument I will advance is that the military administration reflected traditional modes of thinking that informed past imperial practice. Exploitation of natural resources was the norm under Imperialism and doing this in Palestine immediately

³¹² Bentwich, *England*, p. 32; Abcarius, *Palestine*, pp. 24, 28.

³¹³ Butler, *Britain*, p. 4.

³¹⁴ *Ibid*, p. 4.

³¹⁵ Marian Kent (ed.), *The Great Powers and the End of the Ottoman Empire* (London: George Allen & Unwin, 1984), p. 172.

³¹⁶ Herbert and Sosnovsky, *Bauhaus*, p. 33.

after seizing it would not have been an unusual course of action. Moreover, by pursuing construction and development, Britain would assert its control over the territory even before its political status was finally determined by the League of Nations. Additionally, the military administration was also concerned with economic difficulties that the British government had developed through and after WWI. A contribution to Britain's economic revival was possible through a harbour development in the seized territory, principally by making harbour works projects and contracts available for British investors and companies. Since Haifa was thought of as a strategic location for the British admiralty before the War, it sustained its strategic importance afterwards with this added economic factor.

After the War, Britain exhibited a 'growing reliance on economic interventionism' by the state.³¹⁷ This was because, during WWI, Britain's war burden was considerable due to it having to pay for its own wartime expenses, as well as that of the dominions and to finance the Entente.³¹⁸ The financing of the war efforts of France, Italy and Russia was justified as a way of maintaining alliances of these countries. The government also suffered from the loss of its investments abroad, most notably 'those placed in Russia, which were repudiated by the Bolsheviks in 1917' and those in the United States which were used for paying for war supplies.³¹⁹ Additionally, during WWI, markets traditionally characterized as British markets saw American and Japanese entry. Whilst British industry and shipping were focussed on supporting the war effort, Britain lost its markets in Latin America to the United States and in India and East Asia to Japan. For example, Britain's share in the Chinese market fell from

³¹⁷ Scott Newton, *Profits of Peace: The Political Economy of Anglo-German Appeasement* (Oxford: Clarendon Press, 1996), p. 17.

³¹⁸ Reynolds, *Britannia Overruled, British Policy and World Power in the 20th century* (Second edition) (Harlow: Pearson Education Limited, 2000), p. 91.

³¹⁹ Cain and Hopkins, *British Imperialism*, p. 435.

16.5 to 9.5 per cent between 1913 and 1929, whilst Japan's share increased from 20 to 36 per cent in the same period.³²⁰

During the War, Britain depended on selling bonds on American markets.³²¹ This was possible since, before the War, it was known that Britain derived considerable income through invest in overseas assets.³²² The British government's wartime deficits in 1917-18 were very high and required large-scale borrowing that caused a 'swollen national debt between the Wars.'³²³ After WWI, the output of production in Britain fell significantly, while the volume of trade on the export side contracted sharply.³²⁴ Trade was 'severely disrupted' within the dominions, the Commonwealth countries, as well as outside them.³²⁵ Britain found itself in a position where it 'had been forced to sell off many of its assets to finance the war effort.'³²⁶ With the liquidation of assets, borrowing and the directing of civilian resources to military uses during the War, Britain emerged in a weaker position within the global economy.³²⁷ Therefore, efforts were made by the government to aid economic recovery. The military administration in Palestine shared the British government's concern.

One way of reviving the British economy was by encouraging investment in recently occupied territories. The victorious powers 'retained an appetite for colonial acquisition' and the British government employed the same old-style military rule in conquered

³²⁰ Reynolds, *Britannia*, p. 99

³²¹ Murray Rothbard, *A History of Money and Banking in the United States: The Colonial Era to World War II* (Auburn, Alabama: Ludwig Von Mises Institute, 2005), p. 270.

³²² Michael Edelstein, *Overseas Investment in the Age of High Imperialism, The United Kingdom, 1850-1914* (New York, Columbia University Press, 1982), p.3.

³²³ Newton, *Profits of Peace*, p. 18.

³²⁴ Alford, *Britain*, p. 107.

³²⁵ R. Sayers, *The Bank of England 1891-1944* (Cambridge: Cambridge University press, 1976), p. 315.

³²⁶ Thomas, 'The macro -economics', p.333.

³²⁷ *Ibid.*

territories with its thinking still centred on its own national economy and defence needs.³²⁸ The policy of diminishing imperialism that was adopted by the British Liberal Party before the War had changed afterwards.³²⁹ The policy of expanding rather than limiting imperialism prevailed under Lloyd George's leadership of the Coalition government. The British government wanted to emerge from the World War I with maximum possible advantages. It is within this understanding that the British government's earlier interest in Haifa culminated in the seizure of all Palestine. Whether the justification for controlling Palestine was to safeguard the Suez Canal, or to provide a land route to the British seizures in the East, both were possible through the utility of a harbour at Haifa. Historically, merchants channelled traded commodities through port cities and Haifa had also served similar purposes.³³⁰

Following WWI, martial law was enforced in Palestine by General Allenby whose legal authority was based on military power.³³¹ According to the law, British military administrators in occupied enemy territory were only able to exercise such powers as were necessary for 'the purpose of the War, the maintenance of order and of safety, and the proper administration of the country.'³³² In order to meet those expectations, General Allenby appointed Brigadier-General Gilbert F. Clayton, who also was chief political adviser to the military in the Middle East, as the first Chief Administrator of Occupied Enemy Territory (O.E.T.) South (Palestine). Major General Arthur Money was the second administrator in the position. With the service of the third administrator Major General

³²⁸ D. Judd and P. Slinn, *The Evolution of the Modern Commonwealth, 1902-80* (London: Macmillan, 1982), p. 41.

³²⁹ P. Clarke, 'Hobson, Free Trade, and Imperialism', *The Economic History Review*, New Series, 34/2, (May 1981), pp. 308-312, p. 312.

³³⁰ Çağlar Keyder, Y. Eyüp Özveren and Donald Quataert, 'Port-Cities in the Ottoman Empire: Some Theoretical and Historical Perspectives', *Review (Fernand Braudel Center)*, 16/4, Port-Cities of the Eastern Mediterranean 1800-1914 (Fall 1993), pp. 519-558, p. 519.

³³¹ Bentwich, *England*, p. 32; Abcarius, *Palestine*, p. 58.

³³² Marlowe, *The Seat*, p.66.

Louis Bols, who previously served as Chief of Staff to Allenby, the military administration ended to start a civil one.³³³ Those administrators were supported by district military governors. Their main task, in addition to observing the rules of martial law, was to establish administrative machinery through which they promoted some construction works, 'as far as the limitations of an occupation allowed'.³³⁴ They were expected to preserve Allenby's policy and therefore any proposition for fundamental change was likely to be challenged by the British government.

At the same time General Allenby, who was made High Commissioner of Egypt and Sudan in 1919, was concerned with facing the nationalist movement in Egypt. Under the circumstances, securing safe passage for the British shipping through the Suez Canal was an essential element of preserving Britain's strategic and economic interests in the region.³³⁵ Hence, the Mediterranean shore of Palestine was looked at as a shield for the Suez Canal.³³⁶

The overall conditions prevailing in Palestine were difficult after the War. For a people who were already exhausted by 'deaths in battle, forced conscriptions, deportations, and acute famine; [...] and [where] disruption of markets had led to a total collapse of the peasant economy' there was a need for more than the mere maintenance of law and order.³³⁷ The military authority in Palestine wanted to relieve distress, resume normal life and begin the work of construction. Therefore, they introduced schemes such as a water supply project in Jerusalem as well as other vital infrastructure initiatives. However, the development of commerce in Palestine was slow due to the lack of an adequate harbour.³³⁸ During the

³³³ Ibid., p. 67 & 72; TNA/CAOG9/60, Samuel, 'Interim Report, 30.6.1921.

³³⁴ Royal Institute of International Affairs, *Great Britain* p. 38.

³³⁵ Darwin, 'An undeclared', p. 162; R. El-Eini, *Mandate Landscape, British Imperial Rule in Palestine, 1929-1948* (London and New York: Routledge, 2006) p. 13.

³³⁶ Tibawi, *Anglo-Arab Relations*, p. 17.

³³⁷ Wasserstein, *The British*, p. 3.

³³⁸ *Modern Transport*, 24.8.1929, p. 14.

Ottoman regime, improvements had been introduced to Haifa harbour, including a railway so as to divert activities from Beirut, which was under French control.³³⁹ Those improvements were not sufficient though, since steamers arriving at Haifa usually anchored half a mile from the shore and lighters transported passengers and cargo to and from the jetty which caused damage and loss of goods in bad weather.³⁴⁰

Early in the twentieth century concessions had been given by the Ottoman Empire to European powers in nearly every aspect of economic relations, including in communications and transport.³⁴¹ In this context, contractors of different nationalities had presented proposals for harbour developments.³⁴² In 1911-1912, for example, Italian companies such as the Almagia Company, the Sindicato Italiano Construzioni, and Appalti Marittimi, and the British Pearson and Sons, had all submitted plans for the development of ports in Palestine.³⁴³ The Ottoman Empire, recognizing the necessity of providing ports on the Mediterranean seaboard, granted concessions to a French Syndicate, the Société des Ports Ottomans to construct harbours at Jaffa or Haifa.³⁴⁴ Surveys and borings were made principally at Haifa, but the outbreak of the war prevented these from proceeding.³⁴⁵

When the military administration took control of Palestine, it showed an immediate interest. Upon his appointment as governor for Haifa, Lieutenant Colonel E.A. Stanton started to plan changes to the city and its harbour. His January 1919 proposal, and that of

³³⁹ Seikali, *Haifa*, p. 23

³⁴⁰ *Modern Transport*, 24.8.1929, p. 14.

³⁴¹ Kent, *The Great Powers*, p.2.

³⁴² Morton Stratton, 'British Railways and Motor Roads in the Middle East, 1930-1940', *Economic Geography*, 20/3, (Jul., 1944), pp. 189-203, p.191.

³⁴³ Gilbert Herbert, 'Crossroads: Imperial priorities and regional perspectives in the planning of Haifa, 1928-1939', *Planning Perspectives*, 4/3, pp. 313-331, p.316.

³⁴⁴ Tanenbaum, 'France and the Arab', p.5; Ernest Buckton, 'The construction of Haifa Harbour', *Minutes of Proceeds of The institute of Civil Engineers*, vol. 239, (Paper No. 4964) (London: published by the Institute of Civil Engineers, (1936), pp. 544-577 & pp. 618-630, discussion, p. 545.

³⁴⁵ Buckton, 'The construction', pp. 544-5.

Chief Administrator of Palestine – Arthur Money, for the development of the town of Haifa and its port was supported by General Allenby.³⁴⁶ The military authorities saw in Palestine a potential for investment that would benefit the British economy through direct and indirect gains and would develop the seized country.

The proposal for developing the city and harbour of Haifa presented by Governor Stanton in January 1919 was based on the administration obtaining land in the city. He suggested purchasing or expropriating areas of (primarily) agricultural land, which could be bought at low prices and included into a town planning scheme. In view of the intention of turning Haifa into a major railway terminus and port, it was imagined that commercial and business quarters could be designed and built and then sold for higher prices at public auction, open to all national bidders without discrimination.

With the proceeds of the expected transactions, a harbour at Haifa could then be constructed together with roads and drainage.³⁴⁷ Stanton estimated that the cost of the harbour construction would be in the area of £3,000,000. With this, he suggested that the additional money needed could be obtained by raising a loan on port dues. With a developed harbour, Stanton predicted that trade would inflate Palestine's economy, particularly through the establishment of businesses like shipping, insurance, banks and other enterprise. It is possible to say that Stanton was envisaging Haifa's commercial and cultural transformation to make it (under the British rule) 'one of the most flourishing cities and ports in the Mediterranean.'³⁴⁸

³⁴⁶ Herbert 'Crossroads', p. 316.

³⁴⁷ Ibid.

³⁴⁸ Ibid.

Among Stanton's other chief aims was the intention to secure the British government's consent for the Haifa development proposal, before a peace treaty was signed.³⁴⁹ Several reasons lay behind his desire to start development projects before the conclusion of any treaty. First, from previous experience in Sudan, Stanton feared that the price of land would approximately triple in value when the British mandate was confirmed. Secondly, he wanted to seize the opportunity before legal restrictions made it unconstitutional to expropriate areas of land. Thirdly, and most importantly, he sought to remove power from the hands of enemies and future trade rivals, so as to leave Britain in have absolute 'control of the future of this port and town'.³⁵⁰ This indicates that the aim of the military governor was to secure Britain's control on the country by introducing changes on the ground. This was possible through employing economic projects that would develop the city, albeit some would be at the expense of local inhabitants whose land might be seized. Although Stanton's proposal reflected a colonial approach, in that it offered considerable freedom for the *de facto* ruler to do as they wanted with the seized territory, he did not limit possible benefits to British investors. Stanton was in fact hoped to give other nations the chance to invest in Palestine through the opportunity of purchasing the business quarters at public auction. Was Stanton's proposal acceptable to the British government?

General Allenby supported Stanton's proposal, although he feared that there would be 'legal obstacles'.³⁵¹ Indeed, the Army Council refused Allenby's recommendation because 'under the law of military occupation' it was difficult to justify such measures of land purchase and expropriation.³⁵² In fact, military law precluded the occupant from working 'his will unhindered'.³⁵³ Nonetheless, the final say was in the hands of the Foreign Office

³⁴⁹ TNA/FO371/4211, proposal by Lt. Col. E.A. Stanton, Military Government, Haifa, 24.12.1918.

³⁵⁰ Ibid.

³⁵¹ TNA/FO371/4211, General E. Allenby to the Secretary of War, 19.1.1919.

³⁵² TNA/FO371/4211, the War Office to the U-S FO, 20.2.1919.

³⁵³ Manual of Military Law discussed in Abcarius, *Palestine*, pp.62-3.

since Palestine was under its responsibility at that time. It is worth noting that immediately after the War the Foreign Office was undermanned and faced with an unprecedented increase in its work-load. Most importantly it was preoccupied with pressing diplomatic decisions.³⁵⁴ Lord Curzon, the Acting Foreign Secretary on behalf of Arthur Balfour who was engaged with negotiations at the Paris Peace Conference, rejected Stanton's proposal. His reasoning was in line of that of the Army Council that said it was 'difficult to find any moral justification' for the 'disposal of land at Haifa'.³⁵⁵ Furthermore, the Foreign Office was concerned that the terms of peace treaty with Turkey, which were not yet finalized, would prevent foreign capitalists from exploiting land in Palestine, or granting concessions to foreigners.³⁵⁶

The position of the Foreign Office was based on concerns related to international relations. In particular it was due to the rhetoric of the United States and Russia who opposed the continuation of classical colonization and to the uncertainty as to which colonial power would be finally granted the administration of both Palestine and Syria.³⁵⁷ Nonetheless, although the declared position was justified by the expected treaty with Turkey, it is possible to discern that the British government wanted to keep the great powers at a distance. The British government did not want to allow rivals to have a stake in a territory while its political status remained undefined. That would create a situation where other governments and companies would have the right to invest in a territory and perhaps undermine Britain's authority. This form of protectionism was an attempt by Britain to confirm its authority before other governments had the opportunity to challenge it. Although conquest was still recognised as 'conferring the right of ownership', the Foreign

³⁵⁴ Zara Steiner and M. L. Dockrill, 'The Foreign Office Reforms, 1919-21', *The Historical Journal*, 17/1, (March 1974), pp. 131-156, p. 132.

³⁵⁵ TNA/FO731/4211, Foreign Office to the Secretary of the Army Council, 3.3.1919.

³⁵⁶ TNA/FO731/4211, Balfour, British Delegation, Paris to FO, 23.5.1919.

³⁵⁷ Lloyd, *The British Empire*, pp.281-3; R. El-Eini, *Mandate Landscape*, p. 13; Bentwich, *England*, p. 35.

Office chose to follow a restrained approach so as not to jeopardise its negotiations and relations with other world powers and countries.³⁵⁸ With this, it was deemed important at the Peace Conference that, among other matters, disputes between governments should be settled by arbitration and not by war and that treaties should be published.³⁵⁹ The British government valued stability above all since the outcomes and risks were difficult to predict. Therefore, a project such as Haifa's development needed to wait until the conclusion of negotiations in Paris.

Persistence of the military administration

The intention of the military authorities in Palestine was to award the harbour works to British firms. But this was not possible due to the British government's decision to postpone the matter regarding Haifa. The Chief Military Administrator of Palestine, Arthur Money, thought that this would undermine the 'recuperation and normal development of the country' in response to local demands.³⁶⁰ Money clearly set his ideas around concerns for the British economy as he supported, in June 1919, proposals presented by 'several eminent [British] engineering firms' for works in Haifa.³⁶¹ This was significant because not only British companies such as Vickers and Pearson and Son expressed interest in the harbour works before WWI at the invitation of the Turkish authorities but also French, Italian and American companies.³⁶² Harbour works, in fact, were granted to the French Société des Ports Ottomans. Money wrote that such interests in the ports by the Ottomans

³⁵⁸ Abcarius, *Palestine*, p. 58-9.

³⁵⁹ F. Walters, *A History of the League of Nations*, vol. I (London: Oxford University Press, 1952), p.21. Walters was formerly Deputy Secretary-General of the League of Nations, Honorary Fellow of University College, Oxford.

³⁶⁰ TNA/FO 371/4211, General Money to Allenby, 24.6.1919.

³⁶¹ *Ibid.*; Kent, *The Great Powers*, p. 179; TNA/FO371/4211, S. Pearson & Son (contracting Department) Limited, to S.S. FO, 5.5.1919; TNA/FO371/4211, FO to S. Pearson & Son, Ltd., 12.5.1919.

³⁶² TNA/FO371/4211, S. Pearson & Son, 5.5.1919.

resulted in 'official discussion in London' about port construction.³⁶³ The fact that British firms had interest in harbour works in Palestine, undermines Cain and Hopkins' suggestion that the Foreign Office was 'trying to tempt reluctant businessmen into unpromising commercial opportunities' before WWI in the Middle East.³⁶⁴ However, official positions after the War were subject to conditions occurring during the Paris peace negotiations related to inhibiting colonial practices. Those conditions however did not hinder individual firms from expressing interest in investing in the development of harbours in Palestine.

During the military administration, high financial and shipping authorities expressed their desire to have undertakings in the ports of Palestine, wrote Money. These included Lord Inchcape, Chairman of the Peninsular and Oriental Steamship Co. and British Director to Suez Canal Co; Lord Furness, of Furness Withy and Co. the steamers and steel shipbuilders and repairers; and Mr. Boulton, of Boulton Bros. and Co. the steam shipping company. Each also paid visits to the ports. Money, though aware of the difficulty of taking action in Palestine at that stage, was aware of economic conditions in Britain. Money's recommendation was to accept their tendering for harbour works if only in order to reduce 'the feeling of tension' that resulted from the losses incurred by the War.³⁶⁵ The intention was to give the projects to British companies in order to 'relieve the financial strain on the Empire and the present labour and trade difficulties in England'.³⁶⁶

Consideration of the port construction took into account British shipping and 'politico-military considerations'.³⁶⁷ In fact, during the War it became 'axiomatic in British government thinking' that territorial expansion was necessary in order to 'safeguard the

³⁶³ TNA/FO371/4211, General Money to Allenby, 24.6.1919.

³⁶⁴ P. Cain & A. Hopkins, *British Imperialism: Innovation and Expansion 1688-1914* (London and New York: Longman, 1993), p. 398.

³⁶⁵ TNA/FO371/4211, General Money to Allenby, 24.6.1919.

³⁶⁶ TNA/FO371/4211, F. H. Smith, Colonel and Chief Engineer, report on 'Port of Haifa'.

³⁶⁷ Butler, *Britain*, p. 2.

security' of all the Empire.³⁶⁸ In his 1917 memorandum to the Imperial War Cabinet, Leo Amery, in his capacity as Assistant Secretary to the War Cabinet, wrote on the importance of securing the Empire by making sure the seas should be 'kept clear of all hostile naval bases'. The memorandum also demanded that the intercommunication between the different parts of the Empire should be developed.³⁶⁹ In light of this, the military authorities ruling Palestine were alerted by the interest paid by European companies to build ports in Palestine. With these sentiments in mind, it is clear that Haifa harbour was potentially of strategic importance, particularly if it were connected to neighbouring countries.³⁷⁰ Since Haifa was considered the focal point to safeguard the Suez Canal, Allenby 'pressed the case [of Haifa port] further' with the War Office in July 1919.³⁷¹ In expectation that the mandate for Palestine would be given to Britain, Allenby insisted that the construction of a port in Haifa would be important and therefore 'a preliminary study should be made now.'³⁷²

The Foreign Office, however, maintained its position that no changes should be introduced 'until the final settlement of the future of Palestine' was reached. This included Allenby's request for a preliminary study of the ports.³⁷³ In fact, a previous May 1919 request by S. Pearson and Son to be awarded the construction of the port was rejected by the Foreign Office concurring with the above position.³⁷⁴ The British government adopted a policy that sought to avoid provoking ill feeling toward Britain.

The Foreign Office was consistent in rejecting projects in Palestine and turned down a number of offers. For example, an April 1919 proposal by Norwegian company

³⁶⁸ Ibid.

³⁶⁹ Gillon, 'The Antecedents, p. 133.

³⁷⁰ Mansour, 'The Hijaz-Palestine Railway', p. 14.

³⁷¹ Herbert, 'Crossroads', p. 316.

³⁷² TNA/FO371/4211, Allenby to the Secretary of War, 20.7.1919.

³⁷³ TNA/FO371/4211, Edmonds, FO to the Secretary of the Army Council, War Office, 26.9.1919.

³⁷⁴ TNA/FO371/4211, S. Pearson & Son, 5.5.1919.

Electrochemical Factories of Fredriksstad (F.E.F.), I. J. Moltke-Hansen to develop energy in Palestine and the neighbouring countries was dismissed. The project concerned the construction of a tunnel from the Mediterranean to the Dead Sea with the purpose of producing electricity that would supply Palestine and Egypt. The company requested permission to make the necessary investigations in Palestine and insisted on being given 'preference for the scheme as the first to propose the project.'³⁷⁵ Another prospective Norwegian project, this time concerning irrigation in Palestine, was also rejected.³⁷⁶ The insistence of the Norwegian government that the British government should consider these proposals meant that the Norwegian government was concerned with protecting the rights of its nationals in regards to investment in Palestine, in line with the free trade principles, demanded by President Wilson. It also meant that the international community recognized Britain's control over the territory. The Foreign Office's rejection of projects in Palestine 'pending territorial settlement' testified to Britain's judgement in balancing world peace with its individual interests.³⁷⁷

The establishment of the League of Nations in January 1920 inspired a change in British policy towards Palestine.³⁷⁸ The British government approved the Palestine military administration's request in March 1920 to send an engineer to survey the seashore at Haifa. Engineer Hugh T. Ker of Pearson and Son, a member of the Institute of Civil Engineers, was employed by the Anglo-Persian Oil Company for this task. His mission was to survey the port of Haifa with the intention for it to become an entry point to the

³⁷⁵ TNA/FO371/4211, The attached Memorandum 'Investigation in Palestine' signed by Fridtjof Nansen, Bjorn Helland Hansen, I. J. Moltke Hansen on 24.5.1919.

³⁷⁶ TNA/FO371/4211, Norwegian Legation London to S.S. FO, 17.6.1919)

³⁷⁷ TNA/FO371/ 4211, Louis Mallet FO (for Mr. Balfour) while in Paris to Earl Curzon, 26.4.1919; FO to B. Vogat Norwegian Minister, 21.6.1919.

³⁷⁸ Eduard Beneš, 'The League of Nations: Successes and Failures', *Foreign Affairs*, 11/1, (October 1932), pp. 66-80, p. 66.

Mediterranean for the company's oil.³⁷⁹ Ker investigated the coast of Palestine during the summer of 1920. His report was communicated to the Foreign Office and consequently to the government of Palestine in 1921.³⁸⁰ (See appendix I, Ker, Haifa plan, 1920). Ker concluded that British Palestine must have a port and recommended Haifa as the most suitable site for development.³⁸¹ The report merely recorded certain physical and economic characteristics of the harbour but did not off a plan for construction.³⁸² Based on that report, however, Pearson and Son presented in December 1920 a wholly-planned proposal to carry out the works at Haifa.³⁸³ Nevertheless, no real consideration of the proposals to the development of Haifa harbour was undertaken during the period of the military administration in Palestine.

The significance of these proposals is that the military administration clearly demonstrated that the construction of Haifa harbour was undertaken to aid the recovery of the British economy. This connection between the British economy and the harbour construction provides evidence for the major theme of this thesis that the state of the British economy was the driver of investment projects in Palestine. The British companies' interest in building harbours in Palestine before and after WWI demonstrates Kent's argument that the 'flag was underpinned by the trade'.³⁸⁴ The military administration's support of the British companies as figured in the proposals submitted to the British government reflected the concern with the enhancement of the British economy. On the other hand, the firm position of the British government to consider international conditions demonstrated that

³⁷⁹ TNA/CAOG10/68, CA 'Some notes on harbour and other development schemes in Palestine', 24.5.1921.

³⁸⁰ TNA/CO733/122, H. T. Ker report from Treasury to CO, 18.1.1926; TNA/MFQ1/25, Maps. Plan showing results of investigations made during May and June 1920. Drawing No.1 Haifa to accompany report made by H. T. Ker, sealed by S. Pearson and Son Consulting Engineers Limited.

³⁸¹ Ibid.

³⁸² TNA/CAOG10/68, CA 'Some notes', 24.5.1921.

³⁸³ Ibid.

³⁸⁴ Kent, *The Great Powers*, p. 172.

Britain was not yet sure about the appropriate nature of behaviour towards Palestine.³⁸⁵ Therefore, during the military administration in Palestine the British government was constrained with the prevailing international conditions and hence could not approve the development proposals.

The interests of the civil administration in building Haifa harbour

By the time the civil administration was established in Palestine under the first High Commissioner Herbert Samuel, in July 1920, it was possible to make changes. Although the political status of Palestine was not yet finalised, development projects for the mandated territory could be considered and consequently proposals to develop Haifa harbour were revived.³⁸⁶ The concern of the British government now was how to reconcile the mandate concept with their own requirements for imperial control in the area.³⁸⁷ This was because, as Herbert and Sosnovsky rightly argue, by accepting the mandate for Palestine the British government was motivated by a desire to 'protect and promote its own interests' and at the same time, according to the League's Covenant, to respect the right of rival countries in participating in the development of natural resources in the mandated territory.³⁸⁸

With the absence of a harbour that could satisfy the needs of modern trade, *Modern Transport* wrote that the full commercial potential of the eastern shores of the Mediterranean was 'seriously handicapped'.³⁸⁹ Steps were therefore taken by the Colonial

³⁸⁵ Smith, 'The League', p. 322.

³⁸⁶ League of Nations, Report on the Administration of Palestine 1922, 30 December 1922, (<http://unispal.un.org/UNISPAL.NSF/0/A682CABF739FEBAA052565E8006D907C#sthash.a7Fg5DKm.dpuf>)

³⁸⁷ Mejcher, 'British Middle East', p. 101.

³⁸⁸ Herbert and Sosnovsky, *Bauhaus*, p. 35.

³⁸⁹ *Modern Transport*, 1.9 1934, pp. 3-4.

Office to address this in February 1921 following the establishment of the Middle East Department. Upon commencing his duties as head of the newly established department, John Shuckburgh focused on the development of ports in Palestine. He obtained the approval of the Colonial Secretary to send an experienced engineer to enquire into the projected harbours in Palestine.³⁹⁰ This was in response to a request by Armstrong Whitworth and Company Limited which was submitted to the Department of Overseas Board of Trade. It was part of the function of the Department of Overseas Trade to assist and advise the British commercial and industrial community in the work of reconstruction and the promotion of foreign trade.³⁹¹ Before the War, it assisted British trade and commerce in the Ottoman Empire.³⁹² It was also part of the functions of the Crown Agents to follow up on engineering matters.³⁹³ As the High Commissioner was 'anxious that an expert should be despatched to Palestine', Shuckburgh authorised the Crown Agents to arrange for engineer J.M. Alexander of Armstrong Whitworth and Company to examine the ports of Palestine.³⁹⁴

In order to rectify the conditions of the harbours in Palestine, Herbert Samuel initially considered four possible sites for a proper harbour on the coast of the Mediterranean: Acre, Haifa, Jaffa and Gaza which were all little more than open roadstead.³⁹⁵ In fact, during Churchill's visit to Palestine in 1921, Samuel managed to obtain his provisional approval on several projects, including the construction of the port at Haifa.³⁹⁶ This consent indicated that the British government started to recognize Haifa as a future centre of

³⁹⁰ TNA/CAOG10/68, Shuckburgh to Armstrong Whitworth and Company, Civil Engineering and Contracting Department, 26.2.1921 & CA 'Some notes', 24.5.1921.

³⁹¹ P. Middleton, 'British Foreign Trade Promotion', *The Annals of the American Academy of Political and Social Science*, vol. 94, The International Trade Situation (March 1921), pp. 16-20, p.19.

³⁹² Kent, *The Great Powers*, p. 177.

³⁹³ TNA/CAOG14/107, 'the main function, 9.7.1917; Penson, 'The Origin', p. 206.

³⁹⁴ TNA/CAOG10/68, Shuckburgh to CA, 26.2.1921, & W, CA to U-S CO, 12.3.1921.

³⁹⁵ TNA/CAOG10/68, 'Some notes', 24.5.1921.

³⁹⁶ Tom Segev, *One Palestine Complete, Jews and Arabs under the British Mandate* (translated by Haim Watzman) (London: Abacus, 2001), p.162.

communications.³⁹⁷ Engineer Alexander understood that a 'scheme for the building of a large harbour was in contemplation', therefore his attention was directed toward the ports of Jaffa and Haifa.³⁹⁸ His mission was to advise as to the works necessary to deal 'adequately and efficiently with the present trade'. He also considered possible future developments so that 'any work to be built now shall be capable of being incorporated with and forming part of a larger scheme.'³⁹⁹

In his April 1921 report, Alexander recommended that there should be a comprehensive scheme to improve both harbours at Jaffa and Haifa, but with only one performing the role as a main harbour because the size of trade did not justify the development of two sites. Though he gave a substantive account on how to develop the port of Jaffa, his opinion was that 'from an engineering point of view the Bay of Acre is a splendid site in which to construct a big harbour.'⁴⁰⁰ The recommendation was that a port at Haifa, which was historically recognised as part of the Bay of Acre, was more favourable than the one at Jaffa. Alexander who favoured Haifa because the Jaffa port suffered from inadequate conditions and its sheltered roadstead was exposed to heavy seas that led to congestion at the harbour front. This resulted in a large annual loss of goods, as goods were transferred by lighters/boats and moved by manual labour with no equipment available.⁴⁰¹ That being said, it should be noted that, the port at Jaffa was considered the gateway to Palestine. Orange was exported to British markets as, before the War, it was British ships that served that harbour.⁴⁰² Alexander proposed extending the existing breakwater and jetty in Haifa through which a sea face would be built with rubble and large blocks and the inside face with a masonry wall. This was possible since the stone suitable for marine construction was

³⁹⁷ Kent, *The Great Powers*, p. 190.

³⁹⁸ TNA/CAOG10/68, Shuckburgh CO to CA, 4.5.1921, & 24.5.1921.

³⁹⁹ TNA/CO733/2, Report on the Ports of Jaffa and Haifa to H.Cr., 14.4.1921.

⁴⁰⁰ *Ibid.*

⁴⁰¹ *Ibid.*

⁴⁰² Buheiry, 'The Agricultural Exports', p. 72.

available around Haifa. Additionally, he suggested dredging between the jetty and the shore, to reclaim an area of land for building a small railway jetty. He also proposed repairing the existing Turkish wharf. Such steps, he predicted would allow for necessary equipment for the efficient handling of cargo instead of the manual transfer of goods.⁴⁰³

Since real engineering works were to be demanded in the harbour, the government of Palestine requested the use of a civil engineer to aid the development of the harbours at Haifa, Jaffa and Gaza.⁴⁰⁴ Accordingly, the services of H.J. Paul were employed as he had 12 years of experience of harbour and railway work in British Guyana.⁴⁰⁵

In light of the recommendation of their engineer, W.G. Armstrong Whitworth & Co. Ltd. approached the Colonial Office in October 1921 with projects for the development of the Jaffa and Haifa harbours. The plans and drawings submitted by Whitworth were forwarded to the Admiralty. The latter only commented on the plans for Jaffa, as they believed that the proposals for Haifa were not to be 'proceeded with'. Their recommendation regarding Jaffa harbour was related to strategic concerns that the general lay-out of the scheme followed 'commercial practice' with too little space given to the Admiralty's ships to turn around. Hence, they suggested introducing an amended proposal.⁴⁰⁶ It seems, however, that Whitworth proposals were not pursued further.

'Palestine was evidently not quite satisfied' with Alexander's report. As a result the government of Palestine held an interdepartmental conference about the development of

⁴⁰³ TNA/CO733/2, Report on the Ports., 14.4.1921; TNA/CAOG 10/68, Shuckburgh CO, 24.5.1921.

⁴⁰⁴ TNA/CO733/2, signed by Deeds [chief Secretary] for the H.Cr. to Winston Churchill, S.S. CO, 28.4.1921.

⁴⁰⁵ Ibid.

⁴⁰⁶ TNA/CO733/2, Admiralty to Sir W. G. Armstrong, Whitworth & Company Ltd., 16.12.1921.

the ports in Palestine in early May 1922.⁴⁰⁷ The Colonial Office, the Admiralty, the Crown Agents and the government of Palestine decided that an expert in port construction should make an examination and do so from a 'purely technical point of view'.⁴⁰⁸ The expert was expected to examine the condition of the ports and prepare a detailed scheme for 'the various construction work necessary' and report on the provision of harbour facilities for Palestine.⁴⁰⁹ The scheme should take into consideration the Admiralty's strategic concern that a suitable port in Palestine should serve as 'a depot for oiling'.⁴¹⁰ Minor work to the Jaffa port was put on hold until the expert advised as to which port to develop, and which minor works could be undertaken at the other port. For this purpose, and until Palestine could take out a loan for the harbour construction, the Crown Agents were willing to advance the needed money.

By the end of August 1922, upon the instructions of the Colonial Office, the Crown Agents commissioned Rendel, Palmer and Tritton (RPT) Consulting Engineers as experts on ports and docks to examine and report on the ports of Palestine.⁴¹¹ They were engaged on the term of four thousand guineas inclusive of all expenses, to be included in the five per cent fee of the total cost in the event the company was engaged as consulting engineers for the project in the future.⁴¹² Yet, RPT had given Colonial Secretary Churchill reason to expect them to lower the fee in the event they were charged with the task.⁴¹³ It was decided that the company's partner, Frederick Palmer, who was a friend of James Carmichael, the

⁴⁰⁷ TNA/CAOG 10/68, Shuckburgh CO, 24.5.1921; Seikaly, *Haifa*, p. 72.

⁴⁰⁸ TNA/CAOG10/68, Record of a conference at the Colonial Office, present: Mr. Vernon (in the chair) /Colonial Office, Herbert Samuel/ H.Cr., Colonel Carmichael/ Crown Agents, Captain Pound/ Admiralty, Mr. Clauson/ Colonial Office and Mr. Hall/ Colonial Office, 11.5.1922.

⁴⁰⁹ *Ibid.*; TNA/CAOG 10/68, CA to RPT, 30.8.1922.

⁴¹⁰ *Ibid.*

⁴¹¹ TNA/CAOG10/68, CA to RPT, 30.8.1922.

⁴¹² TNA/CAOG10/68, RPT to James Stevenson, CO, 8.8.1922.

⁴¹³ TNA/CAOG10/68, Albert Young, U-S. CO to CA, 19.8.1922.

engineer of the Crown Agents would be engaged for the works.⁴¹⁴ Engineer Palmer was chosen owing to his extensive experience in harbour building. As the vice-president of the Institution of Civil Engineers, Palmer was a member of the International Consultative Commission of the Suez Canal, chief engineer at the Calcutta Port Authority, first chief engineer of the Port of London Authority and he had previously made a 'proposal to improve the Yangtse River' in China.⁴¹⁵ With this tremendous experience the government hoped he would be able to make proper examination of Palestine shores and define the most appropriate location for a harbour.

The previous reports on the ports of Palestine prepared by S. Pearson and Son Limited (i.e. Ker's report), Armstrong Whitworth and Company Limited (i.e. Alexander's report) and the Italian Sindacato Italiano Costruzioni Appalti Marittimi (SICAM) and others were communicated to Palmer.⁴¹⁶ In fact, the Italians presented their broad plan for the Haifa port to the Colonial Office through Cav. Zapelloni, a member of the Italian commercial delegation in London. Upon the direction of the Colonial Secretary, Churchill, Zapelloni was informed in April 1922 that 'if and when it was decided to proceed with the development of the port of Haifa, the SICAM would doubtless be given an opportunity of tendering.'⁴¹⁷ Fredrick's son, John Palmer, tells us that his father 'tore into shreds' the previous non-British proposals for deep-water ports at both Jaffa and Haifa.⁴¹⁸ This was primarily because they did not include the crucial economic aspect required for the harbour.⁴¹⁹

⁴¹⁴ John Palmer, *Frederick Palmer – 1862 to 1934, Highlights from the life of an unusual civil engineer* (London: The Institute of Civil Engineers, (Spring 1978), p. 16; TNA/CAOG10/68, RPT to Carmichael CA, 14.7.1922.

⁴¹⁵ TNA/CAOG10/68, RPT to Carmichael CA, 14.7, 1922; A. Cameron, 'Sir Frederick Palmer and the P.L.A.', *P.L.A. Monthly*, (July 1962), Tract Folio Vol. 269, pp. 184- 187, p. 16; Palmer, *Frederick Palmer*, p.16; *Modern Transport*, 21.6.1930, p. 17.

⁴¹⁶ TNACAOG 10/68, A. Young, U-S. CO to F. Palmer, 25.8.1922.

⁴¹⁷ TNA/CO733/159/17) Harding CO to Treasury and a copy to FO, 28.8.1928.

⁴¹⁸ Palmer, *Frederick Palmer*, p. 18.

⁴¹⁹ *Ibid.*

The decision to commission consulting engineers Rendel, Palmer and Tritton to investigate the Palestinian shores and report on the suitable port for a harbour, meant that the British government, in effect, was itself becoming involved in the harbour construction. A key concern for Whitehall was that the investigation and reporting not be done by foreign firms—regardless of what was required by the League of Nations.

Frederick Palmer headed to Palestine in the winter of 1922-23 when weather conditions were at their worst. His mission was to advise what harbour works should be undertaken at Haifa and Jaffa, having regard to the general commercial conditions and prospects affecting those two ports.⁴²⁰ Palmer ‘carefully inspected’ the whole coast of Palestine and presented in a July 1923 report the results of his findings to the Colonial Office. From the perspective of the British government a developed harbour in Palestine was meant to serve commercial as well as strategic purposes.

The British government’s endorsement of the harbour

With the conclusion of Lausanne Treaty in July 1923, the borders of the Turkish Republic were recognized and Turkey gave up all claims to the remainder of the Ottoman Empire. Accordingly, the British Mandate for Palestine was definitely confirmed. In a July 1923 meeting the the Committee of Imperial Defence (CID), Standing Defence Sub-Committee in Parliament discussed ‘the strategic importance of Palestine’. The concern of the Navy was that the ports of Palestine were ‘few and bad’ and needed development.⁴²¹ The CID insisted that the ports in hostile hands such as those of Turkey or France would form a naval

⁴²⁰ TNA/CAOG10/68, U-S. CO to CA, 19.8.1922.

⁴²¹ TNA/CO537/869, CID Standing Defence Sub-Committee, ‘The Strategic Importance of Palestine’, 12.7. 1923.

menace to 'approaches to the Suez Canal' and to shipping in the eastern Mediterranean.⁴²² More importantly the CID, similar to the earlier concern of the Admiralty, thought that if oil pipelines were brought from Iraq they should terminate at Palestinian ports. (The oil pipeline issue will be discussed thoroughly in later chapters). Therefore, efforts to develop a port in Palestine were made to ensure stability after the conclusion of the treaty with Turkey and the confirmation of Britain's mandate for Palestine.⁴²³ In addition, through the CID's examination of the strategic importance of ports in the Mediterranean, the port of Haifa was considered as a suitable alternative to Alexandria as a fuelling base given that Egypt was offered independence.⁴²⁴ The Admiralty was concerned with the Suez Canal as a stopping-off point on the imperial route to India.⁴²⁵ The connection with India was important for the foundation of British power in Asia and for the provision of military resources.⁴²⁶ In 1926 the Chief of Staff of the Royal Navy defined the security of the sea lanes 'as the cardinal principle of Imperial defence'.⁴²⁷ Hence, Haifa would serve as guarding post for the Suez Canal.

In his report of July 1923, Palmer recommended that Haifa was the most appropriate place for a modern harbour due to it offering suitable protection from the sea. The Bay of Acre and the port of Gaza were discarded because they did not provide sufficient shelter for modern shipping.⁴²⁸ The Jaffa port was not selected as its 'natural formation' made it difficult to construct a deep-water harbour.⁴²⁹ At Haifa, by contrast, the coast-line runs roughly south-east, protected from the west by the rocky promontory Ras-el-Kerum and

⁴²² Ibid.

⁴²³ Ibid.

⁴²⁴ TNA/CO537/869, V. W. Baddeley CID on Haifa, 20.8.1926, including a note by Naval Staff on Defence of British Ports - Mediterranean, 6.7.1926.

⁴²⁵ Cohen, 'Direction', p. 237.

⁴²⁶ J. Darwin, 'Imperialism in Decline? Tendencies in British Imperial Policy between the Wars', *The Historical Journal*, 23/3, (1980), pp. 657-670, p. 673.

⁴²⁷ Butler, *Britain*, p. 4.

⁴²⁸ Buckton, 'The Construction', p. 546.

⁴²⁹ Ibid., p. 547.

only faces open to seas from the north-east.⁴³⁰ The conclusion of Palmer's report was that a harbour was necessary at Haifa, while improvements could be made also to the port of Jaffa. He estimated the cost to be around £1,000,000.⁴³¹ Nevertheless, the final decision in regards to port building in Palestine was left completely in the hands of the British government.⁴³²

H.B. Lees, Director of Palestine Public Works, pointed out that Palmer's estimation of costs was 'largely based on the information furnished by Ker' of Pearson and Son, information that provided for the physical and economic characteristics of the harbour.⁴³³ The estimated amount was expected to cover the construction works and the building of a customs house, transit sheds, railway lines and equipment.⁴³⁴ Palmer's recommendation, in fact, had many similarities with the report of Armstrong and Whitworth's engineer, J. Alexander, in terms of location, extension of existing breakwaters, dredging and reclamation of land and repairing the existing old Turkish wharf.⁴³⁵ The basis of Palmer's plan was to construct: a main breakwater running east, 'over one-and-quarter miles long, starting at the point Ras-el-Kerum at the foot of Mount Carmel'; and a Lee breakwater running north from the railway-jetty of about half-a-mile long.⁴³⁶ The main breakwater was designed with the possibility of extension whenever required, and to a depth sufficient for 'the largest vessels'.⁴³⁷ (See appendix II, Rendle, Palmer & Tritton, Plan of Haifa harbour, 1923)

⁴³⁰ Ibid.; TNA/CAOG10/68, RPT to Carmichael CA, 30.7.1923.

⁴³¹ TNA/CAOG10/68, H. B. Lees to Chief Secretary, 26.3.1924.

⁴³² TNA/CAOG10/68, RPT to CA, 7.9.1922.

⁴³³ TNA/CAOG10/68, by H.B. Lees, 'Haifa Harbour', 7.5.1925.

⁴³⁴ TNA/CAOG10/68, Harbour Committee to Chief Secretary, Palestine, 26.3.1924.

⁴³⁵ TNA/CO733/2, Report by engineer J Alexander of W. G. Armstrong Whitworth & Co. Ltd on the Ports of Jaffa and Haifa to Herbert Samuel, 14.4.1921.

⁴³⁶ Buckton, 'The Construction', p. 546.

⁴³⁷ Ibid., p. 547.

In 1924, Palmer's report was examined by the relevant departments in London and by the government of Palestine. During 1924, Britain had changed its government three times bringing with it three different Colonial Secretaries. Despite this, the British government did not change its broad policy regarding the construction of a harbour at Haifa.⁴³⁸ The opinion of the Board of Trade was that harbour facilities in Palestine would be to the 'ultimate benefit of British trade' and that every facility should be given to 'British firms to tender for the necessary work.'⁴³⁹ The Board of Trade clearly stated that the building of the harbour would be to the benefit of British trade and firms, hence they should be given priority in order to improve the economy in the United Kingdom. The Board was also concerned with oil transportation with regard to prospective oilfields in Iraq. The Board explained that there had been two proposals put forward for pipelines from the oilfields in Iraq. One line would run from Baghdad to Haifa with a total length of 600 miles and the second from Baghdad to Alexandretta in Syria with a length of 450 miles. With this in mind, they advised that the harbour should provide facilities 'to accommodate tank steamers' which had a draught of about 30 feet.⁴⁴⁰ The Board's advice was in line with that of the Admiralty, which supported the promotion of harbours in Palestine for strategic and oil-related purposes.

In Palestine, High Commissioner Samuel formed a Harbour Committee to examine Palmer's report. This committee was composed of the general manager of the Railways, R.B. Holmes; Director of Customs, J.B. Barrow; Director of Public Works Department, H.B. Lees; and the Treasurer, S.S. Davis.⁴⁴¹ This Committee effectively endorsed Palmer's proposal for

⁴³⁸ The Colonial secretaries during 1924 were: The Duke of Devonshire, Conservative, in January; James Henry Thomas, Labour; then in November Leo Amery, Conservative, who held office until June 1929.

⁴³⁹ TNA/CAOG10/68, Commercial Relations and Treaties Dept., Board of Trade signed by H. Fountain to U-S. CO, 10.1.1924.

⁴⁴⁰ Ibid.

⁴⁴¹ TNA/CAOG10/68, from Harbour Committee, Palestine, 26.3.1924; TNA/CAOG10/68, by H.B. Lees on 'Haifa Harbour', 7.5.1925.

the construction of a port at Haifa and for improvements to the port at Jaffa.⁴⁴² The Committee explained that although the volume of trade at Jaffa was greater than that at Haifa at that time, there were greater potential advantages in developing the harbour at Haifa. The Committee explained that a port at Haifa would not only serve Palestine, but also the hinterland, whereas Jaffa served only part of Palestine. With Haifa protected by Mount Carmel from the weather, and possessing topographical advantages, it was judged more appropriate for the construction of a harbour. Additionally, the availability of stone for the breakwater near Haifa provided further cost advantages.⁴⁴³ In fact, Haifa also enjoyed a network of roads and railways in all directions to connect Palestine with other neighbour countries.⁴⁴⁴ The final recommendation was thus that Palmer's project for Haifa be favourably considered by the government. Given the proximity of Jaffa to Haifa, improvements to the Jaffa port, such as straightening the sea wall to afford more working space ashore, and removing rocks within the reef to clear the passage for lighters, would be sufficient. The committee also recommended that the works for both harbours should be carried out simultaneously.⁴⁴⁵

In spite of the general agreement with Palmer's report there were some objections. Lees of the Public Works made separate observations about the site and design of the port.⁴⁴⁶ According to Palmer's plan, the location of the harbour was adjacent to the existing downtown area, but Lees suggested situating the harbour further eastward where the harbour would be better economically constructed.⁴⁴⁷ In fact, Seikaly points out that after 1926, a Jewish architect, R. Kaufmann, also suggested that the site of the harbour be moved eastwards to be open to lands owned by Jewish organizations. The suggestion though was

⁴⁴² TNA/CAOG10/68, H.Cr. to J.H. Thomas S.S.CO, 11.4.1924.

⁴⁴³ TNA/CAOG10/68, Harbour Committee to Chief Secretary, Palestine, 26.3.1924.

⁴⁴⁴ Schattner, 'Haifa', p. 40.

⁴⁴⁵ TNA/CAOG10/68, Harbour Committee to Chief Secretary, 26.3.1924.

⁴⁴⁶ TNA/CAOG10/68, H.Cr. to J.H. Thomas S.S.CO, 11.4.1924.

⁴⁴⁷ TNA/CAOG10/68, H. B. Lees to Chief Secretary, Palestine, 26.3.1924.

rejected by the British government since the 'proposed scheme would have been more costly.'⁴⁴⁸

Another sceptical view was presented by the general manager of Palestine Railways, Colonel Holmes, suggested, partly on military grounds, that Palestine should rely on the railway connected to Port Fuad in Egypt, after moving the line from Kantara, 'as the principal route' for its communication with European countries.⁴⁴⁹ He effectively wanted to disregard the construction of a main harbour at Haifa. However, the Army Council and the Air Council held a different military opinion. They said that if the railway were moved from Kantara, located on the eastern side of the Suez Canal south of Port Said, which was the depot for all British operations in the Sinai from 1916-1919, it should terminate south at Ismailia and not at Port Fuad.⁴⁵⁰ Holmes' suggestion was therefore rejected. Nevertheless, the High Commissioner sought the opinion of the CID about whether, on strategic grounds, developing a port at Haifa, and not a railway in Egypt, would be in the interests of Palestine and the Empire.⁴⁵¹ It was concluded that spending Palestine's funds on developing a railway line that ran mostly in Egyptian territory, and depriving Palestine from its own port on its seaboard, was not acceptable.⁴⁵²

Regardless to the observations of the directors of the Palestine Public Works and Railways the government of Palestine persisted with its intention to go ahead with the harbour project. This was evident in the High Commissioner's obtaining again, in May 1925, approval in principle from the Colonial Secretary Leo Amery for the harbour construction in

⁴⁴⁸ Seikaly, *Haifa*, p. 64.

⁴⁴⁹ TNA/CO733/119, Harding Co to S. Wilson CO, 21.12.1926.

⁴⁵⁰ *Ibid.*; CAOG 10/68, RPT to CA, 14.7.1926.

⁴⁵¹ *Ibid.*

⁴⁵² TNA/CAOG10/68, Shuckburgh CO to CA, 25.1.1927.

Haifa.⁴⁵³ However, Palmer's July 1923 report was not sufficient enough for the consulting engineers to prepare contract drawings and documents. Hence, further investigations including surveys, soundings and borings were necessary.⁴⁵⁴ Arrangements between the consulting engineers and the Crown Agents were effected to that end.

Since the Haifa port was officially considered by the British government, British and foreign companies expressed interest in undertakings in the harbour. In addition to article 18 of the Palestine mandate, the right of foreign firms to tender for works in mandated areas was secured by article 23 of the League of Nations' Covenant regarding 'equitable treatment' for commerce. This article, in effect, introduced a 'new international system' in the spheres of finance, trade and transport.⁴⁵⁵ Within the context of this article, the Italian company of Roberto Almagia enquired about the harbour construction. The company, which earlier in 1911 had proposed similar harbour works to the Ottoman Empire, specialized in the construction of harbours, quays and breakwaters, like those in Alexandria and Port Said in Egypt.⁴⁵⁶ Additionally, Thos. [Thomas] W. Ward Ltd. approached the British government hoping to be considered as suppliers of 'the necessary plant and materials which may be required' in connection with the reconstruction of Haifa harbour.⁴⁵⁷ The Colonial Office though had not yet adopted a clear policy regarding the harbour construction. Accordingly, the reply was that the decision of construction had not been taken yet and their 'request for an opportunity to compete would be considered' in the event the work was put out to

⁴⁵³ TNA/CAOG10/68, H.Cr., to L. Amery, S.S. CO, 13.5.1925.

⁴⁵⁴ TNA/CAOG10/68, RPT to CA, 10.11.1925.

⁴⁵⁵ Walters, *A History*, p. 42.

⁴⁵⁶ TNA/CAOG10/68, from Ing. Roberto Almagia to CO, 10.1.1924.

⁴⁵⁷ TNA/CAOG10/68, Thos. W. Ward Ltd. (signed) H.D. Sole to Department of Overseas Trade, London, 6.5.1925; Thos. W. Ward Limited to CA, Proposed Reconstruction of the Harbour at Haifa, Palestine, 12.5.1925.

contract.⁴⁵⁸ Moreover, it decided that the arrangements for placing contracts for plant and equipment would be placed in the hands of the Crown Agents.⁴⁵⁹

Enquiries by British and foreign firms about the harbour provoked discussion in the British government about the method of constructing the harbour. The Harbour Committee recommended that in order to retain sole ownership and control of harbours the government should undertake the construction.⁴⁶⁰ This meant that the Palestine Public works Department should carry out the works. Nevertheless, the matter of the method was discussed further and three alternative methods were proposed for the harbour construction. These were: by the public works department of the territory; by a special staff acting under the direction of the consulting engineers; or by a firm of contractors under the supervision of the consulting engineers.⁴⁶¹ The first two methods were known as 'department work', meaning the departmental method, which had sometimes been adopted in British colonies.⁴⁶² Colonial Secretary Amery was in fact, inclined to favour one of the proposed departmental methods by which he would be in agreement with the opinion of the Harbour Committee.⁴⁶³

In July 1925, Herbert Onslow Plumer was appointed as new High Commissioner for Palestine (August 1925 - July 1928). Plumer maintained his predecessor's policy that establishing a well-equipped port at Haifa should be placed first in any programme of works to be carried out in Palestine.⁴⁶⁴ This was reinforced by the knowledge that the French were contemplating the development of a railway scheme in Syria that connected Cairo,

⁴⁵⁸ TNA/CAOG10/68, Shuckburgh CO reply to Signor Roberto Almagia, 22.2.1924.

⁴⁵⁹ TNA/CAOG10/68, Vernon CO to T.W. Ward, Ltd., 20.5.1925.

⁴⁶⁰ TNA/CAOG10/68, Harbour Committee to Chief Secretary, Palestine, 26.3.1924.

⁴⁶¹ TNA/CAOG10/68, U-S CO to CA, 28.9.1925.

⁴⁶² TNA/CAOG10/68, by H.B. Lees, 4.5.1925.

⁴⁶³ TNA/CAOG 10/68, U-S CO to CA, 28.9.1925.

⁴⁶⁴ Williams, 'Palestine', p. 712; TNA/CAOG 10/68, H.Cr. to Amery, 30.4.1926.

Constantinople and Europe. The *Manchester Guardian* wrote that funds were needed so that a railway between Haifa and Beirut could be constructed 'upon which General Weygand, who preceded General Sarrail as French High Commissioner in Syria, set such store.'⁴⁶⁵ Plumer feared that in the event a railway line was extended between Haifa and Beirut, 'there would be risk of a certain amount of Palestinian trade being diverted' to Lebanon.⁴⁶⁶ This was because Beirut already had a harbour protected by breakwaters since 1893.⁴⁶⁷ The establishment of a harbour at Haifa would jeopardise France's plans. Hence, Plumer objected to any postponement and pushed further for the construction of a well-equipped port at Haifa and recommended that such project should be given priority. He thought that it would be extremely unwise for economic, political and strategic reasons to spend Palestine funds on making Palestine dependent on a foreign port. He further recommended that any railway scheme should be deferred until the port of Haifa had been well established.⁴⁶⁸

The endorsement of the British government of a harbour at Haifa made it possible for actual steps to be taken. Authorising the consulting engineers RPT to investigate the coast of Palestine was the first step which prompted discussions in London and in Palestine. These discussions resulted in the desire to pursue the development of Haifa harbour, to make it the modern port of Palestine. Accordingly, British and foreign firms saw in the harbour building an opportunity to tender for work. It was, however, not possible to give the works to any side/firm owing to the absence of a clear policy on the method by which the harbour should be constructed. The method of construction was of significant importance owing to the political conditions prevailing after the establishment of the

⁴⁶⁵ *The Manchester Guardian*, 11.2.1925, p. 8.

⁴⁶⁶ TNA/CAOG10/68, H.Cr. to L. Amery, 30.4.1926.

⁴⁶⁷ Schattner, 'Haifa', p. 35.

⁴⁶⁸ TNA/CAOG 10/68, H.Cr. To L. Amery, 30.4.1926.

League of Nations. The constraint imposed by the mandate system and its relation to the method of construction are the subject of the coming chapters of this thesis.

Conclusion

The main task of the military administration in Palestine upon seizing the country in 1918 was to maintain law and order and foster some progress in the country. In investigating the reasons why the military administration wanted to develop the port at Haifa, it seems clear that two reasons stood out. One related to the desire to secure British control over the country and the other to hope for benefit for the British economy. Since the mandate for Palestine was not finally confirmed to Britain, the military administration wanted first of all to assert Britain's control over the country. They thought that by developing the port at Haifa, Britain would be the *de facto* master of the country. However, the political atmosphere after the War was not settled and Britain was not able to take decisive decisions that would influence the talks at the Paris Peace Conference. Therefore, the British government chose to follow a prudent policy with regards to the proposals submitted by the military administration regarding the harbour construction at Haifa, although they were supported by General Allenby under whose command Palestine was initially seized.

The military administration, aware of the challenging economic conditions in Britain, recommended employing British companies for executing the project at Haifa. The two proposals by the military administration clearly established the connection between the harbour construction and the potential benefit for the British economy. Here, the connection between economic conditions in Britain and the British territorial expansion was a reality. This approach showed that the military administration was thinking along

traditional colonial lines regarding acquiring territories, where it was possible to exploit their natural resources at the discretion of Britain. At the same time however, it also demonstrates the position of the Foreign Office that purposefully did not want to rush to a decision regarding Palestine. Balfour, in Paris, was concerned with Britain's long-term position in the Middle East.⁴⁶⁹ Eventually, the projects were rejected owing to international concerns of Palestine status.

The British government was only able to take a firm decision on building the harbour when the mandate for Palestine had been granted to Britain. The Colonial Office, which became responsible for the mandated territories, was anxious to develop the harbour at Haifa. Although there were foreign firms, particularly Italians, that were interested in undertaking works at the harbour, the Colonial Office only permitted British companies to carry out investigations of the Palestinian coastline. Two preliminary investigations were carried out before Rendel, Palmer and Tritton's engineer, Frederick Palmer, conducted a thorough investigation of the shores of Palestine. Palmer's report on the appropriateness of the Haifa port for a harbour was subject to discussion in London and in Palestine before a final decision was taken. Recommendations to adopt Palmer's plan by the government in London were based on the notion that benefit would be brought to Britain's economy by employing British firms and material. The Admiralty's interest, confirmed by the CID, was mainly with securing an oil dock and oil terminal in Palestine for the expected pipeline coming from the oilfields of Iraq. Palmer's plan was also endorsed by the government of Palestine and consequently arrangements for further investigations of the shores of Palestine were on-going in order to enable the engineers to produce drawings and specifications for contracts. The desire of foreign firms to compete for the harbour works was restated after Palmer's report was issued. But the British government preferred to

⁴⁶⁹ Smith, *The Roots*, p. 5.

maintain its prudent approach before making decisions about the harbour. Therefore, the question of the method to be adopted for the construction of the harbour was not decided upon and in fact was subject of discussions in London over the next three years. It is to those discussions that this thesis turns after examining the Palestine loan.

Chapter Three

The Palestine Loan, 1926

Introduction

The finances of the Palestine government were not on their own adequate to cover the expenses of constructing a harbour at Haifa. The uncertain political conditions of the country, stemming from its 'mandate' status, made it difficult to obtain the required finance from private sources, at least not without having unfavourable terms attached to any loan. The most appropriate method for securing the money was by obtaining the British government's guarantee for a loan to be raised on the British market. However, permission to borrow from the British market was only secured after much reluctance on the part of the British government, a reluctance that existed, in turn, because of those difficulties connected with Palestine's political status. This chapter discusses these events and demonstrates how the British government was able to secure benefits for the British economy, avoid the criticism of the international community, and support the finances of the mandated territory. This could be understood as the extension of financial support as a result of British political intervention in Palestine. Historically, it had been accepted that financial support would be given a certain country, following political annexation. In the case of Palestine, however, financing was an outcome of political intervention.⁴⁷⁰

Although the development of a harbour at Haifa was one of the major projects that required a loan, the British government, in its early deliberations, neglected the question of capital expenditure necessary for such a project. However, in later stages when the

⁴⁷⁰ Jeffry Frieden, 'International Investment and Colonial Control: A New Interpretation', *International Organization*, 48/4, (Autumn 1994), pp. 559-593, p. 591.

mandate of Palestine was put into operation in September 1923, Haifa harbour project was taken into consideration. Therefore, it is vital to investigate the development of the loan for Palestine in order to understand its significance to the building of the harbour. Discussions and disagreements in Whitehall concerning a loan to Palestine grew from 1920 to 1926. This period offers excellent material to examine the formation of Britain's economic policy towards Palestine. From this analysis we can also understand how policy was formed regarding the method of the harbour's construction, a period which itself spans from 1919, when a harbour was first contemplated, to 1933 when it was completed. It is suggested that although the British government had imperial objectives in Palestine, it did not possess appropriate methods to deal with economic and strategic matters in the mandated territory. The issue of the loan shows a continued changing of minds in regards to policy-making. The British government's aims in Palestine required new methods beyond its traditional and standard mode of operation in territories previously under its control.

During the interwar period, it became known that 'London took on an increasing responsibility for the colonies' economic development', a similar action was extended to mandate Palestine.⁴⁷¹ Due to its financial and political conditions, the only alternative was to request the support of the British government. Borrowing by public authorities became predominant in 1920s.⁴⁷² Arrangements were launched in order to secure a guarantee from the British government so as to pay off the government of Palestine's outstanding liabilities. This would also provide for the financing of new programmes, including harbour construction. By 1924, serious consideration was given by the Cabinet to approve the loan and the Bill passed by Parliament in 1926. The loan Ordinance was published in Palestine in 1927, which made it possible for Palestine finally to take the loan. Arguments for the loan were carried out mainly between the government of Palestine and the Colonial Office and

⁴⁷¹ Butler, *Britain*, p. 21.

⁴⁷² Cain and Hopkins, *British Imperialism*, p. 439.

then between the latter, the Treasury and the Foreign Office. Discussions about the loan demonstrate the British government's approach, within the limits imposed by the mandate system, towards Palestine and also the international community.

This chapter explores how those benefits to Britain were obtained by providing finance to Palestine. With this in mind, the chapter provides a number of questions: Why did the government of Palestine need a loan? On what basis did the government think it could raise a loan? Who raised the loan for Palestine and how was it raised? How did the British government place the raising of a loan for Palestine in the context of the League of Nations and Britain's relationship with it? Were development projects like the building of Haifa harbour essential elements in raising a loan?

This chapter argues that reluctance to take a decision regarding guaranteeing the issuing of a loan for Palestine was characteristic of Britain's approach to the territory. Britain had defined objectives in Palestine but had to select the appropriate means to meet them.

The structure of this chapter relies on tracing the development of the loan from the time it was considered to the point it was issued. The chapter's first section looks at the Palestine Administration's efforts to secure funding under the Foreign Office for development works during 1919-1920. The second part investigates how the British government's guarantee for the loan was obtained during 1921-1923. The third section discusses Cabinet approval of the loan during 1924-1926 period, and finally, the fourth section investigates the loan Act and its issuing from mid-1926 to 1928.

Seeking funding under the Foreign Office, 1919 - 1920

When the Allied forces occupied Palestine, the country was in a 'neglected condition', as were its harbour facilities.⁴⁷³ Schemes for construction were prepared in order to enable the government to fulfil its functions. During military administration, the building of Haifa harbour was one of the country's major development projects to be considered. Two alternative funding methods were considered for the construction of the harbour during this period. In his proposal for the development of the city, the military governor of Haifa, E. Stanton, funding the harbour primarily through the sale of land expropriated or purchased (at low prices) from the inhabitants. He suggested that the remaining amount needed for construction could be sourced by taking out a loan in Britain, leveraged on the expected port dues.⁴⁷⁴ The solution for obtaining funds was possible, in Stanton's view, based on the merits and finance of the country. At that time the only obstacle was that there were no definite procedures to deal with introducing new projects in this recently seized territory.

In the second proposal of Arthur Money that was submitted by General Allenby to the British government in July 1919, the Chief Military Administrator of Palestine presented a different view. In his report, Arthur Money suggested that a British syndicate of contractors would 'provide the whole of the capital under the usual Government guarantees' to be redeemed by the British and Palestine governments as both would benefit from the new harbour.⁴⁷⁵ It is worth noting that by 1919 the British national debt had grown to ten times its 1914 level, partly due to the abandonment of the gold standard which caused an increase in the Bank of England's interest rate to seven per cent.⁴⁷⁶ In light of Britain's

⁴⁷³ TNA/T176/20, Palestine and East Africa Loans, Memorandum explaining financial resolution, presented to Parliament by Command of His Majesty, 1926.

⁴⁷⁴ TNA/FO371/4211, General Allenby to the Secretary of War, 19.1.1919.

⁴⁷⁵ *Ibid.*, 20.7.1919.

⁴⁷⁶ Reynolds, *Britannia*, p. 92.

economic conditions, what was important in Money's suggestion was the point concerning the British government's guarantee for the funds used in the development. Government support for private enterprises in such projects was not unusual in terms of British behaviour. However, since the political status of Palestine was still under negotiation, it was not possible for the British government to approve any projects related to Palestine. In fact, both proposals submitted by Allenby were rejected by the Foreign Office and consequently no consideration was given to the suggested methods of funding.

The Foreign Office maintained its position even after military rule was changed to a civil administration in Palestine in July 1920. Whilst still under Lloyd George's coalition government and Earl Curzon's Foreign Office, Herbert Samuel, the first High Commissioner for Palestine, concerned himself with introducing changes to the territory. There was a need to show that the advent of the British civil administration would mean 'a large and rapid economic development of the country'.⁴⁷⁷ That was important in light of the populations' 'dislike' of the new regime.⁴⁷⁸ Samuel's aim was to divert the attention of the population from politics to economic development.⁴⁷⁹ The main obstacle facing the new civil government in Palestine though was that it had no experience of dealing with a mandatory form of constitution or government.⁴⁸⁰ In fact, the Ottoman fiscal system remained in force in mandated Palestine to which only 'unimportant reforms' had been introduced.⁴⁸¹ The expenditure of the civil administration was kept within the scope of the local revenue budget without any aid from the British Exchequer.⁴⁸² This was because the Colonial Office 'rigidly enforced' in Palestine a colonial policy which required that colonies

⁴⁷⁷ TNA/CAOG9/60, H.Cr. to S.S. FO, Earl Curzon of Kedleston, 2.4.1921.

⁴⁷⁸ Ibid.

⁴⁷⁹ Porath, *The Emergence*, p. 126.

⁴⁸⁰ TNA/CAOG9/60, H.Cr. to S.S. FO, 4.10.1920.

⁴⁸¹ Granovsky, *Land Taxation*, p.9.

⁴⁸² TNA/CAOG9/60, Samuel, 'Interim Report', 30.6.1921.

be self-supporting, with little assistance coming from the colonial power.⁴⁸³ Smith argues that 'according to colonial thinking' taxes were collected in Palestine so as to assert 'the authority of the colonial government', thus the administration depended on harvests and the import of goods for public revenues.⁴⁸⁴ Moreover, the Egyptian currency, in use in the country, as legal tender and remained so until the Palestinian pound was introduced in 1927. This exposed Palestine to the movements of Egyptian currency and prices.⁴⁸⁵ Now with the stability of the Palestinian currency it was possible to issue a loan.

The civil administration also faced financial challenges arising from its consumption of responsibility for managing the territory's financial burdens. The assets of the War Office in Palestine, particularly the railways that were built during the War for the military efforts, were transferred, in 1920, to the Colonial Office. Therefore, the government of Palestine inherited the military obligations and fell into debt owed to the British Government. The revenue of and expenditure on the railways for example became the responsibility of the civil administration.⁴⁸⁶ Another obligation was, under the provisions of the Treaty of Sevres, that Palestine was charged with an 'annuity in respect of her share of the Ottoman Pre-War Debt'.⁴⁸⁷ The Ottoman Public Debt Administration (OPDA) was an institution created in 1881 'to meet the exigencies of foreign bondholders'.⁴⁸⁸ The revenues assigned to the OPDA were taxes collected mainly on salt, spirits, excise tax, stamp duty and three per cent

⁴⁸³ Smith, *The Roots*, p. 47.

⁴⁸⁴ Ibid., pp. 38 & 40.

⁴⁸⁵ Ibid, p. 26; George Hakim, 'Monetary and Banking System', in Himadeh, (ed.) *Economic Organization*, pp. 443-504, pp. 446-7; G. Clauson, 'The British Colonial Currency System', *The Economic Journal*, 54/213, (April 1944), pp. 1-25, p.14.

⁴⁸⁶ TNA/CAOG9/60, Samuel, 'Interim Report', 30.6.1921.

⁴⁸⁷ Ibid; TNA/CO733/2, H.Cr. to Churchill, S.S. CO, 15.4.1921; Discussions about Ottoman Public Debt Administration is available in Cain & Hopkins, *British Imperialism*, 2002, p.346-7 ; in Jeffrey Frieden, 'International Investment and Colonial Control: A New Interpretation', *International Organization*, 48/4, (Autumn 1994), pp. 559-593, pp. 587-8; and in Charles Morawitz, 'The Public Debt of Turkey', *The North American Review*, vol. 175/549, (August 1902), pp. 275-288.

⁴⁸⁸ Philip Brown, 'Ottoman Public Debt Arbitration', *The American Journal of International Law*, 20/1, (January 1926), pp. 135-139, p. 135.

on customs.⁴⁸⁹ In September 1920, those specific revenues were no longer assigned to the service of the Ottoman debt and by April 1921 they were 'amalgamated with the general revenue of Palestine'.⁴⁹⁰ According to the peace Treaty of Lausanne (1923), Turkey and the states detached from the Ottoman Empire bore a proportion of the public debt of the Empire.⁴⁹¹ Accordingly, Palestine's share in the capital of the Ottoman public debt amounted to £E3,282,635 in 1924. Owing to accumulated interest, the amount due by Palestine to the bond-holders amounted to £E4,577,667 in 1928.⁴⁹² The annual payment was paid 'as a lump sum' by the Treasury.⁴⁹³

With such a financial burden, in 1920 the civil administration contemplated the request of a loan for Palestine in order to cover inherited and new debts to the British government and to finance new projects. This was possible given that the bulk of the British government's investments abroad, as Hobsbawm states, were public loans to infrastructure projects like railways and public utilities.⁴⁹⁴ The intention of the government of Palestine was to raise a loan to the amount of £2.5 million, to be delivered in stages. The loan instalments would not just be delivered on different dates but in different amounts depending on the revenues of the country and on the condition of the market at the time.⁴⁹⁵ This was because the amount to be borrowed would depend upon the 'margin of permanent revenue available for the payment of interest and sinking fund'.⁴⁹⁶ Similar to other colonial loans, Palestine's revenues were to be used as collateral for the loan. It was estimated that

⁴⁸⁹ TNA/CAOG9/60, H.Cr. to S.S. FO, 13.9.1920.

⁴⁹⁰ Ibid., & Samuel, 'Interim Report', 30.6.1921.

⁴⁹¹ Brown, 'Ottoman', p. 138.

⁴⁹² Abcarius, 'Fiscal System', p. 570.

⁴⁹³ TNA/CAOG9/60, H.Cr. to S.S. FO, 13.9.1920.

⁴⁹⁴ Hobsbawm, *History*, pp. 65-6.

⁴⁹⁵ TNA/CAOG9/60, H.Cr. to S.S. FO, 13.9.1920, & J. Tilley FO to H.Cr., 25.10.1920.

⁴⁹⁶ Ibid., & H.Cr. to S.S. FO, 2.4.1921. A sinking fund is: 'a fund created for the purpose of establishing a reservoir by means of which all or part of a funded debt liability may be extinguished.' (E. S. H., 'Sinking Funds', *Virginia Law Review*, 24/3, (Jan., 1938), pp. 293-301, p. 293; Edward A. Ross, 'Sinking Funds', *Publications of the American Economic Association*, vol. 7, no. 4/5, (July - September 1892), pp. 9-106, p. 12.

the receipts of Palestine in the financial year 1920-1921 totalled of £E937,726 while the expenditure was expected to be £E867,559.⁴⁹⁷ This budget surplus enabled the government of Palestine to contemplate borrowing.

In order to convince the Foreign Office and investors of the virtues of the loan, it was emphasized that the loan would be spent on remunerative projects. The chief purpose for the capital expenditure was the construction of 'railways, roads, and many other purposes'.⁴⁹⁸ It is worth noting that at this stage monies for constructing a harbour, or funding harbour improvements, were not included in the capital expenditure plans and budgets since these were not yet formulated.⁴⁹⁹ Nevertheless, the High Commissioner was keen to expedite the process and wanted the 'first government loan' to be issued immediately once the mandate status was formally confirmed.⁵⁰⁰ It seemed that the civil administration, similar to the military authority in this respect, wanted to establish Britain's control over the country even before the mandate was formally promulgated.

In exploring the alternatives to obtaining a loan, Samuel wanted to address private financial institutions.⁵⁰¹ He thought that in light of the British government's promise of a national home for the Jews in Palestine, part of the capital 'would, and no doubt will, be provided by Zionist bodies and by private enterprise'.⁵⁰² However, his main concern was that lenders were likely to require guarantees for their investment.⁵⁰³ Owing to the uncertain status of Palestine the British government was 'reluctant to give any guarantee' as it would involve imposing liabilities upon the British Exchequer and therefore require the approval of

⁴⁹⁷ TNA/CAOG9/60, H.Cr. to S.S. FO, 13.9.1920.

⁴⁹⁸ *Ibid.*, & H.Cr. to S.S. FO, 4.10.1920.

⁴⁹⁹ TNA/CAOG 9/60, H.Cr. to the Zionist Organizations, 13.9.1920 & H.Cr. to S.S. FO. 13.9.1920.

⁵⁰⁰ *Ibid.*, H.Cr. to S.S. FO. 13.9.1920.

⁵⁰¹ Pappé, *A History*, p. 99.

⁵⁰² TNA/ CAOG9/60, H.Cr. to S.S. FO, 4.10.1920, & H.Cr. to the Zionist Organizations, 13.9.1920.

⁵⁰³ *Ibid.*, H.Cr. to S.S. FO, 4.10.1920.

Parliament.⁵⁰⁴ Under the circumstances, fundamental amendment to the Palestine mandate was needed, in order to provide investors with something solid upon which they could depend. The High Commissioner suggested adding an article to the provisions of the League of Nations which would guarantee that financial obligations incurred during the mandate would be honoured.⁵⁰⁵ Subsequently, article 28 was indeed added to the provisions of the Palestine mandate, stipulating: 'In the event of the termination of the mandate hereby conferred upon the mandatory, the Council of the League of Nations shall make such arrangements as may be deemed necessary [...] for securing, under the guarantee of the League, that the Government of Palestine will fully honour the financial obligations, legitimately incurred by the Administration of Palestine during the period of the mandate'.⁵⁰⁶ The addition of this article demonstrated the extent to which the British government could influence the League of Nations, particularly in its early years of operation. The change in the mandate also meant that a loan for Palestine was officially requested and not privately communicated to the Foreign Office as Smith and Huneidi suggest.⁵⁰⁷ However, undertaking large financial obligations for a long period was still not possible until the position of Palestine was definitely regularised.⁵⁰⁸ An alternative to taking out a loan was contemplated but was not actualised. The Palestine administration considered the reclamation of a considerable area of the port of Jaffa and to cover the cost of constructing a port in Haifa from the proceeds of selling the reclaimed area.⁵⁰⁹

By approving the addition of article 28 to the Palestine mandate, the League of Nations committed itself to the article in order to safeguard the rights of the bondholder. However,

⁵⁰⁴ Ibid.

⁵⁰⁵ Ibid.

⁵⁰⁶ 'British Mandate for Palestine'; TNA/CO733/2 & CAOG9/60, H.Cr. to Churchill, S.S.CO, 15.4.1921.

⁵⁰⁷ Smith, *The Roots*, p.33. & Huneidi, *A Broken Trust*, p.203.

⁵⁰⁸ TNA/CAOG9/60, H.Cr. to Earl Curzon FO, 4.2.1921.

⁵⁰⁹ Ibid.

the issue of encouraging financial assistance to develop mandated territories was brought before the Permanent Mandates Commission (PMC) for examination in 1923. In the view of the Commission, the mandated territories were 'exposed to an economic disadvantage' that created doubts concerning the stability of the mandate.⁵¹⁰ The Council of the League was required to tackle this issue of confidence.⁵¹¹ After more than two years of discussions by the PMC, the Council decided in 1925 that 'the cessation or transfer of a mandate will not take place unless the Council had been assured in advance that the financial obligations regularly assumed by the former mandatory will be carried out'.⁵¹² This meant that the League of Nations did not object to Palestine's raising a loan on the British market. On the other hand, it was imperative for the PMC to monitor loans and the investment of private capital in the mandated territory. That was because such investment often 'led to annexation', which was 'irreconcilable with the mandate principle'.⁵¹³ Though there was no annexation of Palestine, Cain and Hopkins were right to say that financial expansion led to 'extensions of control'.⁵¹⁴

In the final analysis, raising a loan through the Foreign Office was not possible. Although official efforts were made, of which the most important was the amendment of the Palestine mandate, the prevailing political conditions still hindered moving ahead with the loan. This shows the extent to which economics and politics were inseparable. In the case of the mandated territory economic matters became an important and sensitive issue, because unlike with colonies, the relationship between the mandatory and the mandated was bound by the limitations of the League of Nations. The Foreign Office was also strict about Britain's compliance with the PMC. Britain's economic policy towards acquired

⁵¹⁰ Upthegrove, *Empire*, p. 36.

⁵¹¹ *Ibid.*

⁵¹² *Ibid.*, p. 40.

⁵¹³ *Ibid.*

⁵¹⁴ P. Cain and A. Hopkins, 'The Political Economy of British Expansion Overseas, 1750-1914', *The Economic History Review*, New Series, 33/4, (November 1980), pp. 463-490, p. 486.

territories became more rigid in mandated territories due to the emerging international obligations. These conditions made the connection between economics and politics stronger, and they influenced each other significantly in Palestine.

While Palestine was under the control of the Foreign Office, and despite the efforts to make a loan possible, the difficulties related to the political status of Palestine prevented a loan being issued. Further consideration of the loan by the Foreign Office was reinforced again later, but only when the loan was discussed in light of Britain's foreign policy and its relationship with the international community. For most of the time the loan was mainly the concern of the Colonial Office, the Treasury and the government of Palestine.

Obtaining the British government's guarantee, 1921 - 1923

Under Lloyd George's Coalition government, responsibility for the mandated territories was transferred from the Foreign Office to the Colonial Office. When he became Secretary of State for the Colonies in February 1921, Winston Churchill established the Middle East Department to coordinate policy and control the running of those dependent countries. Churchill was dominant in Britain's post-war policy-making and was largely responsible for Britain's policy towards the mandated territories.⁵¹⁵ Consequently, the government of Palestine started addressing the Colonial Office instead of the Foreign Office about the proposed loan, which now stood at £3.5 million. The High Commissioner urged the Colonial Office to approve the loan particularly given that 'the need of Palestine for expenditure on capital works' was urgent.⁵¹⁶

⁵¹⁵ Marian Kent, 'Great Britain and the End of the Ottoman Empire', in Kent (ed.), *The Great Powers*, p. 190.

⁵¹⁶ TNA/CAOG9/60, H.Cr. to S.S. CO, 15.4.1921.

The Zionist Organisation expressed interest in the Palestine loan to the British government. The High Commissioner advised that 'every means should be taken to ensure the participation' of the Jewish populations all over the world in the £3.5 million loan.⁵¹⁷ Accordingly, the Colonial Office sought the opinion of the Crown Agents as to the interest paid by the Zionists and informed them that, in light of this interest, the Colonial Secretary thought that the loan would be issued 'otherwise than through the Crown Agents' (i.e. through private financial institution).⁵¹⁸ However, the Crown Agents did not hold a similarly optimistic view and were uncertain 'what response would be made by the Jews' if they were encouraged to participate to the loan.⁵¹⁹ During 1921 the Colonial Office did not take any action and no legislation was passed for raising a loan for Palestine.

When the League of Nations approved the British mandate for Palestine in July 1922, Churchill urged that the loan be issued for Palestine and entrusted to the Crown Agents.⁵²⁰ That was now possible because, as Fieldhouse argues, wherever there were economic and political controls, such as with the colonies, foreign investments would get their highest return.⁵²¹ The purpose of the loan was to pay the Treasury the debt for stores and railway material transferred to the government of Palestine from the War office, to repay the advanced payments extended by the Crown Agents and to provide for 'other necessary expenditure which cannot be met from current revenue.'⁵²² It is worth noting that according to the Covenant of the League that it was justifiable to charge the mandate territories for the advances granted by the mandatory for administrative needs during the period of military occupation. Moreover, loans granted by the mandatory power which

⁵¹⁷ Ibid., from Paul Singer, the Zionist Organization to FO, 10.2.1921, Shuckburgh CO to Paul Singer, 26.4.1921 & H.Cr. to S.S. CO, 15.4.1921.

⁵¹⁸ TNA/CO733/2, CO to CA, 18.5.1921.

⁵¹⁹ TNA/CAOG9/60, CA to U-S CO, 1.7.1921.

⁵²⁰ Ibid., CO to Ezechiel, CA, 14.7.1922.

⁵²¹ Fieldhouse, 'Imperialism', p. 192.

⁵²² TNA/CAOG9/60, U-S CO to CA, 14.8.1922.

resulted in a development of the territory's resources should be repayable.⁵²³ So what were those advances?

An essential part of the functions of the Crown Agents was financial.⁵²⁴ It included negotiating, issuing and managing colonial governments' loans and their sinking funds and the payment of interest.⁵²⁵ The Agents made public the floating of loans and the sale of stocks in the London market.⁵²⁶ Issuing temporary advances to other governments by the Crown Agents was a way of investing in those loans.⁵²⁷ This was possible as a period of time often lapsed between the raising of a colonial loan and the date monies could be actually spent.⁵²⁸ Advances were provided for the government of Palestine from surpluses made available by the Crown Agents, which themselves were drawn from the proceeds of loan arrangements with other colonies. In 1924, Palestine's overdrawn account was accumulating at a considerable rate. About two million pounds were already spent by the government of Palestine in anticipation of the loan.⁵²⁹ The Agents, concerned that the government of Palestine repay its overdrawn account to them, urged the issuing of a loan.⁵³⁰

The Colonial Office wanted the Crown Agents to raise the loan in the same manner as in other colonies. This was in order to receive better terms than if it were borrowed from the private market.⁵³¹ However, it also meant that the Colonial Office wished to bind Palestine more closely to the wider Empire. A 'General Loan Ordinance' (No.23) following a colonial

⁵²³ Wright, *Mandates*, p. 455.

⁵²⁴ Penson, 'The Origin', p. 202.

⁵²⁵ TNA/CAOG14/107, The main functions.

⁵²⁶ Sunderland, *Managing British*, p.9.

⁵²⁷ TNA/CAOG14/107, The main functions'.

⁵²⁸ Ponko, Jr., 'Economic Management', p. 376.

⁵²⁹ Smith, *The Roots*, p. 35.

⁵³⁰ TNA/CAOG9/60, CA to U-S. CO, 5.10.1921.

⁵³¹ *Ibid.*, Vernon, CO to Shuckburgh CO, 8.6.1922.

model was promulgated in Palestine, according to which the government of Palestine could issue 'a loan either locally or through the Crown Agents or other persons in England.'⁵³² Although Palestine was ruled by a British administration, Smith rightly argues it was not entitled to the benefits conferred upon protectorates.⁵³³ This was due to Palestine being a mandate, which meant it did not fall within the provisions of the Colonial Stock Act 1877-1900.⁵³⁴ As a result, a loan for Palestine would be raised 'on rather less favourable terms' than a colonial loan.⁵³⁵

When article 28 was added to the Palestine mandate, the High commissioner contemplated raising a loan through private market finance. However, he was entirely opposed to the idea once the mandate of Palestine was finally conferred upon Britain.⁵³⁶ He explained that capital expenditure should be the government's responsibility.⁵³⁷ A change in political conditions clearly influenced an economic decision. With the control of Palestine now beyond question, 'economic imperialism' could continue to operate to the advantage of Britain.⁵³⁸

The Treasury like the government of Palestine also rejected the idea of sourcing finance from the private market. It disagreed though with the Colonial Office regarding the issuing of a loan through the Crown Agents.⁵³⁹ It is worth noting that there had been occasions when the Crown Agents did not issue loans for Crown Colonies. In the case of British Guyana, for example, it was not possible for the Colonial Secretary to take the responsibility

⁵³² Norman Bentwich, 'Palestine', Review of Legislation, 1922', *Journal of Comparative Legislation and International Law*, Third Series, 6/3, (1924), pp. 186-194, p. 190.

⁵³³ Smith, *The Roots*, p. 33.

⁵³⁴ TNA/CAOG9/60, CA to U.S. CO, 1.7.1921.

⁵³⁵ *Ibid.*, J. & A. Scrimgeour to CA, 17.6.1921.

⁵³⁶ TNA/CO733/2, H.Cr. to S.S. CO, 15.4.1921 & Vernon, CO to Shuckburgh, CO, 8.6.1922.

⁵³⁷ TNA/CAOG9/60, H.Cr. to S.S. FO, 4.10.1920.

⁵³⁸ Fieldhouse, 'Imperialism', p. 202.

⁵³⁹ TNA/CAOG9/60, CO to CA, 12.6.1922.

of issuing loans, therefore these were issued through private financial institution and the Colonial Bank.⁵⁴⁰ In the case of Palestine, however, the Crown Agents were mindful of the risks in issuing the loan, despite Palestine's sound financial position.⁵⁴¹ These concerns were based on the nature of the mandate which provided only for temporary governance of the territory. They required a 'really satisfactory undertaking' to secure the loan after the termination of the mandate. Article 28 of the Palestine Mandate in their view was not a sufficient security by itself.⁵⁴² The article, in its form, only committed the Colonial Office to make arrangements to preserve the rights of creditors before giving up the Mandate.⁵⁴³ The Crown Agents suggested either amending the provisions of the article or that the British government should 'guarantee to pay in the event of default on the part of the post-[m]andate government.'⁵⁴⁴

For the same reasons, in order to secure the rights of the bondholder after the termination of the mandate, the Colonial Office urged the Treasury to provide a British government guarantee of the loan.⁵⁴⁵ This was because it would be difficult to 'invite subscriptions to a loan' and give solid assurances based only on the revenues and assets of the government of Palestine.⁵⁴⁶ Consequently, the Colonial Office prepared a draft of the loan prospectus.⁵⁴⁷ The draft stipulated that the loan would be charged upon the revenues and assets of the Palestine Government and that the Colonial Secretary would 'regard it as one of his principal responsibilities to ensure that the Government makes proper provision for the service of this loan.'⁵⁴⁸ The British government, in other words, would be responsible for

⁵⁴⁰ Ibid., CA to CO, 13.6.1922.

⁵⁴¹ Ibid.

⁵⁴² Ibid.

⁵⁴³ TNA/T160/44, CO to Treasury, 3.8.1922.

⁵⁴⁴ CAOG 9/60, CA to CO, 13.6.1922.

⁵⁴⁵ TNA/T160/44, CO to Treasury, 3.8.1922.

⁵⁴⁶ Ibid., CO to Treasury, 12.12.1922.

⁵⁴⁷ TNA/CAOG 9/60, CO to CA, 14.7.1922.

⁵⁴⁸ Ibid., Treasury to U-S. CO, 17.11.1922.

this loan, even in the event the mandate was terminated. The Colonial Office's approach provoked an angry response from the Treasury. This protest was based on an interpretation of the paragraph that would imply that the British government was 'ultimately responsible for the loan'. Consequently the Treasury would be 'under a moral obligation to the holders', a position it totally rejected.⁵⁴⁹ The Treasury requested that it should be clearly stated that the British government was 'under no liability whatever the Palestine Government may do, whether during or after the currency of the Mandate'.⁵⁵⁰ This meant that the Treasury insisted that a loan for Palestine should follow the example of colonial loans, since the British government was never liable for the payment on these loans.⁵⁵¹ As a consequence of these complications, a loan for Palestine did not see the light of day under Lloyd George's Coalition government.

With the change of the Government in October 1922, the Duke of Devonshire, who became the Colonial Secretary, adopted a different position. The Duke did not want the Crown Agents to issue the loan, particularly because the political future of Palestine was not finally ascertained.⁵⁵² This attitude was confirmed by the same Colonial Secretary after the government had changed and Stanley Baldwin's Conservative government came to office in May 1923. The Duke of Devonshire preferred that the Palestine loan would be 'raised through another agency', a position related to awaiting a finalised peace treaty with Turkey (which was concluded in Lausanne in July 1923).⁵⁵³ Not only would 'the British Government [...] not guarantee the loan' for Palestine, as published by *The Times*, but additionally the Colonial Office did not want to treat Palestine as part of the Empire regarding the loan.⁵⁵⁴

⁵⁴⁹ Ibid.

⁵⁵⁰ TNA/CAOG9/60, Treasury to U-S. CO, 1.1.1923.

⁵⁵¹ Ibid., by CO in January 1923, & CO to Treasury, 29.1.1923.

⁵⁵² TNA/T160/44, Conference held at the colonial Office to discuss the proposed issue of a loan by the Palestine government, 26.2.1923.

⁵⁵³ TNA/CAOG9/60, CA to Scrimgeour, 6.6.1923.

⁵⁵⁴ Ibid., *The Times*, 17.4.1923, p. 7.

This change in the government's attitude was due principally to the lack of a definitive conclusion regarding Palestine's political status. With this uncertainty, the Colonial Office was uncertain as to the manner in which to raise a loan for Palestine, whether by following the colonial loans, meaning through the Crown Agents, or through another method.

Colonial Secretary Churchill decided in August 1922, after the mandate for Palestine had been confirmed to Britain, that the Crown Agents should issue the loan for Palestine and that 'a special effort' should be made to obtain Jewish subscription to the loan.⁵⁵⁵

Depending on an earlier offer of support indicated in March 1921 by Rothschild's financial firm to the High Commissioner of Palestine, the Colonial Office together with the Crown Agents sought Jewish support for the loan.⁵⁵⁶ The government of Palestine was concerned, however, about introducing Jewish interests into the loan issue.⁵⁵⁷ The fear was that the government's attitude might be mistakenly comprehended as giving the loan a Jewish character, besides better terms would be obtained if it was issued by the Crown Agents.⁵⁵⁸

Nevertheless, the Colonial Office proceeded in seeking Jewish support. This was done with the aid of Montague Norman, the Governor of the Bank of England. Norman discussed the question of a Palestine loan privately with Mr. Lionel de Rothschild. However, Rothschild declined to support the loan and clearly stated that his 'firm does not wish to issue the loan and does not wish to be asked to do so.'⁵⁵⁹ Although, in the late nineteenth century the Rothschilds were involved in 'government loan-contracting for foreign states', their position towards Palestine was not new.⁵⁶⁰ This was because Britain had previously requested assistance to lend money to 'politically sensitive arenas like the Middle East', only for the

⁵⁵⁵ TNA/CAOG 9/60, U-S CO to CA, 14.8.1922 & 14.7.1922.

⁵⁵⁶ TNA/T160/44, CO to Treasury, 28.3.1923, & M. Norman, Governor of the Bank of England (hereafter BOE) to Treasury, 22.5.1923; TNA/CAOG9/60, Note of a conference by CA, 25.10.1922.

⁵⁵⁷ TNA/CAOG9/60, H.Cr. to CO, 6.10.1922.

⁵⁵⁸ *Ibid.*, Vernon CO to Shuckburgh CO, 8.6.1922.

⁵⁵⁹ TNA/T160/44, M. Norman BOE to Treasury, 22.5.1923, emphasis in the original.

⁵⁶⁰ M. Daunton, "'Gentlemanly Capitalism' and British Industry 1820-1914", *Past & Present*, no. 122, (February 1989), pp. 119-158, p. 140.

Rothschilds to declare that they 'did not care to involve themselves'.⁵⁶¹ Michael Cohen, in discussing the British Imperial finance in Palestine in connection with Zionism, claims that Britain used Zionist-generated capital to finance its own imperial projects such as the Haifa harbour. He demonstrates that although there were 'many Anglo-Jewish notables' who opposed Zionism, others were 'willing to help to raise a Palestine loan'.⁵⁶² However, Cohen's argument is shattered by the fact that Rothschild refused assistance.⁵⁶³ Additionally, one of Herbert Samuel's biographers, as quoted by Cohen, was right that 'the awful truth was revealed' the 'leaders of Jewish finance,' were 'not at all eager' to perform the role assigned for them by Samuel.⁵⁶⁴ The rejection by Rothschild confirmed that any attempt to involve Jewish investors was going to end in disappointment.

Up until July 1923, the Treasury had set 'their face firmly against any guarantee of a Palestine loan' because it did not want the British government to be held responsible for any liability to safeguard the right of a bond-holder. The Treasury was concerned that the government of Palestine had already spent about £2 million of which £1.4 million were advances by the Crown Agents and £500,000 were from balances due primarily to the Ottoman Debt Administration. The Treasury wanted these amounts to be paid back. However, in light of Rothschild's refusal to support the loan, the difficulty faced by the Palestine government to issue a loan on reasonable terms, and the imminent coming into force of the Palestine mandate (September 1923), the Treasury took a dramatic decision.⁵⁶⁵

⁵⁶¹ Cain & Hopkins, *British Imperialism*, 1993, p. 130.

⁵⁶² Michael Cohen, 'Zionism and British imperialism II: Imperial financing in Palestine', *Journal of Israeli History: Politics, Society, Culture*, 30/2, (2011), pp. 115-139, p. 115.

⁵⁶³ *Ibid.*, p. 120.

⁵⁶⁴ *Ibid.*, p. 119.

⁵⁶⁵ TNA/T160/44, memo by Treasury, 9.7.1923.

The Treasury came to the conclusion that in order for Palestine to raise the necessary finance 'the British government [would have] to guarantee the loan'.⁵⁶⁶ Why was it important to obtain the guarantee of the British government? The primary reason, as David Sunderland argues, was that Imperial guarantees were granted because, 'without them, a flotation would fail or stock would have to be offered at a price so high that it would damage the consolidated credit of the Crown colonies.'⁵⁶⁷ In the case of Palestine, the fear was that the price of stock would be very high since floating a loan would be based solely on the revenues (and not the assets) of the country. This dramatic shift in the Treasury's position was the result of the British government coming to the realisation that it could not abdicate its responsibility to Palestine.⁵⁶⁸ Besides, the Treasury, as Alan Booth argues, was the key department regarding the market forces strategy and therefore its initiative towards the loan for Palestine was decisive.⁵⁶⁹ This new approach meant that it was possible for the government of Palestine to receive the loan and on reasonable terms.

Neville Chamberlain, the Chancellor of the Exchequer, now argued that since the government would guarantee the loan it would be better that the amount was raised to £5 million so as to 'clear off the whole of Palestine's debts and give her money to develop'.⁵⁷⁰ The shift in the government's approach led to new consideration being given to the development projects. The inclusion of the harbour building in the schedule of the loan became possible in this new approach. Moreover, it became practical to impose the condition that, except for labour, the money should be 'expended in Great Britain'.⁵⁷¹ As

⁵⁶⁶ Ibid.

⁵⁶⁷ Sunderland, *Managing British*, p.47.

⁵⁶⁸ TNA/T160/44, memo by Treasury, 9.7.1923 & CO to Treasury, June 1924. That is due to the peculiar position of Palestine as a mandate which meant 'non-perpetuity of Britain's control over Palestine'.

⁵⁶⁹ Alan Booth, 'Britain in the 1930s: A Managed Economy?', *The Economic History Review*, New series, 40/4, (November 1987), pp. 499-522, p. 500.

⁵⁷⁰ TNA/T160/44, by Chamberlain, Chancellor of the Exchequer, 17.8.1923.

⁵⁷¹ Ibid.

Cain and Hopkins demonstrate, there was a considerable amount of borrowing in the 1920s and this increased demands for British goods.⁵⁷² Although the inclusion of development projects into the loan's conditions was in line with the mandate defined by the League of Nations, the insertion of a condition stating that part of the loan should be spent in Britain was controversial. Chamberlain's aim was to benefit the British economy, a goal in line with Scott Newton's statement that the export of capital to finance constructions projects in developing countries 'stimulated demand... [in]...capital goods' in Britain.⁵⁷³ In this regard, Vladimir Lenin was right to state that it was the 'usual thing' for capital exporting countries was to spend part of any loans 'in the country of issue'.⁵⁷⁴ Part of the reason was that public works in the colonies were seen, in the 1920s, as providing remedy for unemployment in Britain.⁵⁷⁵

However, the process again stalled. Due to 'certain political difficulties' in Palestine, the Secretary of the Exchequer recommended that the loan should be put on hold.⁵⁷⁶ These political difficulties were related to the objection of the Palestinian Arabs to the British government's decision to set up an advisory council and to postpone indefinitely the establishment of a legislative council.⁵⁷⁷ The Palestinian leadership opposed the pro-Zionist policy of the British government. They were critical of moves to treat Arab natives of Palestine and the in-coming Jews with equal political rights.⁵⁷⁸ The *Daily Mail* wrote that the British government was 'trying to impose by force the rule of ten per cent minority of Jews

⁵⁷² Cain & Hopkins, *British imperialism*, p. 473.

⁵⁷³ Newton, *Profits*, p. 10.

⁵⁷⁴ V.I. Lenin, *Imperialism: the Highest State of Capitalism* (London: Penguin books, 2010) (First published 1916), p. 79.

⁵⁷⁵ David Meredith, 'The British Government and Colonial Economic Policy, 1919-39', *The Economic History Review*, New Series, 28/3, (August 1975), pp. 484-499, p. 486.

⁵⁷⁶ TNA/T160/44, by Chamberlain, 17.8.1923.

⁵⁷⁷ Porath, *The Emergence*, p.170.

⁵⁷⁸ *Ibid*, p. 143.

upon an overwhelming majority of Arabs.⁵⁷⁹ The main goals of the Palestinians were the annulment of the Balfour Declaration and the establishment of independent or quasi-independent modes of government, similar to those of Transjordan and Iraq.⁵⁸⁰ Instead the Mandate as drafted came into force in 1923.⁵⁸¹ Under the circumstances there were fears that a Bill guaranteeing a loan for Palestine would face considerable opposition in Parliament if the 'Arab party and its Parliamentary sympathisers were not satisfied.'⁵⁸²

Cabinet approval, 1924 - mid 1926

Since the loan for Palestine was to be guaranteed by the Treasury, the approval of the British Cabinet and Parliament was needed. This showed that, in fact, Palestine was treated as part of the British Empire as other colonies. Discussion of the loan was deferred until February 1924 when the Colonial Secretary J.H. Thomas, under the short-lived (January–November) Labour government of Ramsay MacDonald, put the question before the Cabinet. The Cabinet decided that 'the question of the issue of the Palestine loan, under some form of British guarantee, should be left to be arranged between the Secretary of State for the Colonies and the Chancellor of the Exchequer.'⁵⁸³ The British government's intention to guarantee the loan was announced in the House of Lords in July 1924 by Lord Arnold in his capacity as the Under-Secretary of State for the Colonies.⁵⁸⁴ This clearly shows that London was in charge of the Palestine loan. All arrangements were to be made in Whitehall with only limited reference to the government of Palestine.

⁵⁷⁹ TNA/CAOG 9/60, *The Daily Mail*, 20.8.1922.

⁵⁸⁰ TNA/PREM1/24, CO, 'Private report of conference with Arab delegation', 11.1.1923.

⁵⁸¹ Porath, *The Emergence*, p. 183.

⁵⁸² TNA/T160/44, memo by Treasury, 9.7.1923, & Treasury to CO, 15.11.1923.

⁵⁸³ TNA/CAB23/47/10, Conclusion, 21.2.1924.

⁵⁸⁴ TNA/CAB24/178/72, S.S. CO, to Cabinet, memorandum of 'Palestine Loan Guarantee Bill', 17.2.1926.

It seems that Chamberlain's recommendation of 1923, that the loan would be used to 'clear off the whole of Palestine's debts and give her money to develop', was not heeded.⁵⁸⁵ This was because the High Commissioner wanted to raise an additional 'special port loan' of 'less than a million pounds' for the construction of Haifa harbour. The High Commissioner's suggestion of the port loan was delivered simultaneously with the approval of the government of Palestine in the report of the consulting engineer for the harbour in April 1924.⁵⁸⁶ The intention was that the payment of the port loan would be met principally by port dues, duties and partly from 'revenues to be derived from land that will be reclaimed'.⁵⁸⁷ The Colonial Office did not approve this request due to the fact that the finances of Palestine did not justify any increase in the loan above 'the figure already agreed of £2,500,000'.⁵⁸⁸ This meant that the harbour had to wait. As a result, during this short-lived government, and except for Cabinet consideration of the loan, there was very little progress. The Colonial Office let the matter 'rest longer than it should'.⁵⁸⁹ For the Treasury though it was important to support Palestine in order to show 'the advantages of the new regime'.⁵⁹⁰ This could be taken to mean that the Treasury wanted to show some flexibility so that Britain would appear deserving of the mandate before the population of Palestine as well as before the international community. This was a step away from the conventional approach, although it was not taken, as might be expected, by the Colonial Office. This meant that the Treasury was willing to adapt to the requirements embedded in the mandate system.

⁵⁸⁵ TNA/T160/44, by Chamberlain, 17.8.1923.

⁵⁸⁶; Ibid., H.Cr. to S.S. CO, 8.2.1924, & H.Cr.'s Office to CO, 17.4.1924; TNA/CAOG10/68, H.Cr. to S.S. CO, 11.4.1924

⁵⁸⁷ TNA/T160/44, H.Cr. to S.S. CO, 8.2.1924.

⁵⁸⁸ Ibid., CO to Treasury, 21.6.1924.

⁵⁸⁹ Ibid.

⁵⁹⁰ TNA/T160/44, by the Treasury, Palestine guarantee loan, April 1924.

The coordination between the Colonial Secretary and the Chancellor of the Exchequer on the question of the Palestine loan culminated, in August 1925, under Stanley Baldwin's government, when Winston Churchill approved the loan guarantee.⁵⁹¹ Smith rightly argues that the limitations of the local budget forced Palestine to 'confirm its dependence on Britain by seeking an Imperial guarantee.'⁵⁹² The nascent governmental mandate system required different sorts of treatment from the British government. It was not yet able to provide an alternative to issue a loan for Palestine in a way other than the usual way by the Crown Agents in the form of colonial loan. This was perhaps the result of the continuous changes at the top of the British government after WWI. There had been five changes in governments from 1920 to 1924. Though none of them rejected the principle of giving a loan to Palestine they were reluctant, and did not really know how to treat this new territory under their control. Although permanent officials of the government did not change as often as the ministers, the final decision always had to be made by the Secretary of State. This clearly slowed down consideration of the loan. In fact after the War, Britain's policy-making towards the Middle East in general was filled with complications due to the number of its designers and their often contradictory principles.⁵⁹³ Thus, it is possible to understand the lack of coherence in government policy towards investment needs in Palestine.

In 1925, *The Manchester Guardian* wrote that the progress of the loan was very slow and seemed 'as remote as ever'.⁵⁹⁴ During the year, there were consultations about the loan Bill between the Colonial Office and Treasury. The loan amount depended on calculations relating to debt owed to the British government and to the cost of the capital works.⁵⁹⁵

⁵⁹¹ Ibid., Treasury to U-S. CO, 17.8.1925.

⁵⁹² Smith, *The Roots*, p. 32.

⁵⁹³ Kent, 'Great Britain', in Kent (ed.), *The Great Powers*, p. 189.

⁵⁹⁴ *The Manchester Guardian*, 11.2.1925, p. 8.

⁵⁹⁵ TNA/T160/44, CO to Treasury, 22.7.1925.

Discussions mainly centred on raising the loan total to £4.5 million. This enabled the government of Palestine to pay £1 million to the Exchequer immediately, based on the debt for transferred assets. With this, £2.5 million would be used to meet the cost of specific approved railways and other capital works and another £1 million would be used for harbour works at Haifa.⁵⁹⁶ The amount specified for the harbour was in accordance with the consulting engineer's estimate for the cost of its construction.⁵⁹⁷ It was an approximate figure pending proper investigation and surveys and was inserted in the provisional loan schedule by Herbert Samuel upon obtaining a provisional approval from Amery for the harbour construction during his visit to Palestine in 1925.⁵⁹⁸ The presentation of the Palestine Loan Bill to Parliament was expected in the financial year starting in 1926.⁵⁹⁹ Accordingly, the revenues and expenditure of Palestine, under the second High Commissioner Lord Plumer from August 1925, had to be regulated in order to be able to meet its loan obligations.⁶⁰⁰ The terms of the loan would also be influenced by a reinstated gold standard.⁶⁰¹

Since no policy was yet developed regarding treatment of the mandated territories, a basic question was raised over who should issue and manage the loan. The Colonial Office wanted to issue the loan in the same manner as colonial loans, by using the Crown Agents and their broker J. & A. Scrimgeour.⁶⁰² The reason for this was that the responsibility of the Crown Agents over purchases meant that stores and materials would be sourced in Britain

⁵⁹⁶ Ibid.

⁵⁹⁷ TNA/CAOG10/68, H. B. Lees, 26.3.1924.

⁵⁹⁸ Ibid., H.Cr. to S.S. CO, 13.5.1925.

⁵⁹⁹ Ibid., U-S CO to CA, 28.9.1925.

⁶⁰⁰ TNA/T160/44, Treasury to U-S CO, 17.8.1925.

⁶⁰¹ Solomou, *Themes*, p. 44; Thomas, 'The macro-economics', p. 339. That was at a time when the British economy was burdened with 'high nominal and real interest rates throughout the 1920s'.

⁶⁰² TNA/CO733/957/4, CO to Treasury, 26.1.1926; The Crown Agents raised loans such as The Mauritius Loan of 1893, and The Zanzibar Loan of 1901, which were guaranteed by British government as to principal and indirectly as to interest. (TNA/CO323/957/4, CA to CO, 28.11.1925).

and would directly benefit British manufacturers.⁶⁰³ Additionally, the loan was to be borrowed by the 'local government concerned on the security of its own revenues' for which the Colonial Office had direct responsibility.⁶⁰⁴ Moreover, 'in the eyes of the market' a Crown Agents' loan meant that it was under the responsibility of the Colonial Secretary, a factor on which the 'investing public' could rely. Another reason was that the Crown Agents provided advances to Palestine for construction works 'from the liquid funds of other Colonies in their charge.' Therefore, the Colonial Office insisted that the Palestine and East African loans should be issued in the 'ordinary way through the Crown Agents.'⁶⁰⁵

In fact, on the Treasury's recommendation, to save Parliamentary time the proposed loan for East Africa (intended for the governments of Kenya, Uganda, Northern Rhodesia, Nyasaland, and mandated Tanganyika) was combined in March 1926 with the loan for mandated Palestine. Additionally, the fact that the loan for East Africa was mainly intended for development projects, unlike for debt repayment in Palestine's case, also made it more acceptable to the British government to prove, because this meant that purchase of material would most likely be affected in the British market.

The Treasury was determined to issue the loans in the same way and 'under the same auspices as every other guaranteed loan' (i.e., through the Bank of England).⁶⁰⁶ Treasury officials wanted to remove the loans from the classification of colonial loans and bracket them with 'British Funds' that were intended for market purposes, making them British

⁶⁰³ TNA/CAB24/178/72, Note by Amery to the Cabinet, 17.2.1926; Sunderland, 'Principals and Agents', p. 288.

⁶⁰⁴ TNA/CAB 24/179/38, Memorandum by Amery, S.S. CO to Cabinet, Method of raising the proposed loans, 25.3.1926.

⁶⁰⁵ Ibid.; TNA/T160/44, by the Treasury, 22.2.1926; TNA/CO733/957/4, by CO, 12.3.1926.

⁶⁰⁶ TNA/T160/44, by Treasury, 22.2.1926.

government loans.⁶⁰⁷ Hence, they wanted the loans to be issued and managed by those who managed the government's debt. They behaved that the issuing of a British guaranteed loan outside the Bank would be regarded as 'so odd that the loan might even suffer'.⁶⁰⁸ Additionally, the Treasury opposed paying the Crown Agents a commission of a quarter of a per cent for their services for issuing a guaranteed loan.⁶⁰⁹ This means that Cain and Hopkins are right in stating that after the reinstatement of the gold standard in 1925, the Treasury, Bank of England and the City of London had reasserted their authority over economic policy.⁶¹⁰

Discussions of the Palestine loan Bill in Cabinet in February 1926 raised fundamental issues. The Cabinet wanted to insert a condition that the contracts for the harbour development works should go 'to British and not to foreign firms'.⁶¹¹ That was because the Cabinet wanted to make sure that finances guaranteed by the British government would be spent in Britain. Whether this was possible under the provisions of the Palestine mandate was contested by the Colonial Secretary. The provisions of article 18 of the Palestine mandate clearly stipulated that there would be 'no discrimination in Palestine against the nationals of any State Member of the League of Nations'. This applied particularly to the spheres of freedom of movement and economic enterprises.⁶¹² Although British firms would be in an advantageous position in comparison with their foreign competitors, it would be difficult for the British government to justify before the League of Nations any limiting of these contracts to British firms. That point had already been raised as some Italian firms had previously expressed interest in any work on a new harbour in Palestine.⁶¹³ Amery, the long

⁶⁰⁷ Ibid.

⁶⁰⁸ TNA/CO733/957/4, Treasury to CO, 29.1.1926.

⁶⁰⁹ Ibid., Treasury to CO, 12.2.1926.

⁶¹⁰ Cain & Hopkins, *British imperialism*, p. 445; Thomas, 'The macro-economics', p. 339.

⁶¹¹ TNA/CAB23/52/3, Conclusion on Palestine, 3.2.1926.

⁶¹² 'British Mandate for Palestine'.

⁶¹³ TNA/CAB24/178/72, Note by Amery, 17.2.1926.

serving Colonial Secretary between 1924 and 1929 became concerned with Britain's image before the League of Nations as well as its relationship with other members of the League. This was because the intention was to treat Palestine as a colony in terms of making it obligatory to employ only British firms in return for guaranteeing a loan. The desire of the Cabinet to give contracts to British and not to foreign firms, contradicted the essence of the mandate system as conveyed in article 22 of the League's Covenant and with article 18 of Palestine mandate which demanded economic equality to all members of the League. Amery was concerned that inserting a condition to the effect of British contracting firms would be 'challenged as a contravention of the mandate'.⁶¹⁴ The British government therefore had to take into consideration the obligations indicated by the mandate system. Amery felt they need to adhere to the League's open door policy in making decisions regarding mandated areas since the commitment to the League was obligatory on the British government.

In order to avoid violating the terms of the mandate, legal clearance was sought with the League. The legal officers of the Crown were requested to inquire as to whether the attachment to the British guarantee for the proposed loans for Palestine and East Africa of a formal condition related to exclusivity of British firms would be 'in any way inconsistent' with the terms of both their mandates.⁶¹⁵ It should bore in mind that, in contrast with countries under Class 'B' of the mandate, such as Tanganyika in East Africa, the economic equality of Class 'A' (i.e. communities formerly belonging to the Turkish Empire) was guaranteed by the League's Covenant by implication only.⁶¹⁶ The legal officers' opinion regarding Palestine was in relation to the exclusivity of the British firms while that of Tanganyika was related to British manufacturing. Even though Britain enjoyed more

⁶¹⁴ Ibid.

⁶¹⁵ TNA/T160/44, CO to the Law Officers of the Crown (LO), 5.3.1926; & from LO' Department to CO, 16.3.1926; TNA/CAB24/179/38, Amery, Method, 25.3.1926.

⁶¹⁶ Jenkins, 'Economic Equality', p. 605.

administrative control in Tanganyika as being classified 'B' mandate, the legal opinion was necessary to seek since the item of the open door policy was clearly stated in that type of mandates.⁶¹⁷

The Colonial Secretary, Amery informed the Cabinet that the legal opinion was that 'in neither instance' of Palestine and East Africa were the terms of the mandate 'likely to be prejudiced by the condition which it is wished to impose.'⁶¹⁸ The legal officers said that Article 18 of the mandate for Palestine did not prevent the attachment of such conditions to the guarantee by the British government of the Palestine loan.⁶¹⁹ They gave their opinion without knowing that there was a clear intention by the British government to give preference to selected British firms.⁶²⁰ The legal officers, however, warned that adding such a condition might discriminate against nationals of states when competing for public works contracts. This warning was not however communicated to Cabinet.⁶²¹ This was perhaps because Amery was anxious to obtain the approval of Cabinet for the loan. In spite of the legal officers' warning and in order to persuade the Cabinet of the necessity of guaranteeing the loan, Amery presented convincing arguments. He argued that these territories were mainly self-supporting and their finances were under the control of the Colonial Secretary. Besides, Britain as the imperial government in control of these countries 'could not afford to stand by and do nothing' in the event they were in danger of defaulting. Additionally, he claimed that the guarantee was negligible compared with the obligations of the British government towards those governments, particularly as the loans

⁶¹⁷ 'The Covenant of the League of Nations'; Pedersen, 'The Meaning', p. 561.

⁶¹⁸ Ibid.

⁶¹⁹ TNA/CO 733/149/3, Shuckburgh CO to FO, 14.3.1928.

⁶²⁰ TNA/T161/584, CO Treasury, 11.10.1933.

⁶²¹ TNA/T160/44, LO to CO, 16.3.1926; TNA/CAB24/179/38, Amery, Method, 25.3.1926.

would not impose any liability onto the Exchequer. What was also important according to Amery was that the proposed loans were mainly for remunerative works.⁶²²

At the end of March 1926, the Cabinet agreed to guarantee the proposed loans and recommended that since the British government was responsible for the stocks they 'should not be issued in any other way than the ordinary' (i.e. through the Bank of England).⁶²³ In addition, they took note of the legal officers' opinion that adding a condition of exclusivity to British firms and materials would not be inconsistent with the terms of the Palestine and East African Mandates.⁶²⁴

The approval of the loan was vital for reviving economic conditions in Palestine, particularly that part of the loan directed to constructing Haifa harbour. This was confirmed by a report presented to the League of Nations in 1926 which stated 'the economic condition of the country has been less prosperous this year than last.'⁶²⁵ Hence, a Bill to guarantee the loans for Palestine and East Africa was prepared for Parliamentary approval. The Treasury intended these plans to be modelled on those employed in Sudan and South Africa.⁶²⁶ The Bill was a reproduction of such previous acts, meaning no change in the policy was bought in regards to the issues related to mandate Palestine. The British policy towards Palestine was consistent with its policy in the colonies as long as it was possible to apply it and had to change it whenever the circumstances required.

⁶²² Ibid., Amery, Method, 25.3.1926.

⁶²³ TNA/CAB23/52/14, Conclusion, 31.3.1926.

⁶²⁴ Ibid.

⁶²⁵ Report of His Britannic Majesty's Government to the Council of the League of Nations on the administration of Palestine and Trans-Jordan for the year 1926, 20.12.1926.

<http://unispal.un.org/UNISPAL.NSF/0/F7F634D2CACB2C76052565E7006B9DB9>

⁶²⁶ TNA/CO733/106, Treasury to CO, 3.10.1925; TNA/T160/44, Treasury to CO, 27.6.1924.

With Cabinet approval for guaranteeing the loan, foreign financiers, including from the United States, were encouraged to express interest in issuing the loan for Palestine.⁶²⁷ In the face of this foreign interest, the Treasury insisted on the Cabinet's recommendation that loans guaranteed by the British government should be issued through the Bank of England in a manner similar to the issues of the British government.⁶²⁸ In this connection, it is worth making note of Otto Niemeyer's later opinion on such matters. Niemeyer, who was with the British Treasury and later became a member of the League of Nations' Financial Committee, held a firm opinion that it was 'exceedingly dangerous' to allow other countries to give guarantees to loans in a British mandated territory. This was because guarantees always meant 'some degree of control' which itself would create difficulties for the British government as mandatory power.⁶²⁹

The Loan Act and its issuing, 1926 - 1928

In July 1926 the Palestine and East Africa loans Bill was first introduced in Parliament for approval as was usually the practice when government loans were raised. The Bill was to authorise the Treasury to guarantee the payment of the loan and its interest by the government of Palestine and to ensure it did not exceed the amount of £4.5 million (and by the governments of East Africa £10 million). These loans were expected to be raised solely on the revenues of their countries the fact that made it difficult to attract subscribers which would make raising a loan possible only on high terms.⁶³⁰ In order to encourage the development of these territories under British control, these countries had to be able to 'raise their money on better terms than they otherwise would with little or no risk' to the

⁶²⁷ TNA/T160/44, from Bernard Flexner New York to Colonel Symens Chief Secretary, government of Palestine, 10.5.1926; & from Paul singer to U-S CO, 7.7.1926.

⁶²⁸ Ibid., Treasury to Paul Singer, 23.8.1926.

⁶²⁹ TNA/T160/264, by Treasury, 28.3.1928; BOE/OV9/281, Otto Niemeyer, 'The sphere of the League Financial Committee to Treasury, 28.3.1928.

⁶³⁰ TNA/T160/44, CO to Treasury, in June 1924.

British government.⁶³¹ After the return to the gold standard in 1925, interest rates rose to five per cent due to 'pressures on the reserves'; the high rate was sustained until 1929.⁶³² These loans would contribute to the advancement of the territories in question, as well as the British economy, and would be in line with the League of Nations' regulations in relation to the mandated territories.

There were obvious benefits for the British economy by approving these loans, particularly that the loan for East Africa would be spent on the development of railways, roads, bridges and harbours. Similarly, although a substantial part of the money to be raised for Palestine would be for debt repayments going to the British government, the remainder would go toward the development of railways and harbours. In fact, the schedule of the £4.5 million Palestine loan included £1,115,000 to be allocated for harbour construction of Haifa and port improvement of Jaffa. Britain followed a generally conservative fiscal policy in Palestine, a policy that was extended to the development of the harbour since the amount specified was almost enough to cover the works.⁶³³ The largest item of development was allocated to the new harbour at Haifa, projected as one of the great harbours of the Middle East.⁶³⁴ It was expected that about half of the expenditure on capital works would be spent by placing a 'substantial volume of orders' for material in Britain.⁶³⁵ Moreover, Amery confirmed to Parliament that all non-local expenditure items would be sourced in Britain. This was possible because orders for public works were usually issued through the Crown Agents who were under 'standing orders not to give any order outside this country, or

⁶³¹ Hansard, HC Deb, 21 July 1926, vol. 198, cc.1321-66, c. 1335.

⁶³² N. Dimsdale, 'British Monetary Policy and the Exchange Rate 1920-1938', *Oxford Economic Papers*, New Series, vol. 33, Supplement: The Money Supply and the Exchange Rate (July 1981), pp. 306-349, p. 324; Rothbard, *A History*, p. 406.

⁶³³ Talal Asad, 'Class Transformation under the Mandate', *The Middle East Research and Information Project (MERIP) Reports*, no. 53, (December 1976), pp. 3-8, p.5.

⁶³⁴ Hansard, HC Deb, 21 July 1926, vol. 198, cc1321-66, c. 1338.

⁶³⁵ *Ibid.*, c. 1335.

outside the British Empire, without special reference to the Secretary of State.⁶³⁶ This was of ‘immense assistance’ to Britain when trying to work its way out of economic difficulties that resulted from WWI.⁶³⁷ With this, it would provide additional employment in the ‘iron and steel and engineering industries which have been so greatly depressed’.⁶³⁸ The contribution of loans to the British economy’s revival was central to the approval of these loans.

The benefit to the British economy was not only felt from those direct purchases made in Britain, but also from the returns coming from the loan. In addition there were also more indirect benefits. Securing funding for the constructing of the harbour at Haifa allowed for acquiring a terminus for an oil pipeline coming from the Mosul oil fields. This was important as, in addition to its strategic benefit, it provided cheap petrol for British industry and large transport facilities.⁶³⁹ This approach by the British government was in line with its economic policy in the period before the War where it shunned laissez-faire economic policies in favour of interventionist alternatives.⁶⁴⁰ Extending the use of capital investment in order to revive the British economy could be viewed in this context.

Given its commitment to the League of Nations’ obligations, the British government was mindful that it needed to demonstrate its interest in the development of its mandated territories. It is for this reason that it would have been difficult to defend a position where colonised Kenya could borrow on better terms, under the Colonial Stock Act, than Tanganyika and Palestine as mandated territories.⁶⁴¹ Therefore, the approval of the loans was essential, particularly as it was known that the insecurity of the mandatory powers

⁶³⁶ Hansard, HC Deb, 9 December 1926, vol. 200, cc.2327-90, c. 2373.

⁶³⁷ Hansard, HC Deb, 21 July 1926, vol. 198, cc.1321-66, c. 1335.

⁶³⁸ Hansard, HC Deb, 1 December 1926, vol. 200, cc.1271-334, c.1273.

⁶³⁹ Hansard, HC Deb, 7 December 1926, vol. 200, cc.1984-2045, c. 2009.

⁶⁴⁰ Hobsbawm, *History*, p. 73.

⁶⁴¹ Hansard, HC Deb, 1 December 1926, vol. 200, cc.1271-334, c. 1319.

'discouraged the investment of private and public funds in mandated areas.'⁶⁴² It is worth noting that when Parliament debated the exclusivity condition favouring the purchasing of British material on 9 December 1926, the question was also brought before the League's Permanent Mandates Commission. In its eleventh, twelfth and thirteenth sessions, the PMC discussed whether the purchase of certain equipment and material could be restricted to the British Empire and 'still be within the provisions of the draft mandate for Tanganyika'.⁶⁴³ Until the loan for Palestine was issued in 1928 there would be no concrete decision taken by the PMC.⁶⁴⁴

Amery's plan to pass the Palestine loan Bill by combining it with the East Africa loan Bill was successful. Parliament approved the Palestine and East Africa Loans Act on 14 December 1926.⁶⁴⁵ The Loans Act stipulated that the Treasury would guarantee the payment of (and the interest on) any loan raised by the government of Palestine and the governments of East African countries for the purposes set out in their schedules. It also stated that sinking funds should be established for repayments charged on the revenues and assets of the respective countries. It was stipulated too that the approval of the Treasury and Colonial Secretaries need to be obtained if changes to the agreed expenditure terms were to occur. This was important because such changes in fact occurred later in relation to the building of the oil dock (which will be discussed in a later chapter). Additionally, the Colonial Secretary was to 'satisfy himself that fair conditions of labour' were observed in the execution of all works carried by these loans.

The Loan Act was approved without the exclusivity condition raised in Cabinet on 31 March 1926. The reason was that there were fears that the inclusion of such a condition would

⁶⁴² Rappard, 'The Practical', p. 211.

⁶⁴³ Jenkins, 'Economic Equality', p. 615.

⁶⁴⁴ Ibid, p.616.

⁶⁴⁵ Hansard, HC Deb, 14 December 1926, vol. 65, cc.1611-31.

'provoke criticism [in] Geneva'.⁶⁴⁶ There was a danger that some foreign governments might claim they had intended to offer, or were preparing to offer, Palestine a loan on at least as favourable terms as the British loan and free from any conditions regarding where works materials were sourced.⁶⁴⁷ Foreign governments were not given a chance to compete as the British government's policy was not to allow Palestine 'to accept a long term loan from a foreign government on any conditions.'⁶⁴⁸ This was because the prerequisite of any long term loan was for Britain's to maintain the mandate of Palestine. However, by the nature of the mandate, Britain's control of Palestine was not permanent.⁶⁴⁹ Bound to do her utmost for Palestine, Britain was obliged to assist Palestine to raise loans on the most favourable terms possible. This was because the Council of the League of Nations recognised that the mandated territories were at an 'economic disadvantage' when it came to raising loans owing to the 'permanence and revocability of mandates'.⁶⁵⁰ This meant that no matter how long the mandate would last it would eventually come to an end.

The 'Palestine Loan Ordinance, No. 39 of 1927' was published by the High Commissioner on 1 November 1927 to enable the government of Palestine to apply for a loan.⁶⁵¹ Consequently, the Bank of England issued a loan of £4,475,000 on 29 November 1927 at an interest rate of five per cent, redeemable in 40 years with the right to pay it in full by 1942. The prospectus of the loan stipulated that the proceeds of the loan would be partly spent on 'the construction of a harbour at Haifa, on the improvement of the port of Jaffa and on

⁶⁴⁶ TNA/T161/584, LO to CO, 16.10.1933.

⁶⁴⁷ Ibid., FO to CO, 30.10.1933.

⁶⁴⁸ Ibid., Treasury to U.S CO, 28.11.1933.

⁶⁴⁹ TNA/CO733/159/17, CO to FO, 4.10.1928.

⁶⁵⁰ Ibid.: 'Assuming that without a guarantee Palestine could have raised her loan at 7 per cent (the prevailing rate of interest on stocks of countries in South Eastern Europe) the saving to her by the guarantee is £25,000 per annum on the estimated cost of the harbour alone and nearly £90,000 per annum on the total loan. [*Sic.*] It is evident therefore that the arrangement by which Palestine obtained a guarantee for her loan on the understanding referred to above now definitely to her benefit.'

⁶⁵¹ TNA/CO733/135/10, Palestine Loan Ordinance, No. 39 of 1927, 1.11.1927.

railway capital improvements and public works.⁶⁵² These projects attracted investors so that the issuing was 'fully subscribed immediately'.⁶⁵³ The payment of the loan was arranged into twice-yearly instalments from the sinking fund, the content of which would be sold off for the full payment of the amount due at the end of the loan's life.⁶⁵⁴ The contribution to the sinking fund from the issuing government would be invested in long-term securities.⁶⁵⁵ The trustees for the sinking fund were the Treasury, the Bank of England and the Colonial Office.⁶⁵⁶ However, the decision of investment, which was expected to be only in British government securities, was in the hands of the Treasury and the Crown Agents, following the Transvaal Loan precedent.⁶⁵⁷ On the instructions of the Colonial Office £100,000 had been paid to the Treasury on account of the balance of a debt for the railway material that was transferred to from the War Office to the government of Palestine. The sum of £1,050,000 has been repaid in respect of the advances made by the Crown Agents. Also the sum of £44,750 has been paid to the Inland Revenue as compound stamp duty.⁶⁵⁸ In total, a sum of over £1.5 million, meaning 'more than one-third of the total loan', was immediately paid for the debt owed to the British government.⁶⁵⁹ That is in addition to the charges of issuing and other related charges paid to the Bank of England and to the Crown Agents.⁶⁶⁰ Also, the Crown Agents had put on deposit at call the sum of £850,000 of which some could also be used to lend temporarily to Colonies at bank rate.⁶⁶¹

⁶⁵² BOE/AC30/474, Palestine loan Prospectus, 29.11.1927.

⁶⁵³ Cohen, 'Zionism', p. 125.; BOE/AC30/474, Chief Cashier BOE to CA, 2.3.1928.

⁶⁵⁴ Sunderland, *Managing British*, p.20.

⁶⁵⁵ Ibid.

⁶⁵⁶ BOE/AC30/474, Treasury to BOE, 24.11.27.

⁶⁵⁷ BOE/C5/103 & BOE/C5/104, Sinking Fund, Account Palestine Government Loan; BOE/AC30/474, Treasury to Deputy Governor of BOE, 18.7.1927; & Treasury to M. Norman BOE, 25.11.1927.

⁶⁵⁸ BOE/AC30/474, Memorandum by Chief Cashier's Office, 25.11.1927; TNA/CAOG9/69, CA to the Treasurer Palestine, 22.12.1927.

⁶⁵⁹ Bentwich, *England*, p.164.

⁶⁶⁰ BOE/AC30/474, Memorandum by Chief Cashier's Office, 25.11.1927.

⁶⁶¹ TNA/CAOG9/69, CA to the Treasurer Palestine, 22.12.1927.

The issuing of the loan in effect enabled the government of Palestine to build the harbour at Haifa, despite most of it being used to repay the debt for the British government. It thus contributed to the advancement of the country and achieved major economic and strategic purposes for the British government.

Conclusion

The provision of financial assistance can often provide a means by which to secure political control, and in Palestine Britain was able to tighten its grip by guaranteeing the loan.⁶⁶² This chapter proves the validity of this conception of the connectivity of New Imperialism with the expansion of capital exports in the form of public loans to public utilities as Eric Hobsbawm argues.⁶⁶³ This explains why Britain was careful not to allow any foreign government to extend the requested financial support to the mandated territories.

It took eight years from the time the loan was first contemplated until the finance was available for use. Smith rightly points out that the Colonial Office decided that a loan for Palestine was preferable to the repeated advances from the Crown Agents which were extended to Palestine since the commencement of the British rule.⁶⁶⁴ However, the inability of Palestine to raise a loan depending only on its revenues elicited the British government to employ its interventionist policy by guaranteeing the proposed borrowing. It is by examining the various phases that the loan went through that it became possible to understand how the international political conditions effected Britain's economic decisions. The peculiar character of the mandate system and particularly item 18 of the Palestine mandate contributed to restricting the options for the British government. This was

⁶⁶² Fieldhouse, "Imperialism", pp. 192-202.

⁶⁶³ Hobsbawm, *History*, pp. 51-66.

⁶⁶⁴ Smith, *The Roots*, pp. 33-35.

reflected in the discussions and debates in Whitehall over the opinion of the law officers in relation to the consistency of adding the exclusivity of British firms and material clause as a condition to guaranteeing the loan with the provisions of the mandate. This meant that Britain was not able to act in its usual colonial behaviour because it had to observe its commitment to the League of Nations by maintaining a policy of respecting the equal economic opportunity clause of the League's Covenant. Hence, it is feasible to conclude that the international environment had its bearing on the British government with regards to economic policy in Palestine.

That being said, it became clear that by the issuing of the loan for Palestine by the Bank of England Britain was able to secure its tight control over Palestine by having the borrowing in the way it wanted. Furthermore, the confirmation of the Palestine mandate held the League of Nations, by virtue of article 28, responsible towards the British government and the international community in safeguarding the rights of the loan bondholders. This behaviour made it possible for Britain to handle the loan for Palestine without facing objections from members of the League of Nations.⁶⁶⁵ Moreover, it also showed that the British government could, in fact, influence the League.

The episode of the loan demonstrates how the relationship between the departments of Whitehall had developed in regards to Palestine. The British government's approach toward the mandated territory was one defined by constant change rather than settled policy and continuity. This was due to the absence of defined procedures to administer mandated Palestine which allowed Britain to manoeuvre in order to establish an appropriate method that suited its interests.

⁶⁶⁵ TNA/CAB24/117/52, Responsibilities of the League of Nations arising out of article 22 (Mandates), Report by the Council to the Assembly, 6.12.1920.

Chapter Four

The Colonial Office's approach, 1927 - mid-1928

Introduction

The approval of the Loan in December 1926 made it possible technically for the government of Palestine to start the construction of Haifa harbour. However, a major question remained concerning the method of construction, which was provisionally discussed by the British government during issuing the loan. Historically, for building harbours in Crown colonies the British government would authorise the Crown Agents to employ suitable British consulting engineers and British contracting firms to carry out the works. Constructing harbours were major investment projects in those colonies as they created employment for British firms and purchasing British equipment and material. With such opportunities some economic benefit to Britain was secured. But the implication of the mandate system as set by the League of Nations made it difficult to apply the usual manner in Palestine. The 'open door policy' securing equal economic opportunity for all was observed by members of the League. Therefore, the British government had to choose the appropriate method for constructing Haifa harbour that would secure benefit to the British economy without breaking the regulations of the League.

Discussions in Whitehall revolved around the use of two specific methods: the departmental method (i.e. by a department of the government) and the contracting method (i.e. by awarding the works for a contracting firm). Since the mandate system compelled the mandatory powers to open public works to international competition, the

British government was sure that it could not award the works exclusively for a British firm as usually was done in the colonies. It feared that if the works for Haifa harbour were opened to international competition a foreign firm would take the work. This concept of giving the works to a non-British firm was totally rejected by the Colonial Office which maintained its colonial approach towards Palestine and hence it did not want to adopt the contracting method which was necessarily subject to the League's regulations. Therefore, the Colonial Office investigated the possibility of using the departmental method which was used in some colonies under specific circumstances which did not apply on Palestine. Nevertheless, the departmental method was safer, from the Colonial Office's point of view because by using this alternative there would be no need to open the works for competition and at the same time equipment and material could be purchased from Britain. Therefore, this chapter will, in its first part, discuss the significance of both methods and in its second it will examine the nature of the departmental method and its implications.

There is a key theme running through this chapter: despite the limits imposed by the mandate system in regards to the exclusive employment of British firms, the British government explored alternative forms for carrying out the harbour works that would still benefit the British economy and would avoid giving works to non-British firms.

This chapter examines the reasons why the method and means of executing the works at the Haifa harbour was not a given matter and needed investigation. To what extent did the provisions of the Palestine mandate influence the discussion in Whitehall about the method of the harbour construction? How the departmental method was thought of to serve the purpose of the British government? To what extent was the departmental method appropriate for the conditions in mandated Palestine?

This chapter argues that due to the limits imposed by the provisions of the mandate, Britain was not able to employ its usual colonial methods in constructing the Haifa harbour by awarding the works contracts automatically to British firms. Since the British government still held a colonial mind it was not willing to open the works for competition to British and non-British firms as the mandate system dictated. Therefore, the British government had to weigh different alternatives and options used previously in the colonies, the fact that testified that Britain did not depart much from its conventional thinking and methods and that it lacked the appropriate tools to deal with a mandated territory.

This chapter is structured to examine the significance of the method of constructing the harbour at Haifa. It also discusses why the Colonial Office became convinced by the departmental method in Palestine. After that, the chapter describes those previous examples where this method was used and the form of departmental method that would be used as a result. The final section discusses the difficulties that such a method would face and the subsequent retreat from the employment of the departmental method.

The National Archives provides the bulk of the documentary material used in this chapter. Additional primary sources were found in the archives of the Institute of Civil Engineers. Material for this chapter was also found in literature about Haifa in general terms with little specific discussion about Haifa's harbour. Herbert and Sosnovsky though are more concerned with the architecture and planning of Haifa city, their discussion about Haifa harbour was useful in providing factual information rather than analysis and arguments.⁶⁶⁶ Seikaly on the other hand was concerned more with the social structure of the city of Haifa

⁶⁶⁶ Herbert and Sosnovsky, *Bauhaus*.

and discusses the policies adopted by the British government towards Palestine.⁶⁶⁷ In particular, however, she describes the centralization of decision-making on London on development project. Since the method of construction was primarily the concern of the Colonial Office, and the appraisal of alternatives came through an examination of past practice, hence, it is appropriate to introduce Fieldhouse's argument on Imperialism. This argument, that there was 'no break in the continuity of Imperial development' but a variation in the methods, is relevant in regards to this case concerning Palestine and the construction of the harbour at Haifa.⁶⁶⁸

The significance of the method of construction

The British government, with the consent of the government of Palestine, decided in January 1927 to proceed with the construction of the harbour at Haifa. This was done from one side under the Conservative government of Stanley Baldwin (a government that included Colonial Secretary Leo Amery and Austen Chamberlain as Foreign Secretary). From the other, Lord Plumer was now the High Commissioner for Palestine until mid-1928 and was succeeded by Sir John Chancellor. The envisioned harbour was expected to be capable of admitting very large ocean liners in all weathers by which it would serve as a window not only to the eastern Mediterranean but to the Middle East as a whole.⁶⁶⁹ It was for economic, political and strategic reasons that 'the construction of a well-equipped port at Haifa should be placed first in any programme of works to be carried out' in Palestine.⁶⁷⁰ The decision was taken that the best alternative for Palestine was to develop the port at Haifa rather than to depend on a foreign port such as Port Fuad in Egypt.⁶⁷¹ This decision

⁶⁶⁷ Seikaly, *Haifa*.

⁶⁶⁸ Fieldhouse, 'Imperialism', pp. 187-209.

⁶⁶⁹ TNA/COAG10/68, CO to CA, 15.6.1927; Herbert, 'Crossroads', pp. 314-5.

⁶⁷⁰ TNA/CO733/119, CO to Secretary of CID, 10.1.1927.

⁶⁷¹ TNA/CO733/132/7, CA to CO, 9.2.1927.

was supported by the Committee of Imperial Defence (CID). The question as to what method was to be used became of significance, as the method selected would have to answer to the political conditions that prevailed after World War I (conditions that resulted in Palestine being defined as a mandated territory and not a colony). This meant that the harbour works should be open to public tender for all members of the League of Nations to bid, a position that the Colonial Office completely rejected.

Treating development projects in Palestine in the same manner used in the colonies was not possible any more. The mandate was 'not analogous to a colony', which meant that Britain was not able to treat the country as it pleased and award the works contracts solely to British firms.⁶⁷² Before the War, Britain insisted on free trade and an open door policy in those colonies that were not under her control. Competition in China, for example, had meant that Britain's interests had 'best been served by an open trade and by the territorial integrity of China.'⁶⁷³ After the War it was important for Britain and the other powers to maintain such rights organised by the League of Nations.

The provisions of the League's Covenant gave priority to keeping peace, the essence of the 1919 Paris Peace Conference, and were reinforced by securing economic rights for nationals of the League of Nations members. Articles 22 (which introduced the mandate system) and article 23 of the League's Covenant secured those rights with regards to mandated territories.⁶⁷⁴ The content of these articles was reflected in article 18 of the Palestine mandate. This article clearly states that the equal rights to all nationals of the

⁶⁷² Victor Kattan, *From Coexistence to Conquest: International Law and the Origins of the Arab-Israeli Conflict, 1891-1949* (London: plutobooks, 2009), pp. 52 & 57.

⁶⁷³ Platt, 'Economic Factors', p. 131.

⁶⁷⁴ The prelude of the League's Covenant states: 'In general the League of Nations wanted to secure international peace, just and honourable relations between nations through their abiding to the provisions of the League's covenant.' Covenant of the League of Nations; McNair, 'Mandates', p. 152; Jenkins, 'Economic Equality', p. 606;

members of the League of Nations were preserved in terms of, inter alia, taxation and commerce, importing and exporting goods, and freedom of transit 'under equitable conditions across the mandated area.' Moreover, on the advice of the mandatory, the government of Palestine could impose taxes and customs duties 'as it may think best to promote the development of the natural resources of the country and to safeguard the interests of the population.'⁶⁷⁵ This meant, as argued by Edward Jenkins, that mandates included, among other things, the guarantee to members of the League 'the opportunity to compete for and participate in the sources of natural wealth, banking and industrial activities, state loans, and contracts for public works.'⁶⁷⁶

In order for the United States (which was not a member of the League of Nations) to secure the rights of economic equality for its nationals, it 'entered into a number of treaties with the mandatory states.'⁶⁷⁷ The United States negotiated a separate treaty with Britain regarding Class 'A' mandates, that is the former Turkish possessions in Asia including Syria and Lebanon, Palestine and Iraq, and in particular conducted the American-British-Palestine Mandate Convention on 3 December 1924.⁶⁷⁸ Article two of the agreement stipulated that 'The United States and its nationals shall have and enjoy all the rights and benefits secured under the terms of the mandate to members of the League of Nations and their nationals, notwithstanding the fact that the United States is not a member of the League of Nations.' In addition, article three stated that American property rights 'shall be respected and in no way impaired'.⁶⁷⁹ It was important for Britain to have an agreement with the United States particularly given the competition between the two countries that emerged in the second

⁶⁷⁵ 'British Mandate for Palestine'.

⁶⁷⁶ Jenkins, 'Economic Equality', p. 605.

⁶⁷⁷ McNair, 'Mandates', p. 157.

⁶⁷⁸ Jenkins, 'Economic Equality', p. 605; TNA/CO733/ 164/7, Memorandum by the Embassy of the United State, London to FO, 3.1.1929.

⁶⁷⁹ 'Convention between the United States and Great Britain respecting Rights in Palestine', *The American Journal of International Law*, 20/2, (April 1926), pp. 65-72, pp. 71-72.

half of 1920s. This became particularly apparent after the gold standard was reintroduced and American capital and trade threatened 'the chance to begin an economic invasion of Europe'.⁶⁸⁰

It seems that the mandate system provoked Britain to reshuffle its conventions of free trade Imperialism and become defensive when others attempted to encroach upon British dominated territories.⁶⁸¹ That is Britain did not want to allow other countries to have interests in mandate Palestine. However, this became an essential question in British policy, particularly when Colonial Secretary Amery defended the Palestine and East Africa Loan in Cabinet in 1926. Arguments brought to insert a condition stipulating that harbour works should only be awarded to British firms underlined the importance that the choice of approach to building the harbour had. This is because from one side the provisions of the mandate bound Britain to policies of equal economic opportunity.

The question was 'whether the work should be handed out to a contractor or handled departmentally by the Palestine Public Works Department'.⁶⁸² These were the only two alternatives considered by the British government based on previous experiences in the colonies. From the discussions that took place in Whitehall on these two methods we learn how the British policy was made. Taking into consideration the economic difficulties prevailing in Britain after the War, the Colonial Office was concerned with giving the works to British firms in the traditional manner as in the colonies. The problem was that it was not possible to pursue these traditional methods, due to the regulations of the League of Nations.

⁶⁸⁰ Cain and Hopkins, *British imperialism*, 2002, p. 461.

⁶⁸¹ Cain and Hopkins, 'The Political Economy', pp. 477-8 ; Hobsbawm, *History*, p. 75.

⁶⁸² Herbert and Sosnovsky, *Bauhaus*, p. 39.

The question of the method to execute the harbour was officially considered by the Colonial Secretary in a note submitted to Cabinet in February 1926 to defend the proposed loan for Palestine.⁶⁸³ The government's preference, for economic reasons, was to give the works based on the traditional manner to British firms. In building the harbour of Takoradi on the Gold Coast (started in 1921 and completed in 1928), for example, works were awarded by public tender to British firm, McAlpine.⁶⁸⁴ Amery's defence was that it would be more economical 'to have the works carried out by a firm of contractors under the supervision of the consulting engineers'.⁶⁸⁵ However, the rights secured for foreign firms to compete for the works by item 18 of the Palestine mandate made it difficult to follow this traditional policy.

The difficulties embedded in this method were connected to Britain's relationship with the international community, particularly because international firms were keen to undertake development works in Palestine. The clear problem with this was that giving the works to foreign firms was not acceptable by the British government which approved the loan on the understanding that British firms would receive the contracts.⁶⁸⁶

Acting in this protectionist manner was deemed crucial for Britain which had lost its place in some important markets during WWI. It was therefore essential for Britain to secure its markets.⁶⁸⁷ This was reinforced, according to Alford, as 'postwar international politics [was] so soured that the degree of international economic cooperation necessary for world stability was simply unattainable.'⁶⁸⁸ The difficulty with this issue came with the League's regulations that posed an unprecedented challenge to British policy in the colonized

⁶⁸³ TNA/CAB24/178/72, Amery, Memorandum, 17.2.1926.

⁶⁸⁴ TNA/CAOG10/68, Malcolm McAlpine to Lord Plumer, 27.7.1927.

⁶⁸⁵ TNA/CAB24/178/72, Amery, Memorandum, 17.2.1926.

⁶⁸⁶ TNA/CAOG10/68, Amery to Lord Plumer, 23.3.1927.

⁶⁸⁷ Reynolds, *Britannia*, p. 99.

⁶⁸⁸ Alford, *Britain*, p. 130.

territories. Through both formal and informal control, the British Empire was managed by force or agreement, but without any commitment to an international body. The prospect of foreign firms competing for construction contracts at Haifa was not merely speculative, but real. Foreign countries expressed their interest to invest in Palestine such as the Italians.⁶⁸⁹ This made it difficult for the Colonial Secretary to adhere to the government's policy of awarding the works exclusively to British firms. The next chapter discusses the contracting method and the solution that the British government arrived at about the method of the harbour construction.

Through the use of the departmental method, the British government would be able to control how the loan to Palestine was spent. The Colonial Office would, through the Crown Agents, be able to make sure that all non-local purchases of equipment and material would be performed in Britain. This was possible as it was part of the commercial function of the Crown Agents to purchase stores and material on behalf of the colonial governments as well as to provide shipment, insurance and inspections.⁶⁹⁰ David Sunderland argued that from 1920 up to the 1970s, 'colonial clients were required to buy all of their stores that were not manufactured or produced within their own colonies or in adjacent countries from the Agency.'⁶⁹¹ These stores included railway and public works material, machinery and engineering stores such as were required for harbour works. Barbara Smith describes the arrangement as 'the usual colonial system whereby the local government was obliged to purchase British goods was immediately implemented in Palestine.'⁶⁹² Preference for the British market business for the purchase of supplies and stores was in fact already officially confirmed in April 1921 by the Colonial Secretary, Winston Churchill. His instruction, to

⁶⁸⁹ TNA/CAB24/178/72, Amery, Memorandum, 17.2.1926.

⁶⁹⁰ TNA/CAOG14/107, 'The main functions'.

⁶⁹¹ Sunderland, *Managing British*, p. 115.

⁶⁹² Smith, *The Roots*, p. 21.

which the administration of Palestine conformed, was to follow the usual practice of colonies and protectorates as laid down in the Colonial Regulations.⁶⁹³

The Crown Agents during the interwar period, acted in Palestine, in the same way that they did in the colonies in regards to stores and material, but not in regard to loans.⁶⁹⁴ The reason for this was that the government's objective was to secure benefits for the British economy, something delivered by the Crown Agents. Although the Crown Agents were not a political body they executed the policy designed by the Colonial Office.⁶⁹⁵

The significance of discussing the methods considered by the British government is to understand how the economic policies towards Palestine were formed during the mandate. Additionally, analysing the arguments about both methods reveals the extent that Britain sought to apply its Imperial approach. It is possible to suggest that the consideration of the methods of construction reflected the British government's approach to operate imperialism in Palestine. As Fieldhouse argued, late nineteenth century imperialism was 'merely the continuation of a process which had begun centuries earlier' and that there had been 'no break in the continuity of imperial development; merely a short-term variation in the methods used, corresponding with a temporary change in world conditions.'⁶⁹⁶

The considerations of the methods to be used in the harbour building would be to evaluate which was the most appropriate to ensure the continuity of the Imperial approach yet adapt to changes in world politics as now defined by the intent and letter of the League of Nations. This meant that the object of exploiting natural resources as an Imperial action

⁶⁹³ TNA/CAOG14/107, telegram by H.Cr. to S.S. CO, 9.4.1921.

⁶⁹⁴ Sunderland explained that anyway 'few issues were floated during the interwar slump, during which the fall in commodity prices halted the construction of public works.' (Sunderland, *Managing British*, p. 9).

⁶⁹⁵ *Ibid.*, p. 202.

⁶⁹⁶ Fieldhouse, 'Imperialism', p. 201.

was agreed upon. The changes that occurred after the War were not temporary and could have profound consequences for the classical Imperial method. Yet, in Palestine there was no sharp break of Imperialism and any change was one that sought to adapt this existing method to the world's changing conditions rather than replace it. Therefore, the British government was striving to establish a balance between its own priorities, economic interests of its competitors and those interests of the mandated Palestine.

Reasons for using the departmental method

After the Palestine loan became a reality and the money became available, the Colonial Secretary Amery took the decision, in March 1927, that the harbour works should be carried out by the 'departmental method'.⁶⁹⁷ The decision was primarily taken to fulfil the promise to Parliament to spend the proceeds of the loan in Britain. This was important, as Amery's pretext used to convince Parliament to approve the loan relied on this. By embarking on this method, Amery could operate a form of protectionism and give the works to British rather than foreign firms.⁶⁹⁸

The decision on the method to build the harbour was entirely in the hands of the Colonial Office, with little role for the government of Palestine. It has been argued that during the 1920s 'the permanent Colonial Office Officials—together with the High commissioner and his administration in Palestine—had become the decisive factors in the determination of policy for Palestine'.⁶⁹⁹ In fact, this argument can be challenged. May Seikaly rightly argues

⁶⁹⁷ TNA/CAOG 10/68, Amery to Lord Plumer, 23.3.1927.

⁶⁹⁸ Amery stated that 'there were certain Italian firms have already applied to be allowed to compete in the event the work being thrown open to tender.' (TNA/CAB24/178/72, Amery, Memorandum, 17.2.1926); TNA/CAOG10/68, Amery to Lord Plumer, 23.3.1927.

⁶⁹⁹ Cohen, 'Direction', p. 241.

that the building of a harbour at Haifa, similarly to other development projects, was carefully considered in London before it was authorised.⁷⁰⁰ Official pressure, she noted, was to ensure the success of Haifa harbour as a major government-sponsored economic development project designed to have an impact on the wider Palestine economy and on British strategic concerns.⁷⁰¹ Hence, Palestine depended on London's decisions to perform projects.⁷⁰²

Centralization of decision-making in London regarding Palestine was a continuation of a policy adopted before the War by the British government. Hobson explained that the administrative control of most of the Crown colonies was under a category 'in which the Crown has the entire control of legislation, while the administration is carried on by public officers under the control of the Home government'.⁷⁰³ The basis of the administrative control was employed in mandated Palestine. Even countries which were recognised formally as part of the British Empire were under 'varying degrees of effective influence from London.'⁷⁰⁴ In Africa, for example, during the interwar period, Butler demonstrates that British colonial rule was more indirect and 'based on the notion of administering colonial populations through indigenous agencies.'⁷⁰⁵ The influence of London therefore on its dependencies continued in Palestine, although not through indigenous agencies but by British officials running the government, which in effect rather followed the formal style of Imperialism. On the harbour project the Colonial Office took full charge, particularly through the use of the services of the Crown Agents as will be discussed later.

⁷⁰⁰ Seikaly, *Haifa*, p. 73.

⁷⁰¹ *Ibid.*, p. 63.

⁷⁰² TNA/CAOG10/68, Amery to Lord Plumer, 30.3. 1927.

⁷⁰³ Hobson, *Imperialism*, p. 23.

⁷⁰⁴ *Ibid.*

⁷⁰⁵ Butler, *Britain*, p. 20.

Amery's decision to adopt the departmental method for constructing Haifa harbour was due principally to economic reasons designed to bring benefit to the British economy, and was confirmed by the officials of the Colonial Office. They said that it was the most appropriate method because it was 'the safe and satisfactory way of securing that the plant and materials' used in the work. The Head of the Middle East Department, A. Harding, explained that under the departmental method 'all imported articles will be purchased by the Crown Agents and they will automatically see to their being of British manufacture.'⁷⁰⁶ Moreover, it was likely that an oil pipeline and/or trans-desert railway coming from Iraq would end in Haifa. A departmental method would allow easy alteration of plans during the course of the work to accommodate these terminals.⁷⁰⁷ This was because the department charged with works was not restricted to perform specific tasks and would not bear extra charges for the changes since it was part of the government. In the event that the consulting engineers Rendel, Palmer and Tritton were not 'prepared to do the job properly' on the departmental method, the Colonial Office considered handing over the whole project to another firm.⁷⁰⁸ These justifications set forth by the Colonial Office clarify that the domestic economy was a primary element of the policy for the construction of the harbour.

London's concern for centralisation could also be attributed to the fact that Britain was responsible for Palestine's international relations.⁷⁰⁹ This meant that any decisions taken with regards to the harbour that would affect the rights of foreign firms should be dealt with by the British government. Since some of the companies that applied to undertake works of the harbour during the Ottoman Empire confirmed their interest afterwards, the British government were faced with a delicate situation. The Colonial Secretary's fears,

⁷⁰⁶ TNA/CO733/132/8, Harding CO to Shuckburgh CO, 29.12.27.

⁷⁰⁷ *Ibid.*

⁷⁰⁸ *Ibid.*

⁷⁰⁹ Wright, *Mandates*, p. 458.

expressed during his defence of the loan for Palestine, were that certain Italian firms would request access to works contracts in the event that works were put out to tender.⁷¹⁰ Hence, Amery thought that a departmental method would not necessitate issuing invitations for public tender. This was because the department would have employed its own engineers, staff and labourers to perform the works and would not need a contracting firm except, if needed, for minor works. In this way there would be no competition between contracting firms and the British government would be exempted from justifying its approach.

Another political factor that affected the use of the departmental method was connected to Britain's relationship with the League of Nations: the influence of the International Labour Organisation (ILO) with regards to labour conditions. Established in 1919 as part of the machinery of the League of Nations (overwhelmingly by European countries), the ILO drafted conventions relating to conditions of employment that were imposed on the governments of the League. The ILO also forged footholds in the capitals of members of the League through national ILO bureaus.⁷¹¹ The conventions were mainly concerned with the limitation of working-time in various kinds of occupations to eight hours a day and a 48 hour week, protecting women and children, helping the unemployed, placement of workers, compulsory labour, and related questions.⁷¹² In fact the ILO 'imposed upon Britain definite obligations' regarding applying minimum standards effecting the employment of labour in its colonial dependencies.⁷¹³ These obligations were embedded in provision 23 (a) of the Covenant of the League of Nations. It stipulated that members of the League 'will

⁷¹⁰ TNA/CAB24/178/72, Amery, Memorandum, 17.2.1926.

⁷¹¹ Charles Levermore, 'Achievements of the League of Nations in its First Year', *Annals of the American Academy of Political and Social Science*, Vol. 96, The Place of the United States in a World Organization for the Maintenance of Peace (July 1921), pp. 11-16, p. 12.

⁷¹² C. Ratzlaff, 'The International Labor Organization of the League of Nations: Its Significance to the United States', *The American Economic Review*, 22/3, (September 1932), pp. 447-461, p. 453; Charles Noble Gregory, 'The International Labor Organization of the League of Nations', *The American Journal of International Law*, 15/1, (January 1921), pp. 42-50, pp.44- 49.

⁷¹³ A. Ashton and S. Stockwell (eds.), *Imperial Policy and Colonial Practice 1925-1945* (London: HMSO, 1996), part I, p. lxxxiv.

endeavour to secure and maintain fair and humane conditions of labour for men, women and children, both in their own countries and in all countries to which their commercial and industrial relations extend, and for that purpose will establish and maintain the necessary international organisations.⁷¹⁴ This implied that older and sterner forms of exploitation of natural resources in colonised countries and the use of ‘‘forced’ native labour’ had to be abandoned.⁷¹⁵ In his capacity as Member of Parliament, Neville Chamberlain explained that the British government adhered to the ILO’s ‘proposed enquiry into the question of forced labour and indentured labour’.⁷¹⁶ Conforming to the League’s regulations indicated that Britain was starting to take international concerns into consideration in what was traditionally seen as an internal affair. The mandatory power therefore was precluded from doing what would previously be lawful in the colonies.⁷¹⁷ This could be viewed as a gradual change in Britain’s colonial approach towards labour specifically and to its Imperial approach in more general terms.

Britain’s national interest was mainly concerned with the working time and conditions in the various countries ‘yet by reason of the economic unity of the world, labour conditions in one country have a very direct bearing on labour conditions in another.’⁷¹⁸ Nevertheless, it was not possible to apply a uniform labour policy ‘throughout the divergent territories of the Empire’.⁷¹⁹ Amery made a similar point in regards to Africa where a standard wage was difficult and raised the example of Mombasa where the wage was ‘three or four times as high as the figure paid inland’.⁷²⁰

⁷¹⁴ Covenant of the League of Nations.

⁷¹⁵ Hobson, *Imperialism*, p. 283.

⁷¹⁶ TNA/CO323/963/2, FO to CO, 16.8.1926.

⁷¹⁷ McNair, ‘Mandates’, p. 152.

⁷¹⁸ TNA/CO323/963/2, League of Nations, ‘Interpretation of the Preamble and articles 3 and 4 of the Covenant’. Report of the First Committee, Geneva, 24.9.1926.

⁷¹⁹ Ashton and Stockwell, *Imperial Policy*, p. lxxxiv.

⁷²⁰ *Hansard*, HC Deb, 9 December 1926, vol. 200, cc.2327-90, c. 2379.

The British government was concerned with the League's interference in Britain's labour market policies. Measures to manage this problem were evident in the Colonial Secretary's attempt to impose a 'fair labour conditions' adamant to the Palestine and East Africa Loans Act in 9 December 1926. Amery asserted that 'we ought to trust the authorities on the spot' not to use 'those projects and developments for the purpose of depressing labour'. He prophesied that the works at Haifa harbour would produce a 'large demand for labour' which would help to raise wages.⁷²¹ To make sure labour standards and ILO conventions were satisfied, the British government included a provision in the Palestine and East Africa Loan Act. Section 1 (4) of the Loan Act stated: 'The Secretary of State shall satisfy himself that fair conditions of labour are observed in the execution of all works carried out under any loan raised in pursuance of this Act.'⁷²² The hope seems to have been that the inclusion of labour standards in the Loan Act for Palestine would satisfy international obligations and avoid interference by the ILO. It was expected that this clause would be fulfilled if the works at the harbour were carried out by the departmental method since the government would be in a position to observe that. Moreover, it would not be practical to impose on a contracting firm specific wage rates since it would affect the overall cost of the works which would potentially reduce its profits. In light of this, it is possible to assume that the labour issue could be viewed as one area where the British government accepted international regulation and therefore prompted a modification of the established Imperial approach.

Although the economic and political reasons were at the heart of the adoption of the departmental method, Amery outlined more practical justification as the reasoning for it. These justifications included the timing of the start of works. The Colonial Office hoped that the government could start the works earlier with a department in charge, particularly as

⁷²¹ Ibid.

⁷²² TNA/CAOG 10/68, Palestine and East Africa Loan, 1926.

the talks about building a harbour had taken a long time. Additionally, settling outstanding technical matters, such as water and sewerage outlets, would be better resolved with the departmental method. Finally, the possibility that work would be suspended when faced with certain challenges, such as financial difficulties, would render it necessary to slow down or suspend the work at the harbour.⁷²³ Such action would not result in additional costs if a government department was carrying out the works.

Uses and form of the departmental method

Amery's consideration of the departmental method was not entirely new. He first discussed it when defending the necessity of a loan for Palestine early in 1926. He was not certain that Parliament would approve the loan. Hence, he thought of introducing some mere improvements to the existing harbour at Haifa. The Public Works Department would carry out the works which would cost less than the one million pound budgeted for the construction.⁷²⁴ Although the Palestine loan passed through Parliament, Amery still wanted the harbour to be built using the departmental method. It now became possible to construct a new and large harbour. In fact, a sizable harbour was necessary to allow both for big merchant and tourists vessels to berth there and for Iraqi oil pipeline terminus to be built. This was essential as there were talks on-going about the availability of Iraqi oil in commercial amounts and the British government wanted to accommodate a pipeline terminus in the port of Haifa.⁷²⁵ The British interest in the oil pipeline and the difficulties concerning the transportation of oil from Iraq will be discussed later in this thesis.

⁷²³ TNA/CAOG10/68, S.S. CO to H.Cr., 23.3.1927; Palestine Loan Act, 1926.

⁷²⁴ Ibid., Rendle, Palmer and Tritton consulting engineers' (RPT) report, 14.7.1926.

⁷²⁵ TNA/FO371/12278, Memorandum by CO, December 1927; Bentwich, *England*, p. 164.

So what did a 'departmental method' mean in Amery's view? This method meant that the government would be responsible for the works that would be executed either through the Public Works Department or by 'special staff acting under the direction of the Consulting Engineers.'⁷²⁶ However, the Colonial Secretary was not convinced that Palestine Public Works Department was capable of executing a huge project given 'limited experience in harbour works construction'.⁷²⁷ Therefore, he preferred to use the form of departmental method that had been 'employed with success in the case of Colombo and Lagos harbour works.'⁷²⁸ The departmental method in these and other countries was operated under certain conditions. These conditions were in fact outlined by the Crown Agents in a memorandum to the Colonial Office in October 1927. They noted that the use of the departmental method in some colonies was due to various reasons and were not appropriate for proposed use in Palestine. One of these reasons was the availability of 'convict labour'. Harbour works had been 'successfully and economically' carried out by 'convict labour' under departmental supervision in places such as Ceylon, Colombo, Cape Town, East London and at Fremantle in Western Australia. Another reason was attributed to 'climate' such as in the case of Lagos where conditions of bad weather were experienced. Additionally, a number of other reasons of a practical nature required the use of the departmental method. These related to a number of issues: if the nature of the scheme or time pressures meant that designs could not be completed in detail beforehand; possible modification of plans during execution; demands to meet the needs of local inhabitants; difficulties occurred in 'newly opened countries'; or when risks were not possible to

⁷²⁶ TNA/CAB24/178/72, Amery, Memorandum, 17.2.1926.

⁷²⁷ TNA/CAOG10/68, S.S. CO to H.Cr., 23.3.1927.

⁷²⁸ *Ibid.*; TNA/CO935/2, CA to the Chief Secretary, Jerusalem, 30.5.1929: the Colonial Office pointed out that the procedures of 'special staff' 'follow the lines laid down in the memorandum on the system under which large Public Works have been carried out departmentally in the Crown Colonies. A copy of that memorandum was forwarded to this Department semi-officially under cover of a letter from Mr. Owen [of the Crown Agents], dated 18.3.1927.'

‘estimate with precision’.⁷²⁹ The exact recreation of previous experiences was not possible as the circumstances in Palestine differed from those in the colonies.

Since none of these reasons was similar to the case of Palestine the Crown Agents’ recommendation was that ‘the conditions at Haifa favour [the] contract system.’⁷³⁰ They clearly stated that they were not aware ‘of any recent case where large harbour works have been carried out successfully and economically by departmental labour.’⁷³¹ Nevertheless, the Colonial Secretary’s choice of departmental method was not influenced by the Agents’ opinion.

The form of the departmental method used by Amery was based around ‘a special staff with a resident engineer in charge acting under the direction of consulting engineers.’⁷³² The government of Palestine consented to the decisions of the Colonial Office. The Crown Agents, notwithstanding their opposition to the departmental method, acted as authorised by the Colonial Office. In June 1927 the Crown Agents, on behalf of the government of Palestine, started the process of selecting its special staff.⁷³³ In this form of the departmental method, the selected staff had the responsibility of the consulting engineers for their ‘technical conduct’ and their ‘efficient execution’ of the work.⁷³⁴ At the same time they would be ‘for all purposes of discipline and action’ the servants of the government of Palestine.⁷³⁵ In other words the ‘special staff’ and the resident engineer were, under the departmental method, to become employees of the government of Palestine. By using this

⁷²⁹ TNA/COAG10/68, CA to CO, 27.10.27.

⁷³⁰ Ibid.

⁷³¹ TNA/CAOG10/68, CA to CO, 2.11.1927,

⁷³² Ibid., S.S. CO to H.Cr., 23.3.1927

⁷³³ Ibid., H.Cr. to S.S CO, 12.1.1928; As part of their functions, the Agents were also ‘empowered with the selection and engagement of candidates for appointments of certain classes, mainly technical’.

(TNA/CAOG 14/107); TNA/CAOG10/68, CO to CA, 14.10.1927.

⁷³⁴ TNA/CO733/132/7, CA to RPT, 18.6.1927.

⁷³⁵ Ibid.

method, there would not be a need to issue a public call for tender where both British and foreign firms would compete because the work of the firm would, in fact, be carried out by the department.⁷³⁶ This method provided a way out for the British government from difficulties presented by article 18 of the Palestine mandate demanding equal economic opportunities in projects like these.

Additionally, the Crown Agents, as part of their public works and construction-related functions, negotiated contracts with the consulting engineers.⁷³⁷ They were able to act, with authorization from the Colonial Office, for and on behalf of the government of Palestine with the latter's consent.⁷³⁸ In November 1927 the Agents concluded an agreement with Rendel, Palmer and Tritton (RPT) consulting engineers. Fredrick Palmer had been charged, in 1922, with the mission of selecting the appropriate location for a harbour in Palestine.⁷³⁹ The terms of the new agreement stipulated that payment for services would be five per cent on the first half a million spent and 4 per cent of the cost in excess of that sum; that fee of 4000 guineas would be paid for the 1923 report and would be merged into the total payment for services, and that any future visits by the consulting engineers would be paid for separately.⁷⁴⁰ These terms were similar to those agreed upon with the Port of London Authority which were higher than those paid for the same works in the colonies. The fare for consulting engineers' services charged in the colonies, such as that of Takoradi, was 3.5 percent of the total spent.⁷⁴¹ Contracting British consulting engineers was in line with John Darwin's argument that the British Imperial system was 'a network of economic

⁷³⁶ Hansard, HC Deb, 25 February 1929, vol. 225, cc1549-50, c. 1549.

⁷³⁷ TNA/CAOG10/68, S.S. CO to H.Cr., 23.3.1927.

⁷³⁸ TNA/CO733/132/7, H.Cr. to S.S CO, 19.4.1927.

⁷³⁹ TNA/CO733/132/7, CO to CA, 15.6.1927.

⁷⁴⁰ TNA/CO733/132/7, RPT to CA, 27.6.1927, also found in several correspondences between CA, CO & RPT.

⁷⁴¹ TNA/CAOG10/68, RPT to CA, 1.11.1927; TNA/CAOG10/70, CA to CO, 23.12.1936.

relationships founded originally upon the mutual dependence of an industrial economy, exporting manufactures, capital, etc.’.⁷⁴²

Even before an agreement was finally concluded with the consulting engineers, and with their May 1925 recommendation for further investigations, a surveying team was sent out to Palestine in October 1927. Assisted by local surveyors and labour, the task of the team was ‘to make the necessary surveys and borings for the preparation of the scheme’.⁷⁴³ They surveyed, both on land and sea, the area selected by Sir Fredrick Palmer in 1922 found at the rocky promontory Ras-el-Kerum at the foot of Mount Carmel.⁷⁴⁴ Both the winds and the depth were the major considerations that counted for the selection of the area.⁷⁴⁵ The survey and the planning which were completed in September 1928 were carried out under the general guidance of Ernest. J. Buckton of RPT, who ‘elaborated Sir Palmer’s original design of 1923’ in terms of the length of the breakwaters and the depth of the enclosed area.⁷⁴⁶

The data provided by the surveyors were necessary so that the consulting engineers would be able to make plans and drawings and to estimate the cost of the harbour. In fact, Palmer’s rough estimation of the cost had been included in his 1923 report and was consequently included in the schedule of the Loan Act. The amount of one million pound was thought adequate to construct the harbour, based on the use of rubble for the breakwaters ‘as Palestine is largely composed of a limestone formation.’⁷⁴⁷ The availability of nearby stone formed a huge saving in the overall cost, in the estimate of approximately

⁷⁴² J. Darwin, *The End of The British Empire, The Historical Debate* (Oxford: Basil Blackwell Ltd., 1991), p. 40.

⁷⁴³ TNA/CO733/132/7, RPT to CA, 27.6.1927.

⁷⁴⁴ Buckton, ‘The Construction’, p. 546; Schattner, ‘Haifa’, p. 32.

⁷⁴⁵ TNA/CAOG10/68, RPT to CA, 5.3.1928 & CA to CO, 10.11.1927.

⁷⁴⁶ Anon, ‘New harbour works at Haifa, Palestine’, *Engineering*, 136/3538 (3 November 1933), pp. 488-489 & p. 494, p.488; Herbert and Sosnovsky, *Bauhaus*, p. 48; Buckton, ‘The Construction’, p. 547.

⁷⁴⁷ Buckton, ‘The Construction’, p. 549.

£200,000 than artificial blocks since the part related to the construction of the breakwaters represented 'probably three-fourths of the total expenditure.'⁷⁴⁸

Nevertheless, more facilities were required that needed additional monies to the estimated £250,000. These were related to matters such as an extension of the main breakwater and facilities to make the harbour appropriate to accommodate the Iraqi pipeline oil terminal. Such matters also included the commitment to paying the basic rate of pay for unskilled labour and increasing the charge for the haulage of stone over the Palestine Railway.⁷⁴⁹ The Colonial Office secured the necessary money with the consent of the Treasury through a *virement* of monies within the loan from item number four (relating to public buildings), to item number three (relating to harbour construction and port improvements).⁷⁵⁰ This episode shows that the Colonial Office needed to satisfy the Treasury on issues of loan expenditure since it was raised by the Bank of England as a government loan and the Treasury was in charge of seeing it expended according to schedule.

Since there was a precedent in the use of the departmental method, it was, in the opinion of the Colonial Secretary, possible to identify the model most appropriate to build the harbour at Haifa. Although the Crown Agents' view, in principle, did not conform with the Colonial Office, they still carried out what they were requested to do. They concluded agreements with the consulting engineers with the task to supervise the works at the harbour from beginning to end. They made arrangements to employ the necessary staff in Britain to perform the work under the administrative control of the government of

⁷⁴⁸ Ibid., p. 550; TNA/CAOG10/68, RPT to CA, 5.3.1928.

⁷⁴⁹ TNA/CO733/132/7, CA to CO, 30.6.1927; TNA/CO733/198/4B, by CO, 5.1.1932; Buckton, 'The Construction', p. 569.

⁷⁵⁰ TNA/CO733/198/4B, CO to Treasury, 2.1.1932: a *virement* in the schedule of the Palestine loan from item four related to public buildings, telegraphs and telephones, and other works in the amount of £745,000 to item three related to Harbour Construction and port improvements in the sum of £1,115,000.

Palestine. By shifting the items of the loan schedule to meet the potential expenditures for the harbour works, the British government could now make the necessary arrangements to start the works at the harbour. They had thus implemented the departmental method. Whether it was the absolutely appropriate way to manage the construction of the harbour is the subject of the next section.

Difficulties for using the departmental method

The opinion of the consulting engineers was in opposition to the departmental method on grounds of cost and time. This meant that there would be a need to employ staff and purchase equipment in high cost besides it would take time to gather the necessary staff and to buy and build equipment in the site. This position was endorsed by the Crown Agents who saw the departmental method as inappropriate for use in Palestine. The High Commissioner was influenced by these positions and by requests by British contracting firms to undertake the harbour work. He therefore requested the Colonial Office for reconsideration of the departmental method. In response to such pressure, the Colonial Secretary retreated from the departmental method and adopted the contracting method although this had serious challenges.

Upon the request of the Colonial Secretary, the Crown Agents sought the opinion of the consulting engineers regarding the departmental method.⁷⁵¹ The consulting engineers had their reservation and described the departmental method as not being satisfactory and having embedded difficulties.⁷⁵² A major issue concerned the cost, which was expected to be greater than through contracting. They said that there would be no obligation on any

⁷⁵¹ TNA/CAOG10/68, U-S CO to CA, 28.9.1925.

⁷⁵² Ibid., RPT to CA, 10.11.1925.

one to complete the works for a definite sum, whereas contractors would do the works for a lump sum based on a schedule of prices.⁷⁵³ They explained that the required equipment and machinery would be very costly compared with the value of work to be done.⁷⁵⁴ In the case of Takoradi, for example, the cost of equipment amounted to £342,302 in addition to railway lines that were needed for the construction in the amount of £1.6 million.⁷⁵⁵

In support of the concern of cost, the Director of Palestine Public Works Department, F. Pudsey, reported that such large works would involve 'considerable expenditure on plant'.⁷⁵⁶ Equipment for Haifa harbour would cost about £250,000 and 'probably much more'.⁷⁵⁷ Additionally, the selection of the most suitable machinery required expertise. Such expertise did exist, but there were few real specialists so an engineer was required to identify the needed equipment. Ordering the machinery was expected to come from various manufacturers, which would not likely be found in stock and would then need six to twelve months to be made.⁷⁵⁸ In fact, in Pudsey's opinion these remarks apply to the carrying out of non-recurring works like that expected at Haifa harbour. That is the departmental method was appropriate to employ in India, for example, where there was constant demand of railway construction of many miles that justified the purchase of equipment. Therefore, the machinery acquired as well as the staff both superior and subordinate would be continuously employed and moved from one work to another as required. This would result in carrying out the work cheaper than by contracting.⁷⁵⁹

⁷⁵³ Ibid.

⁷⁵⁴ Ibid.

⁷⁵⁵ Ibid. It is worth noting that at Takoradi, owing to the circumstances which arose in 1924, a change occurred in the method of carrying out the works, and as it was considered necessary in order to avoid the break in the continuity of operations, to arrive at a quick decision in the matter, the form of competitive tendering adopted and referred to by McAlpine was not necessarily such as would lead to the lowest possible offers. (TNA/CAOG10/68, RPT to CA, 10.9.1927.

⁷⁵⁶ Ibid., by Pudsey, 'The Construction of Civil Engineering Works', 8.1.1928.

⁷⁵⁷ Ibid.

⁷⁵⁸ Ibid.

⁷⁵⁹ Ibid.

However, in Palestine there would be no further use for equipment after the works had been completed. Such equipment would be sold for whatever price it would fetch, thus cause a 'considerable loss to the government'.⁷⁶⁰

Another concern expressed by the consulting engineers was centred around the conduct of work. They explained that a government would need 'to gather together a constructional staff' and skilled labour, that letter of which would be impossible to assemble.⁷⁶¹ They expected that local labour would have no experience in such a 'class of work' as experienced foremen or gang masters would already be employed as permanent staff by contractors. Consequently, the cost of the work was bound to be greatly enhanced, because of the inexperience of both the foremen and the workmen.⁷⁶²

Amery's earlier expression for an early start to the work was contested by the consulting engineers. They explained that commencing the works concurrently with the survey was not possible because more information was necessary to prepare contract drawings and plans.⁷⁶³ It would not be possible to determine the method and cost of construction until the survey had definitely disclosed the nature of the harbour floor. Moreover, it would be difficult to estimate the extent of the works to be carried out until the number of shipping berths had been determined, a decision that was in the hands of the government.⁷⁶⁴ They added that it was for the government to set its priority in terms when the work was started or price of work.⁷⁶⁵

⁷⁶⁰ TNA/CAOG10/68, RPT to CA, 1.11.1927.

⁷⁶¹ Ibid; TNA/CO733/132/8, CO to CA, 3.1.1928.

⁷⁶² TNA/CAOG10/68, RPT reply to CA, 1.11.1927.

⁷⁶³ TNA/CO733/132/7, RPT to CA, 10.9.1927.

⁷⁶⁴ Ibid.

⁷⁶⁵ Ibid.

A delay in starting the work, as well as when it would be finishing, would come to define the departmental method given the time consumed in obtaining the equipment and in assembling the appropriately experienced staff needed for building of the harbour. Moreover, the departmental method would be at a disadvantage due to the lack of skilled personnel and staff to organize for and control of the working operations.⁷⁶⁶

The provision of expert advice by the Crown Agents on works and engineering projects for the Colonial Office was vital for the harbour construction. They 'strongly backed the objections' set out by the consulting engineers for carrying out the Haifa harbour works by the departmental method.⁷⁶⁷ They explained that no large harbours had been built by departmental method, although there had been a few that had started 'many years ago'.⁷⁶⁸ At Lagos, they explained, the departmental method was adopted because when the work started no proper plans could be made and it was not possible to have a contractor willing to take on the work in the 'conditions of West Africa at the time'.⁷⁶⁹ In Southern Nigeria, the departmental method was in use due to lack of funding since the government could make only a small sum of money available every year. The work, which started in 1907, was still in progress in 1927. The construction of the harbour at Colombo, again by the departmental method, was viable due to the 'large amount of convict labour'.⁷⁷⁰ In the opinion of the Crown Agents these cases could not be regarded as a precedent for using departmental method for the harbour works at Haifa. Additionally, the expense, slow pace and low level of efficiency of departmental construction in this type of work provided the reason for rejecting the departmental method. Also, the Crown Agents had doubts that the equipment and machinery required for the harbour could be ordered, manufactured and

⁷⁶⁶ TNA/CAOG10/68, by Pudsey, 8.1.1928.

⁷⁶⁷ *Ibid.*, CA to RPT, 1.11.1927.

⁷⁶⁸ *Ibid.*, CA to U-S CO, 2.11.1927.

⁷⁶⁹ *Ibid.*

⁷⁷⁰ *Ibid.*

delivered at site quickly enough compared with the period it would take if work were put out to tender.⁷⁷¹

The opinion of the consulting engineers in opposition to the departmental method was communicated by Frederick Palmer to the High Commissioner during his visit to Palestine in late 1927. Accordingly, in January 1928 the High Commissioner Plumer wrote to the Colonial Secretary that Palmer 'made a very strong impression' on him.⁷⁷² Such a professional opinion, he said, should not be 'ignored' as the matter was of vital importance to Palestine and that the most advantageous method should be adopted.⁷⁷³ Plumer, in effect, withdrew his support for the departmental method since it was not 'the most advantageous'.⁷⁷⁴ Plumer said that the reasons for using the departmental method, regarding the expedition of the work and control of expenditure, were not valid. This meant that the work would not commence nor finish earlier and it would be no cheaper with the departmental method. He further explained that although the departmental method would be preferable for political reasons (meaning it would not incite the international community) the contracting method would provide the best practical results. Plumer requested that the Colonial Secretary reopen the question as to the approach to build the harbour and to consider it carefully before a final decision was made.⁷⁷⁵ It is possible to understand the relationship between the Colonial Office and the government of Palestine as described by Barbara Smith that frequent clashes took place between Palestine and London.⁷⁷⁶

⁷⁷¹ Ibid.

⁷⁷² TNA/CO733/149/3, H.Cr. to S.S. CO, 12.1.1928.

⁷⁷³ Ibid.

⁷⁷⁴ Ibid.

⁷⁷⁵ TNA/CO733/149/3, H.Cr. to S.S. CO, 12.1.1928.

⁷⁷⁶ Musa Budeiri, review of *The Roots of Separatism* by Barbra Smith, *British Journal of Middle Eastern Studies*, 22/1/2, (1995), pp. 167-169, p. 168.

Another consideration that influenced the opinion of the High Commissioner was a request by the contracting firm McAlpine. In a letter addressed to the High Commissioner in July 1927, Malcolm McAlpine provided strong reasoning as to why the construction of Haifa harbour should be carried out by a British contractor. He explained that during and after WWI 'very little dock and harbour work has been done by British contractors' and added that 'the well-known big contractors such as Pearsons, Scott & Middleton, Sir Norton Griffiths, Topham, Jones & Railton' did not have the opportunity, for many years, to keep their equipment and staff working on harbours.⁷⁷⁷ It was imperative for British firms to be given the work of the harbour in a condition when the domestic economy witnessed a collapse of post-war boom which was reflected in drop of prices, decrease in trade, and rise in the rate of unemployment.⁷⁷⁸

In light of this it is possible to assume that the lack of available work opportunities for these big companies had definite consequences for the British economy. With the lack of work opportunities, there was no machinery or material purchased in Britain. Also, their staff added to the unemployment in Britain, which by the mid-1920s constituted a major economic problem. Unemployment rates before the War hovered around 3 percent and during the boom of 1919-20 they sat at around 2.4 percent. By the mid-1920s unemployment 'ranged between 9 and 15 percent'.⁷⁷⁹ In response to these conditions, the British government took financial measures to control the economy and was demonstrated in the Treasury's 'supportive strategy' of offering protection and state intervention.⁷⁸⁰ Hence, as part of state intervention, it was vital to create working opportunities for British firms in order to revive the British economy, and the works at the Haifa harbour was one that afforded such opportunity.

⁷⁷⁷ TNA/CO733/132/7 & TNA/COAG10/68, Malcolm McAlpine to Lord Plumer, 27.7.1927.

⁷⁷⁸ Thomas, 'The macro – economics', p. 337.

⁷⁷⁹ Rothbard, *A History*, p.361.

⁷⁸⁰ Booth, 'Britain', p. 502

In light of labour conditions in Britain and in order to encourage the British government to accept their offer, McAlpine explained that being engaged in new project would give ‘employment immediately to labour’. McAlpine asserted that his company was prepared to undertake the construction of Haifa harbour ‘under the same contract conditions and schedule of prices as that of Takoradi Harbour’ which were coming to their end.⁷⁸¹ Additionally, the British contracting firm of S. Pearson and Son, who applied in reference to the development of the port of Haifa in 1919 and 1921, revived its application in January 1928.⁷⁸² Also, in order to convince the British government to award them the works they said that their ‘experience is unequalled by any other firm in this or in any other country’ with harbour construction.⁷⁸³ The firm submitted to the British government and to the government of Palestine ‘complete surveys and a report, together with a design’ based upon the data collected from borings and surveys.⁷⁸⁴ Since the investigation was conducted by Pearson and Son without a prior promise to award the works, the firm did not have legal claim for the expenses it incurred, but still insisted that the government should pay ‘special consideration’ to its application.⁷⁸⁵ The desire of these British firms to have contracts like before the War is explained by Bernard Alford that the politics after the War was to incorporate the ‘wish to return to normality’. Yet there were ‘obvious signs that the world had changed’ and the British government had to re-consider its previous policies.⁷⁸⁶

⁷⁸¹ TNA/CO 733/132/7, McAlpine to S/S CO, 11.7.1927. It is worth noting that though the available documents do not show the schedule of prices accepted by McAlpine for the Takoradi harbour works, we are informed by RPT that it was possible to obtain lower prices for Haifa in comparison to those given for the work in a tropical country. The only way to make sure about the fair prices for Palestine was through competitive tendering. (TNA/CO733/132/7, RPT to CA, 10.9.1927)

⁷⁸² TNA/CO733/149/3, S. Pearson and Son Ltd. to S.S. CO, 21.1.1928: In 1921, S. Pearson and Son had discussions with Mr. Churchill and Sir J. Tilly (from Anglo-Persian Oil Company) in relation to pipelines and railways in Baghdad in which the government was interested, due to being a shareholder in APOC.

⁷⁸³ Ibid.

⁷⁸⁴ Ibid.

⁷⁸⁵ TNA/CO733/149/3, S. Pearson and Son Ltd. to S.S. CO, 21.1.1928.

⁷⁸⁶ Alford, *Britain*, p. 118.

The High Commissioner Plumer in fact viewed McAlpine proposal favourably, particularly as it offered to start the works early, but nevertheless requested a professional opinion.⁷⁸⁷ The consulting engineers RPT agreed that McAlpine's proposal would save about nine months if the works were commenced concurrently with the survey, but the data collected by a survey was essential in order to determine the nature and extent of work needed.⁷⁸⁸ In concurrence with the consulting engineers, the Crown Agents said, from their experience, that difficulties and delays usually resulted if work began without proper surveys and preparation. They explained that detailed surveys were essential in order to estimate total expenditure, the depth of the harbour and the number of berths required. Their judgement was that unless there were circumstances that made prompt commencement of the work imperative, there was a danger in accepting any offer without calling for tenders.⁷⁸⁹ This would expose the British government to claims from other British contractors such as Pearson and Son and from foreign contractors that they were not given a 'fair chance'.⁷⁹⁰

The Colonial Office also had concerns that if McAlpine was allowed to carry out the work under contract without invitation to tender it would be in breach of article 18 of the Palestine Mandate.⁷⁹¹ Despite this the Colonial Office, still thinking in Imperial manner, had started to contemplate giving the works to McAlpine. Thomas I. Lloyd, from the Colonial Office, explained that since the Takoradi harbour works were awarded to McAlpine in 'competition with other contractors' and they carried out the work 'expeditiously and in a satisfactory manner', it was felt that 'nothing would be gained while much valuable time might be lost' in inviting tenders.⁷⁹² He also said that as the British government guaranteed the Palestine loan, it would be reasonable to give the work to a British firm 'without inviting

⁷⁸⁷ TNA/CO733/132/7, Minutes by Shuckburgh CO, 12.7.1927.

⁷⁸⁸ TNA/CAOG10/68, RPT to CA, 10.9.1927.

⁷⁸⁹ *Ibid.*, CA to U-S CO, 12.9.1927.

⁷⁹⁰ *Ibid.*, a draft by CA, 2.3.1928.

⁷⁹¹ TNA/CO733/132/7, by Lloyd, U-S CO, 14.7.1927.

⁷⁹² *Ibid.*

foreign competition'.⁷⁹³ Additionally, the Under-Secretary for the Colonies, Samuel Wilson asked whether McAlpine could be engaged to do the work as 'agents' of the Palestine government similar to that of Takoradi harbour.⁷⁹⁴ In fact, these suggestions and questions invited arguments from the Colonial Office. As the Head of the Middle East Department in Colonial Office, A. Harding had put it, in order for the Colonial Secretary to make his decision, it was essential to investigate what provision should be made regarding: wages rates that would fulfil the fair labour conditions of the Palestine loan; the use of British or Palestinian materials; and whether foreign firms were to be barred from tendering. The examination of these issues will be the subject of the next chapter.

While these arguments were still taking place in the Colonial Office, the Colonial Secretary decided in June 1928 to abandon the departmental method and to construct the harbour 'by contract'.⁷⁹⁵ The decision was taken on the grounds that 'the acquisition and assembly of plant required and the engagement of the necessary staff would delay the construction of the works'.⁷⁹⁶ It would also be cheaper by contract since the plant would cost a considerable amount of the money allocated for the harbour.⁷⁹⁷ Although the decision was based on cost and time concerns, giving the work to British firms was to bring economic benefits for Britain. Indeed, the position adopted by the Colonial Secretary confirms John Gallagher's argument that 'In the Conservative party, the dominant group were able to respond to the pressures of domestic politics and of colonial political developments.'⁷⁹⁸

⁷⁹³ Ibid.

⁷⁹⁴ TNA/CO733/149/3, Harding to Shuckburgh CO, 10.2.1928 & 22.2.1928.

⁷⁹⁵ TNA/CO733/149/3, Shuckburgh CO to U-S FO, 19.1.1928.

⁷⁹⁶ Ibid.

⁷⁹⁷ Ibid.

⁷⁹⁸ Gallagher, *The Decline*, p. 105.

The difficulties brought by the departmental method as expressed by the Crown Agents and the consulting engineers, gave reason for the High Commissioner of Palestine to withdraw his endorsement of the departmental method. Since this method involved greater cost and more time for the works to begin and to be completed, the Colonial Secretary retreated from recommending the departmental method and decided that the harbour should be carried out through contracting. Contracting however presented its own challenges.

Conclusion

It was important to understand the significance of the method used in carrying out the harbour construction at Haifa because the type of method used was bound up in the political conditions prevailing after the War. The complications stemmed from Palestine being a mandated territory hence the British government were not able automatically to employ a British firm to execute the works of the harbour since this would provoke political criticism to Britain. The rights of other firms to compete for the works was secured by articles 22 and 23 of the Covenant of the League of Nations and by item 18 of the provisions of the Palestine mandate. Additionally, abiding by ILO regulations made it important to preserve 'fair labour conditions' in carrying out the works of the harbour which was not possible to observe if the works were given to contracting firm. The difficulty was when the Colonial Office had to put these considerations vis-à-vis the Colonial Secretary's pledge to Parliament that British firms and material would be employed in the harbour works.

In normal circumstances, as in the colonies, the Colonial Office would authorise the Crown Agents to make all arrangements necessary for harbour construction. It was not possible for the Crown Agents to assume their role to arrange and follow up for the Haifa harbour

works without taking into account several considerations related to Palestine being a mandated territory. The investigation of the use of the departmental method, and the arguments around its use, helps us understand how the British policy towards the harbour construction was formed. Experience in the colonies enabled the government to decide what it thought would be the most appropriate policy to adopt. Nevertheless, considerations relating to prioritising the maximisation of benefit to the British economy complicated a process of decision-making already weighed down by international demands.

Economic and political aspects were at the hearts of the government's considerations. Therefore, landing on the departmental method was important as obtaining equipment and material would then be done through the Crown Agents who would make sure that all purchases would be made in Britain. Protectionism was a primary concern of the government.⁷⁹⁹ Hence, the employment of a departmental method would open markets for British manufacturing. Amery's use of the departmental method was primarily done to keep decisions relating to the harbour construction in the hands of the British government. Whether concerns connected to the relationship with the international community, as represented by the League of Nations, or circumstantial matters relating to the actual construction of the harbour, the departmental method made these issues more flexible to solve in the Colonial Office's opinion. This was so in spite of the fact that the professional opinion of the consulting engineers and the Crown Agents contradicted those of the Colonial Office and showed that the departmental method would take longer and would cost more than through contracting. Moreover, British contracting firms' insistence on having opportunities in the development of the mandated territory influenced the government of Palestine and the British government alike. This prompted a reconsideration of the departmental method by the Colonial Office but still with the primary objective of

⁷⁹⁹ Meredith, 'The British Government', p.486.

reaping the most benefit to the British economy .In sum, what this chapter has suggested it was difficult for the British government to take a decision by which straight forward benefits would go to British firms and consequently the British economy.

Chapter Five

British firms and international concern, June 1928 – April 1929

Introduction

The transition from the departmental method to a consideration of the contracting method for the construction of Haifa harbour, presented difficulties that went to the heart of questions concerning Britain's power in the world and the influence the League of Nations and international law would have upon Britain. Debates in Whitehall surrounding the contracting method were heated, because although the Colonial Office maintained its traditional approach, that sought to maximise the benefits for Britain's economy through the employment of British firms, the Foreign Office was more concerned with Britain's position and image vis-à-vis the international community. The primary concern of the Colonial Office was to employ a contracting method without being compelled to open the competition for the works to non-British firms as dictated by the Palestine mandate. The Foreign Office, however, wanted to show that Britain had adapted to changes in the international environment after WWI and as a mandatory power it had adhered to the regulations of the League of Nations that Britain was essential in creating. Therefore, Britain had to balance her priorities between bringing benefit to her domestic economy on the one hand and adhering to the international requirements on the other.

The conclusion of the debate was found principally in the interpretation of the provisions of the Palestine mandate. The Law Officer's explanation counteracted the Colonial Office's desire of employing colonial practices. It was important to come out with a reconciliatory decision that took into account the promises that the government gave to British firms awarding them access to works contracts and those and those pledges given to Parliament.

Hence, the British government found itself obliged to abandon the contracting method and return back to the departmental method as a final choice for the harbour construction.

The constant changing of opinion concerning the method to be used for the constructing the harbour reflected Britain's lack of vision in striving to find the appropriate way to deal with acquired territories under the inhibitions of international law. This meant that Britain took quite a considerable time to adapt to prevailing world conditions within which it wanted to assert its power.

There are three main strands that are investigated in connection with the contracting method. The first is represented in the British government's concern about breaching the economic equality policy of the League of Nations' Covenant. The second strand relates to the British economy and the intransigence of the Colonial Office that wanted exclusivity of British firms and British material. Finally, the third strand relates to the position of the government of Palestine where the High Commissioner's priority was to have the harbour built so Palestine's British rulers would get the credit. The common component in these three strands was the role played by the Colonial Office, in whose hands the ultimate decision rested. The challenge that the Colonial Office was faced with was how to employ the contracting method without awarding the works to a foreign firm. This meant that Britain had to reshape and readjust its economic policies in a manner to fit its obligations and avoid violating international regulations. The purpose of this chapter is to understand the factors that influenced the formation of Britain's policy towards the method that should finally be employed for carrying out the works of the harbour.

During the period of new imperialism, Britain did not object to Germany's occupation in 1897 of areas in China as long as there was 'no exclusive privileges for German subjects'.

However, Britain made out 'its own claims to the Yangtze' when Germany and Russia demanded 'exclusive or preferential terms for economic development.'⁸⁰⁰ Britain secured commercial rights for her nationals whatever the political conditions were. In line with Britain's approach, article 18 of the Palestine mandate gave the right to League of Nations members to invest in the mandated territories. Amongst the European investors, the Italians expressed early interest to tender for works relating to developing natural resources in Palestine. The Foreign Office wanted the British government to adhere to its commitments in order to save face with the League of Nations and invite foreign firms to compete for the harbour works. In contrast, the Colonial Office was still following a colonial mind-set and sought to continue prioritising British economic and defence interests. This was particularly important as there was discussion of Iraqi oil being transported to Haifa via a pipeline and facilities to this end had to be available.

The theme that this chapter is concerned with is the battle for control over the construction of the Haifa harbour. This battle took place in London between a Colonial Office, determined on keeping works contracts in British hands, and a Foreign Office determined to play by the letter of international law. What this dispute actually embodied was the boarder question of Britain's power as an Empire in a changing world.

This chapter discusses what the deliberations and debate surrounding the contracting method meant. What factors affected the decision-making? What hindered the application of the contracting method? Why did the government decide not to adopt the contracting method and fall back on to the departmental method?

⁸⁰⁰ Platt, 'Economic Factors', p. 135.

What this chapter claims is that the debate within the British government over the contracting method, and the outcome of that debate, demonstrates that Britain was not able to enforce pre-existing imperial methods on mandated Palestine. The pressures within the British government to abide by international law, and the criticisms raised by foreign powers of British protectionism, all point to the changes that were taking place in Britain and in a developing context of international law directed toward breaking down protectionist practices and defeating imperialism after WWI.

This chapter is structured to investigate the significance of the contracting method to the British economy. This means that the chapter will examine the British government's protectionist approach and its insistence on employing exclusively British firms for carrying out the harbour works. Then the chapter examines the interest presented from the international community in competing for the works and the implications of these appeals on the British government. The last section demonstrates how the British government resolved the dilemma by resorting once again to the departmental method and what did that mean.

This chapter reaches for literature on Britain's approach to imperialism and the formation of British government policy. Hobson's work, examining Britain's use of political and financial resources extending the area of trade and investment in the Empire, is considered. By investigating the contracting method it becomes possible to understand the interest expressed by British firms in Haifa harbour within the context of Hobson's explanation.⁸⁰¹ This meant that there were continuities 'in aim, not in performance' as Gallagher argues with regards to Britain's involvement in territories outside Europe.⁸⁰²

⁸⁰¹ Hobson, *Imperialism*, p. 61.

⁸⁰² Gallagher, *The Decline*, p. 86.

The debate in Whitehall demonstrates how policies were formed. A single department such as the Colonial Office was not able to make its decisions without reference to other departments. Parkinson rightly argued that the Colonial Office was part of a 'government machine' and could not function 'as an entirely self-sufficing and independent organ'.⁸⁰³ With this in mind it was necessary to consult other departments, particularly the Foreign Office and the Treasury, on the method that best suited Palestine in light of the conditions prevailing after WWI. Additionally, Gallagher argued that during the 1920s, the rivalries inside the parties and between the parties did not cause sudden changes in foreign policy.⁸⁰⁴ But the changes nevertheless occurred as a result of being compelled to adhere to League of Nations regulations. Therefore, changes of methods could not be avoided. Smith discusses the delicacy of Britain's position towards the method to be used in the harbour building in light of the potential criticism by members of the League of Nations.⁸⁰⁵ In fact, William Rappard explains how the Permanent Mandates Commission (PMC) dealt with complaints.⁸⁰⁶ Accordingly, this study shows how the British government was careful not to provoke foreign countries to file complaints with regards to the method used in the harbour.

The significance of the contracting method

In July 1927, the Colonial Office received from McAlpine, the British contracting firm, an offer to undertake the harbour construction. The Colonial Secretary Leo Amery, despite his concerns that article 18 of the Palestine mandate demanded open competitive tendering,

⁸⁰³ Parkinson, *The Colonial Office From Within*, p. 40.

⁸⁰⁴ Gallagher, *The Decline*, p. 106.

⁸⁰⁵ Smith, *The Roots*, p. 24.

⁸⁰⁶ Rappard, 'The Mandates', p. 411.

decided that the offer deserved 'careful consideration'.⁸⁰⁷ The Colonial Office authorized the Crown Agents to inquire with the consulting engineers as to the 'method of procedure to be adopted' if it was decided that McAlpine should be given the work.⁸⁰⁸ In particular they were requested to clarify the practicality of the company's willing to start the works one year earlier than expected. Therefore, the questions are: was it possible to start the works earlier and was it possible to give the works for a British firm without opening the works for competition (i.e. to violate article 18 of the mandate)? To answer these questions it is necessary to understand the political and economic atmosphere that prevailed at the time.

Imperialism, Hobson argued, enabled the 'owning and exploiting class' concerned with foreign trade and investment to utilise the 'political and financial resources of their State' in order to extend the area of their trade and investment in the Empire.⁸⁰⁹ McAlpine's offer could be seen in the context of utilising Britain's political and financial resources in mandated Palestine. However, the consulting engineers, who were in favour of giving the work out through contracting, warned of the dangers of accepting any offer 'without calling for tenders'.⁸¹⁰ This was because there would not be sufficient data to enable the consulting engineers to judge the 'real extent of the work to be done or the lowest price which it might be possible to obtain'.⁸¹¹

From the McAlpine offer in July until December 1927, the Colonial Office hung on to the departmental method which was endorsed by the Parliamentary Under-Secretary of State

⁸⁰⁷ TNA/CO733/132/7, CA to CO, 9.8.1927.

⁸⁰⁸ Ibid., by Lloyd CO, 14.7.1927.

⁸⁰⁹ Hobson, *Imperialism*, p. 61.

⁸¹⁰ TNA/CAOG10/68, CA to U-S CO, 12.9.1927.

⁸¹¹ Ibid.

for the Colonies, W. Ormsby-Gore, with the agreement of the High Commissioner.⁸¹² A serious re-consideration of the departmental method began in January 1928 upon the request of the High Commissioner who said that the consulting engineer, Palmer made ‘a very strong impression’ on him and that his ‘opinion cannot be ignored’. Palmer said that it was a matter of vital importance to Palestine that the most advantageous method should be adopted, which, in his opinion, was the contracting method. Therefore, the High Commissioner withdrew his agreement to the departmental method and recommended that the question of the method be reopened.⁸¹³ In fact, it had been announced twice to the House of Commons by the Colonial Secretary that it was decided twice upon the departmental method. In the view of the head of the Middle East Department, A. Harding, to draw back from the departmental method, would ‘make the Government look ridiculous’.⁸¹⁴

The request to reconsider the method of construction caused confusion in the Colonial Office, owing mainly to the perils connected with giving the works exclusively to British firms. This was important in light of the fact that more British firms expressed their interest in the harbour works. The contracting firm Pearson and Son asked whether ‘some consideration may be given to them’ and the British–Mediterranean Lighterage [sic] Company also offered to undertake the haulage of stones ‘from a quarry for the building of the quays at Haifa’.⁸¹⁵ Given that the situation was unclear in terms of policy, and that British firms were seeking Haifa works contracts, what steps did the British government take to remedy this?

⁸¹² TNA/CO733/132/7, Ormsby-Gore U-S CO to H.Cr., 22.9.1927.

⁸¹³ TNA/CO733/149/3, H.Cr. to S.S. CO, 12.1.1928.

⁸¹⁴ TNA/CO733/132/8, Harding to Shuckburgh CO, 29.12.27.

⁸¹⁵ TNA/CO733/149/3, Mr. Pearson and Son, 21.1.1928, & from Lieutenant Colonel Arthur M. Grenfell (British –Mediterranean Lighterage Company, Limited, London) to Ormsby-Gore U-S CO, 10.2.1928.

The contracting method required that contracts be put out to public tender, presenting a dilemma for Britain in regards to its intentions to preserve unequal economic rights of access for British firms. The consternation of the Colonial Office revolved around whether they 'ought or ought not to run the risk of being criticised' if they had to put the work out to public tender and then turn down a foreign firm.⁸¹⁶ On the other hand, if a foreign tender was accepted it would be 'severely criticised' in Britain.⁸¹⁷ British firms wanted to benefit by taking on the harbour works and Parliament wanted to see the proceeds of the Palestine Loan allocated for building the harbour spent in Britain although such action would be hard to defend at Geneva.⁸¹⁸

Aware of the hazard created by the contracting method, the Colonial Office felt obliged to consult the Foreign Office.⁸¹⁹ Consultation amongst the departments of Whitehall was common practice. Cosmo Parkinson, who worked in and for the Colonial Office for about forty years, argued that the Colonial Office was part of a 'government machine' and could not function 'as an entirely self-sufficing and independent organ'.⁸²⁰ The Colonial Office requested that the Foreign Office verify its position with regards to 'whether, if tenders were invited for the construction of the works in question, the Palestine Government would be bound to accept a tender from a non-British firm should it prove to be definitely more favourable than any tender submitted by a British firm.' Additionally, it was vital to know the position of the Foreign Office on 'whether a stipulation could be inserted into the contract binding the contractor to use stores and articles of British or Palestinian manufacture on the work.'⁸²¹ Gilbert Herbert, although discussing Haifa principally from the architectural point of view, rightly argues that the question of giving the construction of

⁸¹⁶ TNA/CO733/132/8, Wilson CO to Ormsby-Gore CO, 3.1.1928.

⁸¹⁷ TNA/CO733/149/3, Shuckburgh CO to U-S FO, 19.1.1928.

⁸¹⁸ TNA/CO/132/8, Shuckburgh CO to Wilson CO, 2.1.1928.

⁸¹⁹ TNA/CO735/2, Ormsby-Gore on behalf of Amery to H.Cr., 19.1.1928.

⁸²⁰ Parkinson, *The Colonial Office*, p. 40.

⁸²¹ TNA/CO733/149/3, Shuckburgh CO to U-S FO, 19.1.1928.

Haifa harbour to an appropriate agency 'proved much more intractable'.⁸²² He did not explain however that the issue of exclusivity for British firms and material was at stake in view of Britain's commitment.

The questions posed by the Colonial Office to the Foreign Office were pivotal points of debate in Whitehall for about a year. This was because a formal condition stipulated that non-local expenditure should be spent in Britain was not included to the Loan Act. The reason given was that it would be difficult in practical terms to ensure that such a condition would be fulfilled to the letter.⁸²³ In fact, the Foreign Office tried to find out the practice of other mandatories in a similar situation, such as the French mandate in Syria and the Cameroon. The Office concluded that 'it had not been found possible to trace, in any available report on the practice of the governments with regard to the construction of public works in mandated areas, any cases bearing exactly upon the point raised.'⁸²⁴ The crucial question of binding contractors to use British material, was discussed by the League of Nations' PMC in its eleventh and twelfth sessions (in June, July and October 1927). No definite conclusion however was rescheduled.⁸²⁵ This meant that it was left to the discretion of the British government.

Why was the issue of the use of British material brought before the PMC? The mandatory power was obliged to provide the PMC with an annual report which contained supplements of 'other available documentary material' including accounts of debates in 'the Parliaments of the administering states'.⁸²⁶ Therefore, when the British Parliament discussed in December 1926 the amendment of the Palestine and East Africa Loan Act, the PMC took

⁸²² Herbert, 'Crossroads', p. 322.

⁸²³ TNA/CO733/159/17, Lloyd CO to U-S FO, 4.10.1928.

⁸²⁴ TNA/CO733/149/3, Monteagle FO to CO, 8.2.1928.

⁸²⁵ TNA/CO733/149/3, Shuckburgh CO to U-S FO, 19.1.1928.

⁸²⁶ Rappard, 'The Mandates', p. 411.

note of the question raised then with regards to the exclusivity of British firms and material. The inquiry by the British government to the PMC was whether it was an 'infringement of the economic equality articles of the mandate for a mandatory power to require, as a condition of its guaranteeing a loan raised by a mandated territory, that the proceeds of the loan shall be spent in the country or territories administered by the mandatory power.'⁸²⁷ The PMC did not have a set policy here, therefore, in order to identify the policy adopted in such cases, a questionnaire was circulated to the mandatory powers. The question asked was 'what regulations have been adopted or are generally followed when supplies are purchased by the public authorities of the mandated territories?'⁸²⁸ The French replied that 'tenders from nationals of members of the League of Nations would be considered if received.' Nonetheless the French left it to the mandatory power to organise essential public works and services 'on such terms and conditions as [they] think just.'⁸²⁹ Nevertheless, the result of the questionnaire carried out by PMC was not known, since it had not reached a final conclusion on the point.⁸³⁰ This could be understood in light of the view British officials held that the League of Nations should only enquire any complaints made in a mandated territory and should not attempt to 'interfere with mandatories' or 'undertake administration'.⁸³¹ Not having a satisfactory answer from Geneva did not mean Britain was safe from criticism by the international community and at the same time it meant that the raised questions maintained. As a result, Whitehall was incapable to proceed with the construction of the harbour without taking into consideration the League's regulations.

⁸²⁷ TNA/CO733/149/3, Shuckburgh CO to U-S FO, 19.1.1928; Hansard, HC Deb, 9 December 1926, vol. 200, cc2327-90.

⁸²⁸ Jenkins, 'Economic Equality', pp. 615-6.

⁸²⁹ TNA/CO733/149/3, Monteagle FO to CO, 8.2.1928.

⁸³⁰ Jenkins, 'Economic Equality', pp.615-6.

⁸³¹ William Roger Louis, 'The United Kingdom and the Beginning of the Mandates System, 1919-1922', *International Organization*, 23/1, (Winter 1969), pp. 73-96, p. 93.

The Crown Agents were concerned that if the works were given to McAlpine without public tendering, difficulties would arise both internally and abroad. Other contractors at home, such as Pearson and Son, 'would quite certainly complain that they had not been given a fair chance.' Also, troubles from abroad would arise because if the works were open to tender 'an Egyptian firm is most likely to get the job and an Italian firm has probably the next best chance.'⁸³² Therefore, the Colonial Office was faced with a serious challenge as it did not know how to use the contracting method in a context where it clearly did not want to award works to non-British firm.

The British were in a critical situation as the Foreign Office saw Britain as the 'mandatory for Palestine, she is bound to do her best for the interests of that territory; as a manufacturing and exporting country, she is entitled to do her best for the trade of her own nationals.'⁸³³ Gallagher argued that the British policy in the 1920s was 'losing its old autonomy' and was more and more 'reacting to situations' instead of creating them.⁸³⁴ Indeed, Britain's decision towards the harbour construction was affected by the League of Nations' regulations. From this, the Foreign Office suggested, in January and in March 1928, to seek legal advice with regards to British firms and manufacturing.⁸³⁵ This was because any decision to be taken in this instance would be an established principle to be followed in other cases.⁸³⁶

In comparison, article seven of the Tanganyika mandate contained a special provision with regard to public works, 'while no similar provision appears in Article 18 of the Palestine

⁸³² TNA/CAOG10/68, draft by CA, 2.3.1928.

⁸³³ TNA/CO 733/149/3, Monteagle FO to CO, 29.3.1928.

⁸³⁴ Gallagher, *The Decline*, p. 85.

⁸³⁵ TNA/CO733/149/3, Lancelot Oliphant FO to CO, 30.1.1928.

⁸³⁶ *Ibid.*

Mandate'.⁸³⁷ The provisions of the Palestine mandate were therefore different from those of the British mandate of Tanganyika and that of the French mandates. In the opinion of the Foreign Office, the ambiguity embedded in the Palestine mandate regarding the public works did not by itself provide legal justification to Amery's proposals for awarding the works only to British firms. It is therefore possible to suggest that the drafting of the Palestine mandate fell short of satisfying or accounting for Britain's vital interests.

It is worth noting that the opinion of the legal advisors was sought in March 1926, specifically concerned attaching conditions to the Loan Act relating to British firms and British materials exclusive access to works contract. The legal opinion then was that article 18 of the Palestine mandate did not prevent attaching such conditions. Nonetheless, the Palestine loan was issued with no attachment of those conditions since it was impractical to do so.⁸³⁸ The Colonial Office was therefore reluctant to approach the legal advisors again, as requested by the Foreign Office, as the Colonial Office did not include those conditions in the Loan Act when they were first asked.⁸³⁹ What was the significance of the legal opinion? Was it bounding to the British government? Could it be defended if a suit were brought to The Hague? To what extent were the Law Officers' opinions flexible in interpreting the terms of the mandate? What impact did their opinion have on the policy adopted on the harbour's construction?

In May 1928, the Colonial Office sought the opinion of the Law Officers. The questions asked did not however mirror those concerns of the Foreign Office. The original enquiry of the Foreign Office was 'whether the words in article 18 of the Palestine mandate which forbid discrimination debar Palestine from granting to British nationals a preference in the

⁸³⁷ *Ibid.*

⁸³⁸ TNA/CO 733/149/3, Shuckburgh CO to FO, 14.3.1928.

⁸³⁹ *Ibid.*

construction of harbour works, and in the furnishing of supplies therefore.⁸⁴⁰ A reply to this straightforward question would have added clarity. The Colonial Office, however, posed different questions which caused difficulties in reaching a convenient solution. These questions were whether the following would infringe article 18 of Palestine mandate: 'a) Placing the contract with a British firm without inviting any tenders; b) Inviting tenders from British firms alone; c) Issuing a worldwide invitation to tender and then accepting a British offer if it appears suitable although not the lowest suitable tender.'⁸⁴¹ The other matter concerned to the eligibility of inserting a term in the contract regarding exclusivity of British material.⁸⁴²

It was difficult for the Law Officers to give their opinion 'without some qualification'. They emphasised that discrimination within the meaning of Article 18 of the mandate of Palestine 'must be a question of fact depending on the precise circumstances.'⁸⁴³ This meant that the Colonial Office should have explained to the Law Officers that the intention was only to give works to British not foreign firms, but it did not. Depending on incomplete information they were not aware of, the Law Officers gave their advice. The core of their opinion was that any decision to be taken by the government should be 'in the interests of the mandated territory'.⁸⁴⁴ They said that if the government decided that it was in the interests of the mandate territories, it could accept an offer by a British firm to enter into a contract and there would be 'no reason for requiring [a] tender' as it could only invite bidders 'which were in fact British'. The government could also issue 'a worldwide invitation to tender' and accept a British tender though not necessarily the lowest suitable bid. However, it could not accept a tender if a general invitation to tender was issued

⁸⁴⁰ TNA/CO733/149/3, Monteagle FO to CO, 29.3.1928.

⁸⁴¹ *Ibid.*, Shuckburgh CO to LO, 9.5.1928.

⁸⁴² *Ibid.*

⁸⁴³ *Ibid.*, LO to S.S. CO, 23.5.1928.

⁸⁴⁴ *Ibid.*

‘subject to a restriction that only tenders from British firms would be considered’ which was exactly what the Colonial Office intended to do.⁸⁴⁵ The Law Officers continued that adding a term to a contract demanding the exclusive use of British material ‘without regard to the efficient execution of the proposed work’ would constitute discrimination within the meaning of article 18.⁸⁴⁶ It was also the intention of the British government to purchase only British material.

The legal opinion was clear that any intentions in the direction exclusivity for British firms would breach article 18 of the British mandate to Palestine. It is safe to suggest that the Colonial Office manoeuvred the Law Officers in order to give a favourable opinion. Smith explains the Law Officers’ opinion allowed for exclusivity of British firms.⁸⁴⁷ Since the interests of the mandated territory was at the core of their opinion, who then would define what the best interests of Palestine were? William Rappard, the Swiss political economist and Director of the Mandates Section of the League of Nations (1920-25) and a member of PMC (1925-1939), argued that the interests of the ‘native inhabitants are undoubtedly paramount in the mandates system’.⁸⁴⁸ Although the PMC’s proceedings show that there were ‘constant references to the paramountcy [sic] of native interests’, this method of colonial supervision, Annette Fox argues, was ‘devised and operated by colonial powers and others of like mind and constituted no threat to the continued existence of the colonial system itself’.⁸⁴⁹ It was for Britain’s own discretion as trustee for Palestine to define the interests of the country. Such also was the government of Palestine, since it was composed primarily of British officials entrusted with the direct administration of the territory and was

⁸⁴⁵ Ibid.

⁸⁴⁶ Ibid.

⁸⁴⁷ Smith, *The Roots*, p. 24.

⁸⁴⁸ Rappard, ‘The Practical’, p. 208; Pedersen, ‘The Meaning’, p. 562.

⁸⁴⁹ Annette Fox, *The United Nations and Colonial Development*, *International Organization*, 4/2, (May 1950), pp. 199-218, p. 202.

in fact submissive to London.⁸⁵⁰ Thus, the interests of the mandated territory were defined by the British government as it pleased.

It is worth mentioning that the Foreign Office's comment on the legal opinion was not immediate. It was delayed for four months until September 1928. It was not possible to know the reason for this delay, however, it could be that the Foreign Office opted to see how the matter would develop. With the absence of the Foreign Office's reaction to the legal opinion, the Colonial Office was encouraged to view the legal opinion in favourable terms.

Accordingly, the Colonial Secretary decided, on 9 June 1928, to construct the works at Haifa harbour by contract provided that article 18 was not infringed. Amery also explained to the High Commissioner that since the money to be used was guaranteed by the British government, British rather than foreign materials should be purchased and the means to this end would be achieved by entrusting the construction of the works to a 'reputable British firm'. Therefore, only select British firms would be invited to tender and in the invitation to tender it should be stipulated that whenever Palestinian or British materials met the standards of quality, price, convenience, and met the interests of the mandated territory, then such material should be used.⁸⁵¹ The justification by Colonial Office of changing the policy to the contract method was centred on price, as it was cheaper to contract since purchasing equipment for construction by the departmental method would cost a considerable amount of the money allocated for the harbour.⁸⁵² Besides, the acquisition and assembly of the required equipment and the engagement of the necessary staff would delay the construction of the works.

⁸⁵⁰ Abcarius, 'The Fiscal System', p. 510.

⁸⁵¹ TNA/CO 733/149/3, S.S. CO to H.Cr.,12.6.1928.

⁸⁵² Ibid., CO to FO, 19.1.1928.

The decision to employ the contracting method for the construction of Haifa harbour was published early in July 1928 by the *Times*. The newspaper wrote that the harbour at 'Haifa should be constructed by contract' and that 'the particulars drawn up by the consulting engineers to enable tenders to be invited were now available.'⁸⁵³ In fact, the particulars were not available for all contractors as was originally published. On 9 August 1928, the Crown Agents, with authorisation from the Colonial Office, issued preliminary invitations to tender to only eleven of the British firms recommended by the consulting engineers. These experienced contracting firms included Charles Brad and Son, The Foundation Co. Ltd., Norton Griffiths and CO. Ltd., Sir John Jackson Ltd., Sir Robert McAlpine & Sons, Mr. Muirhead, Macdonald, Wilson & Co. Ltd., Edmond Nuttall Sons & Co., Pauling and Co., Ltd., Walter Scott & Middleton Ltd., Topham, Jones & Railton Ltd., Sir Ernest Moir of Pearson and Son, and Sir Lindsay Parkinson & Co. Ltd.⁸⁵⁴ The firms were promised that the definite invitations would be issued early in October 1928 and the submission of tenders was expected to be at the end of the same month.⁸⁵⁵

Although it was the norm for the Crown Agents to issue invitation to tender to select companies for works in the colonies, the British government's approach could be viewed within the context of its interventionist policy. Glynn and Booth explain that the interwar period could be seen as a 'transition period for economic policy during which there was a movement away from the *laissez-faire* approach towards more detailed government interventions.'⁸⁵⁶ Certainly, the government's interventionist policy was evidenced by its

⁸⁵³ *The Times*, 11.7.1928, (page not specified).

⁸⁵⁴ TNA/CO733/149/4, the Chief Engineer CA to the invited companies, 2.10.1928; TNA/CO733/164/7, by Carmichael CA, 11.1.1929; TNA/CO935/2, CA to CO, 13.7.1928 & Wickhart CA to CO, 15.8.1928 & 21.8.1928.

⁸⁵⁵ TNA/CO935/2, CA to CO, 13.7.1928.

⁸⁵⁶ Sean Glynn and Alan Booth, *Modern Britain, an economic and social history* (London and New York: Routledge, 1996), p. 125.

efforts to secure opportunities for British firms in a context where equal economic opportunity policies were of paramount importance. Interventionist policy was significant, particularly given that during the interwar period the British economy was characterised by slow growth and was viewed as 'poor investment opportunities, mass unemployment and price deflation.'⁸⁵⁷

International concern

The declaration of adopting the contracting method prompted interest from overseas firms and governments.⁸⁵⁸ The first expression came from the United States Consulate of Jerusalem.⁸⁵⁹ Another enquiry about the status of the project and indicated its interest in bidding for work came from the Construction Materials Company of Chicago.⁸⁶⁰ European governments and companies also enquired about the works at Haifa harbour. For example, Ver. Bureau Voor Handelsinlichtingen (Office for Trade Information) made enquiries on behalf of Dutch companies and Nederlandsche Maatschappij Voor Havenwerken (Netherlands Harbour works) made separate enquiries to the Crown Agents about tenders from foreign firms.⁸⁶¹ Later, a Dutch minister wrote to the Colonial Office about the specifications of the works. The Consul-General of Germany also asked the government in

⁸⁵⁷ Solomou, *Themes*, p. 2.

⁸⁵⁸ TNA/CO733/132/8, Ormsby-Gore CO to Wilson CO, 2.1.1928: the Colonial Office informed the Crown Agents that there was a 'risk of being criticised if we have to put out to public tender and then turn down a foreign firm.'; TNA/CO733/132/8, CO to CA considerations on the departmental method, 3.1.1928.

⁸⁵⁹ TNA/CO733/159/17, Oscar S. Heizer, American Consul, Jerusalem, to Chief Secretary, Government of Palestine, 23.7.1928.

⁸⁶⁰ TNA/CO733/164/7, Construction Materials Company of Chicago to U-S CO, 16.2.1929.

⁸⁶¹ TNA/CO733/159/17, Ver. Bureau Voor Handelsinlichtingen, Amsterdam to the Department of Customs, Excise and Trade, Palestine, 24.7.1928, & Nederlandsche Maatschappij Voor Havenwerken (Netherlands Harbour works) to CA, 28.8.1928.

Jerusalem about the construction of a port at Haifa.⁸⁶² These international interests could be viewed in light of Alford's judgement that the 'margins on which Britain operated in international trade and finance by the mid-1920s were highly vulnerable to the forces of international competition.'⁸⁶³

The High Commissioner, not knowing how to answer the American and European governments who directed their enquiry to the government of Palestine, requested the advice of the Colonial Secretary as to the appropriate reply to be given as decisions relating to development projects in Palestine were taken in London.⁸⁶⁴ Additionally, because it was by the terms of the mandate that the British government was responsible for Palestine's foreign relations, replies to diplomatic representatives had to concur within the bounds of British government policy. Since choosing the method of constructing the harbour would influence Britain's relations with the international community it was imperative that any reply should be after consultation with the British government.

Although the Colonial Office was certain that foreign firms and governments would protest the exclusive access for British firms, the Colonial Secretary went ahead with his decision. The most reasonable explanation for this was that in spite being aware of the changes in the international environment, the mind-set of the Colonial Office was still set around colonial practices. This was very quickly shattered however by the enquiries and perhaps protests of foreign actors. The British government could not ignore these as it did with the

⁸⁶² TNA/CO733/159/17, CO to FO, 15.9.1928, & by the Consul-General of Germany, Jerusalem, 15.11.1928.

⁸⁶³ Alford, *Britain*, p. 121.

⁸⁶⁴ TNA/CO733/159/17, H.Cr. to S.S. CO, 26.7.1928.

Italians who repeatedly approached the Colonial Office regarding the construction of Haifa harbour.

Therefore, in order to avoid further difficulties and in order to give a convincing reply to these foreign actors, it was important for the Colonial Office to consult with the Treasury (who guaranteed the loan) and the Foreign Office. With the consent of the Treasury, the Colonial Office suggested that the reply to these enquiries from overseas should be the following: since the loan was guaranteed by the British government it was reasonable that money be 'spent through British firms'.⁸⁶⁵ Hence, it had been decided to invite tenders for the construction of the works from select British firms only.⁸⁶⁶ Indeed, the suggested reply was actually sent in September 1928 to the Dutch as well as other governments before the Foreign Office urged reconsideration of the exclusion of foreign firms.⁸⁶⁷

Whether the policy of reply adopted by the Colonial Office was sufficient or effective could be discerned before the Italians made new overtures to the British government on the issue. This was significant given the earlier expressions of interest in the harbour works were made by the Vice Chairman of *Sindicato Italiano Costruzioni Appalti Marittimi* (S.I.C.A.M.). In 1921, he approached the High Commissioner of Palestine with regard to the construction of ports at Haifa and Jaffa. He was promised that if and when it was decided to proceed with constructing ports 'his company would have equal facilities with other companies in submitting tenders.'⁸⁶⁸ In fact, the British government pledged to support applications from Italians in accordance with the terms of the Tripartite Agreement

⁸⁶⁵ Ibid., by Harding, CO, 11.8.1928.

⁸⁶⁶ Ibid., by Lloyd CO, 26.9.1928: The Colonial Office's opinion was that 'After ascertaining the Treasury would support us, we proposed to the Foreign Office to reply to all such enquiries that it had been decided to invite tenders from selected British firms only.'

⁸⁶⁷ TNA/CO733/159/17, Lloyd CO, 11.8.1928, & Extract from Ormsby-Gore CO to Dutch Minister, 11.9. 1928, by FO (hand written), 24.9.1928.

⁸⁶⁸ Ibid., Harding, CO to Treasury & FO, 28.8.1928.

concluded secretly by Britain, France and Italy during the formation of Sevres Treaty in August 1920.⁸⁶⁹ A similar promise was given in March 1922 Winston Churchill, then the Secretary of State for the Colonies (1921-22), to Cav. Zapelloni who was a member of the Italian Commercial Delegation in London.⁸⁷⁰ Now after the contracting method was declared, the Italian Consulate of Jerusalem enquired with the government of Palestine 'if foreign firms' could tender bids.⁸⁷¹ Additionally, and separately, the representative of the Italian firm Almagia was anxious to tender and told the Crown Agents that since 1919 they have been interested in the harbour works.⁸⁷² So, what prompted the Colonial Office to change its earlier policy on allowing foreign firms to compete for the harbour works?

The first reaction of the Colonial Office as expressed by John Shuckburgh, who was head of the Middle East Department since its creation in 1921, Italian claims was that he had 'no recollection of saying anything to Mr. Zapelloni' and that the Colonial Office had 'given no pledge to any foreign governments'.⁸⁷³ However, it was verified later that there were definite assurances given to the Italians. Nevertheless, the Colonial Office insisted that when the promises were given the case was that there was no guarantee by the British government for a loan to Palestine.⁸⁷⁴

Why were promises made to the Italians by Britain at such an early stage, even before the mandate for Palestine was in operation? It was not only the adherence to equal economic opportunity principles in article 18 of the mandate that was important. Frank Manuel argues that given the country sided with Britain in WWI, 'Italy had been promised

⁸⁶⁹ TNA/CAB 23/36/10, Palestine Mandate and article 6 of the Tripartite Agreement 1922, 3.7.1923.

⁸⁷⁰ TNA/CO733/159/17, Harding CO to Treasury & FO, 28.8.1928.

⁸⁷¹ Ibid., R.A. Jardini Acting Consul, Consolato Generale Di S.M. RE D'Italia, in Palestine to The Officer Administrating the Government, Jerusalem, (OAG) 9.8.1928.

⁸⁷² Ibid., Harding CO (hand writing), 24.9.1928, & From Edoardo Almagia to CA, 27.10.1928.

⁸⁷³ TNA/CO733/159/17, Shuckburgh CO to Ormsby-Gore CO, 16.8.1928.

⁸⁷⁴ Ibid., by Lloyd CO, 11.8.1928.

compensation in general terms in the Treaty of London (April 1915), where the principle of fair shares among the Allies in the dismemberment of Turkey had been asserted.⁸⁷⁵ Although Italy was among the victors of First World War, it 'did not receive her proper share of the spoils.'⁸⁷⁶ It seems that the understanding about the compensation was overlooked by Britain and France when they forged the Sykes-Picot Agreement of May 1916 without Italy's knowledge.⁸⁷⁷

It was vital for Italy to secure agreement with Britain after First World War. This was because Britain held Gibraltar and the Suez and controlled the central straits by possession of Malta. Britain therefore could 'if she wished, cut Italy off completely from communication with the outside world.' Britain had Italy at 'her mercy without firing a single shot'.⁸⁷⁸ Italy tried to press further to secure compensation for entering the War through a new treaty discussed in April 1917, at Saint Jean de Maurienne between Britain and France. This treaty however was never agreed because Russia, preoccupied with revolution, did not ratify it.⁸⁷⁹ As a result of having its territorial ambitions 'thwarted at the Peace Conference' of 1919, Italy became a 'vigilant guardian' and watched the behaviour of the mandatory powers towards the mandated territories.⁸⁸⁰ This was with the purpose of reporting any violations by the mandatories to the League of Nations. It is possible to understand the promises of fair competition given by the British government to the Italians, in this context, as a way of compensating Italy for her participation in the War on the side of the Entente. This was important since Italy was ignored in the final settlement.⁸⁸¹

⁸⁷⁵ Manuel, 'The Palestine Question', p. 263.

⁸⁷⁶ R. Albrecht-Carrie, 'The Present Significance of the Treaty of London of 1915', *Political Science Quarterly*, 54/3 (September 1939), pp. 364-390, p. 364, Wright, *Mandates*, p. 76.

⁸⁷⁷ Manuel, 'The Palestine Question', p. 263.

⁸⁷⁸ Francesco Coppola, 'Italy in the Mediterranean', *Foreign Affairs*, 1/4, (15 June 1923), pp.105-114, p. 107.

⁸⁷⁹ *Ibid.*, p. 109.

⁸⁸⁰ Pedersen, 'The Meaning', p. 569.

⁸⁸¹ Albrecht-Carrie, 'The Present Significance', p. 382.

However, the Law Officers viewed these assurances as not being 'a legal matter at all'.⁸⁸² Lord Balfour said that the Foreign Office did not much like the idea of the British government pledging itself to support applications by Italians. Nevertheless, the commitments given by the British government and the government of Palestine were placed primarily on the shoulders of the former. This was by virtue of Britain being a trustee of Palestine as well as by the terms of the Tripartite Agreement constructed between Britain, France and Italy at the time of the Treaty of Sevres on 10 August 1920.⁸⁸³

The Colonial Office's reply to the enquiries, that the exclusivity of inviting British firms was due to the British government's guarantee of the loan, provoked protest from the Foreign Office. These disagreements between the Colonial and Foreign Offices demonstrate the difficulties that came with such a reply. In 1928, the Acting Foreign Secretary Lord Cushendun, believed that the reply of the Colonial Office underlining exclusivity for British firms by virtue of the loan guarantee, was 'open to grave objection'. He explained that this was plain 'discrimination on national grounds' which was prohibited by article 18 of the Mandate for Palestine.⁸⁸⁴ Moreover, the assurances given in the past 'could not be ignored' so that the faith held in the British government by others would not be 'impugned'.⁸⁸⁵ With this connection, Gallagher argues that during the 1920s 'the rivalries inside parties and between parties were not sharp enough to cause sudden changes in policies towards world issues. In foreign policy their difference lay chiefly in rhetoric.'⁸⁸⁶

Equal economic opportunity was an important subject in world politics and occupied considerable space in the deliberations between the Colonial and the Foreign Offices when

⁸⁸² TNA/CO733/159/17, initialled H. B. (Bushe, Assistant LO), 17.9.1928.

⁸⁸³ TNA/CAB23/36/10, Palestine Mandate and article 6 of the Tripartite Agreement 1922, 3.7.1923.

⁸⁸⁴ TNA/CO733/159/17, Monteagle FO to CO, 24.9.1928.

⁸⁸⁵ *Ibid*, 16.10.1928.

⁸⁸⁶ Gallagher, *The Decline*, p. 106.

discussing the construction of Haifa harbour. This was significant as the Colonial Office was bound to employ British firms by virtue of the promise given by the Colonial Secretary to Parliament. In the view of the Foreign Office, maintaining the image of Britain before the international community outweighed the intentions to aid British firms. This meant the Foreign Office had constantly to challenge the legal opinions with regards to investment in Palestine.

Lord Cushendun argued that the fact the government of Palestine requested direction from the Colonial Office, on how to reply to the enquiries concerning Haifa harbour, confirmed that 'the Palestine authorities treat the matter as one which has been decided independently of them and of local considerations-an assumption which indeed appears to be correct.'⁸⁸⁷ This meant that although Britain was 'bound to do her best for the interests of that territory', the Colonial Secretary was not willing to attach importance to whether the best interests of Palestine would be served by the exclusion of all foreign firms.⁸⁸⁸ The fact that Palestine consulted the British government on how to reply could be attributed to the fact that foreign relations were in the hands of London, hence Palestine had to be careful in how to address the enquiries it received. Nevertheless, in the opinion of the Foreign Office the justification provided by the Colonial Office was not valid because no condition was formally attached to the guarantee, so Palestine, in theory, was 'free to spend the proceeds of the loan where she likes'.⁸⁸⁹ As Palestine had been submissive to London's will, attempts to do as 'she likes' was unlikely to diverge too far from Britain's wishes and interests.

⁸⁸⁷ TNA/CO733/159/17, Monteagle FO to U-S CO, 16.10.1928.

⁸⁸⁸ *Ibid.*

⁸⁸⁹ TNA/CO733/149/3, FO to CO, 29.3.1928.

The Foreign Office explained that had a condition concerning British firms been attached to the Loan Act, then Britain would be acting in the 'interests of her own nationals' trade' and not Palestine's, but this position could then be defended.⁸⁹⁰ Cushendun insisted that the government of Palestine was bound to accept a tender from a non-British firm 'should it prove to be more favourable than any submitted by a British firm'.⁸⁹¹ With this in mind, the Foreign Office, in September 1928, rejected the Law Officer's opinion on British firms' access to works contracts on the grounds that excluding foreign firms would be contested before the Permanent Court of International Justice at The Hague under article 26 of the Mandate for Palestine.⁸⁹² Article 26 stipulated that 'The mandatory agrees that, if any dispute whatever should arise between the mandatory and another Member of the League of Nations relating to the interpretation or the application of the provisions of the mandate, such dispute, if it cannot be settled by negotiation, shall be submitted to the Permanent Court of International Justice provided for by article 14 of the Covenant of the League of Nations.'⁸⁹³

How did the threat of litigation at The Hague effect the decision of the British government with regards to the method of constructing the harbour? In principle, the purpose of the International Court laid in its authority to 'safeguard against destructive interpretations' of the mandate.⁸⁹⁴ The case refers back to September 1921, when the Colonial Secretary Churchill gave his approval to the government of Palestine to grant a Jewish Russian electric engineer, Pinchas Rutenberg, 'the exclusive right to produce energy by means of water power'.⁸⁹⁵ As a result of a great deal of criticism against this concession, the Rutenberg electric concession was discussed by the fifth session of the PMC in November 1924.

⁸⁹⁰ Ibid.

⁸⁹¹ TNA/CO733/159/17, CO to Treasury & FO, 28.8.1928.

⁸⁹² Ibid., Monteagle FO to U-S CO, 24.9.1928 & FO to CO, 16.10.1928.

⁸⁹³ 'British Mandate for Palestine'.

⁸⁹⁴ Wright, *Mandates*, p. 91.

⁸⁹⁵ Huneidi, *A Broken Trust*, p. 205.

Frederick Lugard, British member of PMC, in reply to a question whether the concession to provide electricity was put to tender, answered that 'it was not probable that there would have been any other bids'.⁸⁹⁶ In fact the electric concession was not put out to public tender.⁸⁹⁷ The PMC's conclusion was that since monopolies were permitted in Palestine the Commission made no comment on the Rutenberg concession.⁸⁹⁸ Lugard seemed not to have been aware of the fact that European, British and Palestinian concessionaires applied for electric power projects to the government of Palestine. Although it was not possible to verify which British firms applied, a proposal for energy development in Palestine and the neighbouring countries was presented in April 1919 by the director of the Norwegian company Electrochemical Factories of Fredriksstad (F.E.F.), I. J. Moltke-Hansen. The company requested permission to make necessary investigations in Palestine and insisted on being given 'preference for the scheme as the first to propose the project'.⁸⁹⁹ Another proposal was by the Palestinian concessionaires a group of Bethlehem, Taleyman Handal and Hanna Dabdoub. In addition to other projects such as agricultural development of the Jordan Valley and motor transport linking up towns not connected by railways, Handal and Dabdoub applied before August 1920 for a project for providing electric light and power. They were ready to put down £500,000, a sufficient amount to start the project, and 'if required find another £2,000,000' or more.⁹⁰⁰ Yet, these applications were rejected by the Palestine Administration under the pretext that the mandate was not yet ratified. The Conservative Member of Parliament, William Joynson-Hicks, criticised the government of Palestine in a letter to the editor of *The Times*, stating that it appeared that there was 'a valid pre-existing concession, the High Commissioner shall get rid of it and annul it for the

⁸⁹⁶ Jenkins, 'Economic Equality', pp. 609-610.

⁸⁹⁷ TNA/PREM1/24, Palestine Arab Delegation, 11.1.1923.

⁸⁹⁸ Jenkins, 'Economic Equality', pp. 609-610.

⁸⁹⁹ TNA/FO371/4211, Memorandum on 'Investigation in Palestine' signed by Fridtjof Nansen, Bjorn Helland Hansen, I. J. Moltke Hansen on 24.5.1919.

⁹⁰⁰ TNA/PREM1/24, pamphlet presented by the Palestinian delegation to the British government, 11.1.1923.

benefit of the Rutenberg Company.⁹⁰¹ Although Joynson-Hicks was referring to the Greek subject Mavrommatis' plea for providing electric power, it could be understood from this episode that the British government, and consequently the government of Palestine did not follow consistent policy towards the various applications for development projects. This leads to the question why the Rutenberg electricity monopoly did not end with the PMC conclusion. That is why the Greek government brought the Mavrommatis case for electricity concession to The Hague. In light of Mavrommatis case, it is possible to understand the fears of the British government from being sued at The Hague.

Sara Reguer has argued that Rutenberg's five years delay in pursuing the energy project (from September 1921 to March 1926) was due mainly to 'government bureaucracy' and financial difficulties.⁹⁰² In fact, Reguer completely failed to state the Mavrommatis concession as a significant element in the delay of the energy project in Palestine. The British government was accused of breaching articles of the Palestine mandate by not honouring the concessions for the electricity project given by the Ottoman Empire in 1914 to Mavrommatis.

The Colonial Office explained that Mavrommatis, a Greek subject, induced the Greek Government, to sue the British Government at The Hague for an 'alleged breach of contract'.⁹⁰³ Hence, on 13 May 1924, the Greek Government, under articles of the Rule of Court as well as by articles 11 and 26 of the Palestine mandate, filed with the Permanent Court of International Justice a suit. The case, in brief, was concerned with the alleged refusal on the part of the government of Palestine, and consequently also on the part of the British government, since the year 1921 to recognise to their full extent the rights acquired

⁹⁰¹ *The Times*, 29.5.1922, (page number not specified).

⁹⁰² S. Reguer, 'Rutenberg and the Jordan River: A Revolution in Hydro-Electricity', *Middle Eastern Studies*, 31/4 (Oct., 1995), pp. 691-729, pp. 691, 706 & 717.

⁹⁰³ TNA/CO733/159/17, Shuckburgh CO to Grindle FO, 27.9.1928.

by Mavrommatis, under contracts and agreements concluded by him with the Ottoman authorities. The Greek government asked for a judgment in respect of public works, including the construction and working of an electric tramway system, the supply of electrics, power and of drinking water.⁹⁰⁴

In its first session on 30 August 1924, the Court held that 'the complaint of the Greek Government on behalf of Mavrommatis fell within the scope of article 11' of the Palestine Mandate. This article conferred upon the mandatory government, 'subject to any international obligations accepted by the mandatory' the responsibility to undertake measures with respect to natural resources and public utilities.⁹⁰⁵ Therefore, the complaint could 'be brought before the Court under article 26' of the Palestine mandate.⁹⁰⁶ In fact, the Jerusalem concessions given to Mavrommatis had been considered by the Court on 25 March 1925 when the judgment 'on the merits established the validity of the concessions and the right of the concessionaire to have them put into conformity with the new economic conditions prevailing in Palestine.'⁹⁰⁷ As Shuckburgh explained, the final judgement by The Hague Court (by a majority) in the Mavrommatis case was that it 'accepted our view that it had no jurisdiction'.⁹⁰⁸ Accordingly, Mavrommatis lost his case against the British government.

Did the changes in international atmosphere have any influence on the British policy in making a shift from imperialism when considering the method of constructing the Haifa

⁹⁰⁴ TNA/CO733/106, Claim of Mavrommatis, from R.M. Greenwood Treasury Solicitor's Department (Law Court Branch) to Count Leon Ostrorog, 15.1.1925. & Permanent Court of International Justice, Fifth (Ordinary) Session, 30.8.1924, Case of the Mavrommatis, Palestine concessions, between the government of the Greek Republic versus the government of His Britannic Majesty.)

⁹⁰⁵ 'British Mandate for Palestine'.

⁹⁰⁶ Edwin Borchard, 'The Mavrommatis Concessions Cases', *The American Journal of International Law*, 19/4, (October 1925), pp. 728-738, p. 732.

⁹⁰⁷ Manley O. Hudson, 'The Sixth Year of the Permanent Court of International Justice', *The American Journal of International Law*, 22/1, (January 1928), pp. 1-27, pp. 14-15.

⁹⁰⁸ TNA/CO733/159/17, Shuckburgh CO to Grindle FO, 27.9.1928.

harbour? In fact, the Mavrommatis case left contradictory lessons for the Foreign and the Colonial Offices. On the one hand, the Foreign Office pressed strongly that 'foreign firms should be allowed to tender' and that Britain had to abide by its international obligations.⁹⁰⁹ It was imperative for the Foreign Office that any action which might be taken 'should be such as can be justified before the Court, under article 26 of the Mandate for Palestine.'⁹¹⁰ Moreover, the mere fact that the works would be paid by the loan guaranteed by the British government did not constitute a sufficient ground for disregarding the assurances given to foreign firms.⁹¹¹ It was important for the Foreign Office to preserve the image of Britain before the international community and avoid litigation at The Hague court.

On the other hand, the Colonial Office insisted that the experience of the Mavrommatis case had taught them 'how much trouble a foreign syndicate can give if once allowed to acquire interests in a mandated territory.'⁹¹² Therefore, Shuckburgh declared that the Colonial Office would 'resist a foreign contract at all costs' and foreign firms should be barred from being invited to tender.⁹¹³ This was due firstly to doubts that future similar cases in the future to that of Mavrommatis, if presented to the International Court, would be voted down by a 'Latin majority'. Secondly, if foreigners were invited to tender the principle of 'sole recourse of British enterprise' would be surrendered and it would be impossible to reject a foreign firm's tender if the terms were more favourable than a British offer.⁹¹⁴ This shows that the Colonial Office was still holding on to its colonial approach towards Palestine with Britain as the sole controller of the territory. Moreover, Shuckburgh's fears were that if foreigners were allowed to tender and a contract was

⁹⁰⁹ Ibid., by Lloyd CO, 26.9.1928.

⁹¹⁰ TNA/CO733/159/17, Monteagle FO to U-S CO, 16.10.1928.

⁹¹¹ Ibid.

⁹¹² Ibid., Shuckburgh CO to Grindle FO, 27.9.1928.

⁹¹³ Ibid.

⁹¹⁴ Ibid.

placed with a foreign firm, then the harbour would never be built at all or would be 'indefinitely delayed'.⁹¹⁵ That is because, in his view, with the access to The Hague, it would be possible that 'quarrels over details with the Palestine Government' would occur. Thus, the British government would find itself obliged to 'buy them out at a stiff figure' in order to avoid further trouble and annoyance.⁹¹⁶ Therefore the Colonial Office was not able to accept any non-British firm for development works in a territory under Britain's control.

The Colonial Office did not want a foreign firm, and consequently any foreign government, to have a stake in Palestine. Once a firm started working then it is possible for the government behind it to develop a position of control in Palestine under the guise of a works contracts. Therefore, the Colonial Office's concern was primarily to keep the foreign competitors away, a policy that prevailed before First World War and ostensibly was sustained after it. Shuckburgh went as far to say that he would 'prefer to abandon the Haifa harbour project altogether rather than to place the contract with a foreign firm.'⁹¹⁷ It is clear that what mattered most for both departments was Britain and British interests and not those of Palestine. For the Foreign Office it was Britain's image and prestige, and for the Colonial Office Britain's economy. Why did Amery think he could get this 'British only' policy through?

Wright argued that a distinction had been drawn between gaining direct profits by the mandatory government which is prohibited by the Covenant of the League of Nations, and bringing advantage to its citizens, through private entrepreneur, for example.⁹¹⁸ It is likely that Amery depended on such an interpretation of the mandate that he contemplated giving the harbour works to a British firm. The problem, however, was that Amery wanted

⁹¹⁵ Ibid., Shuckburgh to Wilson CO, 3.12.1928.

⁹¹⁶ Ibid.

⁹¹⁷ Ibid., Shuckburgh CO to Grindle FO, 27.9.1928.

⁹¹⁸ Wright, *Mandates*, pp 476 & 453.

to secure exclusivity to British firms, which was prohibited by the open door policy, and the project, in the whole, was a government enterprise. It seems that in Amery's view giving the works to a British firm was not expected to bring direct benefit to the British government per se but to allow private business to gain profit. In spite of this explanation, the Foreign Office's concern was to adhere to the open door policy adopted by the League of Nations. However, in view of the Mavrommatis case it is possible to claim that the British government's policy of keeping rivals away held merits, although it did not justify it circumventing its commitments. It is true that the prevailing conditions including the rise of international competition had occurred in the late 1920s 'as a result of the sustained recovery in European countries' but did not necessarily mean that the British government had the right to act in the colonial tradition in Palestine.⁹¹⁹ Although Amery's decision of exclusivity of British firms was based on the legal opinion, it was difficult to pursue without regarding the concerns brought up by the Foreign Office. Britain's foreign relations were of paramount concern for the British government at that time. The Colonial Office explained that the Cabinet most likely would not overrule Cushendun's opinion 'on a matter affecting our relations with Foreign Powers.'⁹²⁰ This means that keeping good relations with the international community was a major aspect governing Britain's policy after the War as reflected in the discussions about the Haifa harbour.

As a result, the Colonial Office was faced with three options in Shuckburgh's opinion. The first one was to accept the Foreign Office's view of admitting foreign tenders and try to manoeuvre, through the application of the labour conditions, accepting a British tender. The second option of reverting to the departmental method was opposed by expert advisers on practical grounds. The final option was to drop the project altogether. This however was not possible owing to the part of the loan that was specified for the harbour

⁹¹⁹ D. Aldcroft, *The British Economy* (Sussex: Wheatsheaf Books Ltd., 1986), p. 12.

⁹²⁰ TNA/CO733/159/17, Shuckburgh CO to Grindle FO, 18.10.1928.

development and, more importantly, that it might 'wreck the project of a trans-desert pipeline and railway, with terminus at Haifa' which the British government attached great strategic importance to.⁹²¹ In light of Shuckburgh's view Hobson's argument that 'interference with the government of a lower race must be directed primarily to secure the safety and progress of the civilization of the world, and not the special interest of the interfering nation' was seen in different perspective.⁹²² It was neither in 'the best interest of Palestine' nor in the interest of the 'civilization of the world' that mattered, but Britain's economic interests and its Imperial goals. Nevertheless, the Colonial Office decided to defer the issuing of definite invitations to tender to British firms.⁹²³ It is possible to argue that although the power sat in the hands of the Colonial Office in defining policies towards Palestine, considerations by other departments in Whitehall had their impact on those policies.

In light of the discrepancy in the approach of policy in Whitehall, the Foreign Office requested in October 1928, a third reference to the Law Officers regarding the contracting method.⁹²⁴ The matter that needed clarification was the same old question which was whether limiting the 'invitations to tender to selected British firms is consistent with article 18 of the Palestine Mandate.'⁹²⁵ It was this simple question that the Colonial Office should have asked the Law Officers in May 1928. The opinion of the Law Officers that came in November 1928 stipulated that 'the limitation of invitations to tender to selected British firms is not consistent with article 18 of the Palestine Mandate.'⁹²⁶ The Attorney General, Thomas Inskip, confirmed this opinion.⁹²⁷ What changed the opinion of the Law Officers

⁹²¹ *Ibid.*

⁹²² Hobson, *Imperialism*, p. 232.

⁹²³ TNA/CO733/159/17, Lloyd CO to U-S FO, 4.10.1928.

⁹²⁴ *Ibid.*, Monteagle FO to U-S CO, 16.10.1928.

⁹²⁵ *Ibid.*, Williams CO to LO, 27.10.1928.

⁹²⁶ *Ibid.*, LO to S.S. CO, 12.11.1928.

⁹²⁷ *Ibid.*, Attorney-General to S.S. CO, 20.12.1928.

between May and November 1928 was that 'facts of the case now [were] fully stated.'⁹²⁸ They clearly pointed to an objective of limitation as being 'to discriminate in favour of British contractors and not to further the interests of the Mandated Territory.'⁹²⁹ This means that Britain was not able to favour British firms and that the 'best interests' of Palestine needed to be met through following the international regulations.

The resolution of the dilemma

The Colonial Office was still stubbornly holding to its view. Shuckburgh stated that 'if only local Palestinian interests were at stake, I would say, as I have said before, that I would prefer to drop the whole project and let Palestine do without a harbour at Haifa.'⁹³⁰ This was not possible because as Shuckburgh himself explained it might cause a 'set-back to the economic development of Palestine' and would prevent a new terminus being built linking Iraqi pipeline to Haifa.⁹³¹ Negotiations with Iraq Petroleum Company were undertaken on the basis that harbour facilities at Haifa would be provided inclusive of an oil outlet. Under the circumstances, and in view of the unfavourable opinion of Law Officers, there was a high risk that if a public tender were put out a foreign tender would be accepted. The assurances given to foreign governments had to be met which would present difficulties and serious obstacles to giving the works to British firms.⁹³² In order to avoid facing such risks, the Colonial Secretary retreated from the contracting method and declared on December 20th 1928 that there was 'no alternative but to fall back upon departmental construction'.⁹³³ That was the least disadvantageous course to be undertaken by the

⁹²⁸ Ibid., LO to S.S. CO, 12.11.1928.

⁹²⁹ Ibid.

⁹³⁰ Ibid., Shuckburgh to Wilson CO, 3.12.1928.

⁹³¹ Ibid.

⁹³² Ibid., Shuckburgh, to Lambert CA, 29.12.1928.

⁹³³ Ibid., by Shuckburgh (hand writing), 20.12.1928.

government of Palestine (now under the service of the High Commissioner John Chancellor December 1928-November 1931).⁹³⁴ The Colonial Office informed the Crown Agents that tendering under a single contract had to be abandoned. The work for the harbour construction must be carried out departmentally and contracts should be let out locally for the supply of material or the execution of sections of the work as circumstances permit.⁹³⁵

This investigation into the contracting method culminated in providing evidence to support the assumption of this thesis that the harbour at Haifa was an Imperial enterprise. Shuckburgh's views about the harbour at Haifa provide clear evidence that the whole purpose of building the harbour was for the benefit of Britain and the British economy. Choosing the method of carrying out the works of the harbour very much depended on which one would bring the most benefit to Britain economically and strategically. What seemed to be minor case related to the method of construction, in fact, embedded major issues related to international relations that the British government was not able to avoid. Britain acting in its own interests, even over the mandate, in the new post-1919 League of Nations atmosphere, was not surprising. Nations, big or small or somewhere in between, always seek to work in their own interests, even if the conditions are against them. Look at how the British sought to do it, within the bounds of the League and the mandate'?

The decision to return to the departmental method from the contracting method now had to be explained for those governments and firms that paid an interest in the harbour construction at Haifa. Justifications of the adopted policies to use a form of departmental method were, in fact, conveyed to the Ambassador of the United States in London as the Foreign Office had earlier received, in January 1929, 'a stiff note' from the American

⁹³⁴ *Ibid.*, S.S. CO to H.Cr., 27.12.1928.

⁹³⁵ TNA/CO935/2, Williams CO to CA, 8.2.1929.

Embassy.⁹³⁶ The Americans accused the British government of violating the open door policy and equality of commercial opportunity. The arrangements to exclude non-British firms from making a tender were viewed as 'discriminatory and in violation of the rights of the American Government' under the American-British-Palestine Mandate Convention.⁹³⁷ This Convention was, in fact, concluded on December 3rd 1924 in accordance to article 22 of the League of Nations' Covenant as a separate agreement between the British government and the government of the United States. Article two of the Convention stipulated that 'The United States and its nationals shall have and enjoy all the rights and benefits secured under the terms of the mandate to members of the League of Nations and their nationals.'⁹³⁸

The Foreign Office, with the concurrence of the Colonial Office, asserted to the Americans that the British government had no intention to violate any of its obligations. Britain was committed to the terms of the Palestine mandate, the agreements with foreign governments, or any assurances given in the past. Although the government of Palestine had the intention to invite select British firms to tender for the harbour works, invitations were never issued.⁹³⁹ Indeed, the Crown Agents apologized to the contractors, to whom a preliminary invitation to tender was sent, 'owing to unforeseen circumstances.'⁹⁴⁰

Additionally, the Foreign Office demonstrated that the British government decided to abandon the contracting method owing to that 'factors had arisen which rendered it impracticable to proceed' further with the contracting method.⁹⁴¹ These factors were

⁹³⁶ TNA/CO 733/164/7, Monteagle FO to Shuckburgh CO, 4.1.1929.

⁹³⁷ Ibid., Memorandum by the Embassy of the United State, London to FO, 3.1.1929.

⁹³⁸ 'Convention between the United States and Great Britain', pp. 65-72.

⁹³⁹ TNA/CO733/164/7, FO to Mr. Alanson E. Houghton, United States Ambassador, 29.1.1929

⁹⁴⁰ Ibid., CA to the Contractors, 19.2.1929, attached CA to CO, 4.3.1929;TNA/CO733/149/4, Chief Engineer CA to the British companies which were invited to tender, 2.10.1928.

⁹⁴¹ TNA/CO733/164/7, FO to the U.S. Ambassador, 29.1.1929.

related firstly to acquiring stone for the proposed breakwater. It would be difficult to restrict contractors from using particular stone since some of the suitable quarries held important archaeological remains which were prohibited to be used under the Palestine Antiquities Ordinance. Secondly, the question of the employment of local labour and the application of fair labour conditions also played a role. It would not be practical to include special provisions related to wages in any contract which could be made with a firm contracting for the whole work.⁹⁴² Absorption of local employment was important due to a 'severe earthquake' had hit areas in Palestine in 1927 and were followed by 'severe droughts' that contributed to converting some agrarian workers to labourers.⁹⁴³ The Foreign Office also explained that the intention of the government was now that instead of constructing the harbour under a single contract the work will be carried out by 'small contracts being let out locally for the supply of material, or for the execution of sections of the work, as circumstances permit'.⁹⁴⁴

From the explanation given to the Americans, it becomes obvious that the British government manipulated the international community in order to have things its way. The investigation in the British government's documents shows that the discussions and decisions with regards to carrying out the harbour works were centralised in London and the final say completely rested in the hands of the Colonial Office and not in the government of Palestine. Moreover, the technical factors that rendered the contracting method not to be practical (i.e. the stone and the working wage were not the essential reasons for abandoning the contracting method) were refuted. The real reason was that Britain did not want to give the harbour works for a foreign firm or a foreign government

⁹⁴² Ibid.

⁹⁴³ D. Gross, *Rural Arab Demography and Early Jewish Settlement in Palestine: Distribution and Population Density during the Late Ottoman and Early Mandate Periods* (translated by Marcia Grossman) (New Brunswick (U.S.A.) and London (U.K.): Transaction Publishers, 2011), p 164.

⁹⁴⁴ TNA/CO733/164/7, FO to the U.S. Ambassador, 29.1.1929; TNA/CO935/2, Williams CO to CA, 8.2.1929.

for fear of facing difficulties with them. However, for the government it was paramount not to endanger Britain's relationship with the international community hence practical and technical justifications would be convincing and would make it possible to avoid any conflicts.

The Colonial Office thought that the reply given to the Americans was sufficient therefore did not expect further difficulties to be raised on diplomatic grounds.⁹⁴⁵ Retreating to the departmental method was a way out of the trap and a preferable alternative 'to the risk of being involved with a foreign firm of contractors'.⁹⁴⁶ Besides, since the departmental method did not require tendering, it could not be accused of being 'inconsistent with the obligations' under articles of the mandate or with the assurances given for foreign firms.⁹⁴⁷

The Manchester Guardian wrote that the Palestine government decided to undertake the construction of the Haifa harbour departmentally, without foreign or other contracts. This conclusion was reached as a result of 'objections filed by several European Governments and the Government of the United States' against the exclusivity of British firms. The newspaper stated that 'several governments, including, it is understood, the Dutch, German, and Italian, intimated that they would be obliged to take action if the British persisted in favour their own contractors.'⁹⁴⁸ Therefore, it is possible to understand the British government's retraction of departmental method was done to avoid giving the international community the opportunity to compete in Palestine and consequently to avoid the occurrence of any conflicts. The decision was taken in London to fit Britain's

⁹⁴⁵ TNA/CO733/159/17, Williams CO to Shuckburgh, 22.12.1928 & CO to LO & to CA, 29.12.1928.

⁹⁴⁶ Ibid., Shuckburgh CO to Lambert CA, 29.12.1928.

⁹⁴⁷ Ibid., Williams CO to Shuckburgh, 22.12.1928 & Shuckburgh to U-S FO & to Lambert CA, 29.12.1928.

⁹⁴⁸ *The Manchester Guardian*, 10.4.1929, p. 7.

international and national interests. After six months (June – December 1928) of discussing the risks of adopting the contracting method, Britain decided to choose a safer path.

The Foreign Office was very careful not to incite any foreign government particularly the United States by purchasing the whole equipment and material in Britain. Therefore, the Foreign Office's recommendation was that any employment of British firms and purchases of British manufacturers, under the departmental method, should be seen in 'piecemeal by petty contracts'.⁹⁴⁹ Moreover, the government of Palestine should not 'enter publicly into some contract with an English firm for the construction of the whole harbour in a single process.' Any work should be 'undertaken in small sections without any widely advertised public contract.'⁹⁵⁰ This meant that the Foreign Office manipulated the international community while maintaining Britain's good image in the face of the League's regulations. According to the Foreign Office's recommendation, the Colonial Office could still purchase British material but in small amounts and from different manufacturers and providers. The Foreign Office also recommended that purchasing should be performed without any announcements in order not to prompt actions by the United States and/or European countries. Thus, the Imperial principal of economic benefits, by obtaining equipment and material from Britain, was maintained though the method changed that is without using conventional methods in announcing for tendering for purchases.

Indeed, the Colonial Office adopted the Foreign Office's recommendation and incorporated it in its policies throughout the harbour construction. Very modest announcements related to the purchase of British material in Haifa harbour works could be traced in British newspapers. Also, the Colonial Office refrained from employing British contracting firms. The Colonial Office also, for example, rejected a request by the High Commissioner to

⁹⁴⁹ TNA/CO733/164/7, Memorandum by CO, 7.1.1929.

⁹⁵⁰ Ibid., Monteagle FO to Suckburgh, 4.1.1929,.

employ certain staff and equipment from S. Pearson and Son in order to not provoke 'suspicion by foreign Governments'.⁹⁵¹

The British government's behaviour can therefore be understood in light of Pedersen's argument that the mandates system should be seen as an arena for 'political learning'. This political learning could be seen in the British government's arguments about the method to be adopted for the harbour construction in such a manner that would also preserve Britain's good relationship with the international community.⁹⁵² That is the mandate system provided grounds for the British government to perceive the acquired territories as not being a possession and to find out appropriate methods to treat those territories in a manner different from what was usually used in the colonies. This means that in order to be able to decide on a suitable method to use in the harbour the British government went through a rehearsal on how to treat the mandated territory by going back and forth on the method to be used. This was due to the fact that, unlike the colonies, there were limits for using these territories imposed by the jurisdictions and regulations set by the League of Nations. Therefore, it is possible to view this reluctance of using a traditional method that was used in the colonies for Haifa as a change in the Imperialist mind-set of the British government. This was important for Britain, particularly as expressed by the Foreign Office, to adapt to the new world order. It is possible to conclude that the challenges about the method to be used for the harbour constructions provoked a process of transformation in Britain's colonial approach and consequently thinking.

That is Britain as mandatory by arguing about the method to adopt for the constructing the harbour was in fact in the process of learning how to treat a mandated territory in such a manner that would also preserve Britain's good relationship with the international

⁹⁵¹ Ibid., draft by CA about Haifa harbour, 4.3. 1929,

⁹⁵² Pedersen, 'The Meaning', p. 581.

community.⁹⁵³ Arguments in Whitehall departments and correspondence with foreign governments could be viewed as unintentional rehearsal towards adapting to the new world order. It is possible to say that this contributed to a change in Britain's political thought on how to approach mandated territory in a manner different than the colonies as reflected in the change of how to approach the construction of the harbour. Palpable contest to Britain's power after First World War was seen in the rising nationalist resistance of India, Ireland, and Egypt. But the debate over Haifa harbour elicited a challenge to the effect of transformation in Britain's colonial approach and consequently thinking. This transformation was more obvious in the Foreign Office particularly due to its direct exposure and connection with the international community and to a lesser extent in the Colonial Office for being indulged in colonial behaviour.

The impact of the debate was the emerging doubt that surrounded Britain's formal Imperial approach and those moves toward considering changes to it. This is somewhat reflected in John Darwin's argument that 'British leaders failed to recognize that times had changed, that British power was no longer what it was, that Britain's enemies were more irreconcilable and more ruthless, that the old foundations of world power had simply rotted away.'⁹⁵⁴ It is possible to understand the British government's adjustment to changes in light of Hobsbawm's statement 'If progress was so powerful, so universal and so desirable, how was this reluctance to welcome it or even to participate in it to be explained?'⁹⁵⁵ Was it merely the dead weight of the past that the British government was clinging to? In considering practical alternatives toward the harbour's construction that would conform to international changes, the British government in fact went through

⁹⁵³ Ibid.

⁹⁵⁴ J. Darwin, 'The Fear of falling: British politics and imperial decline since 1900', *Transaction of the Royal Historical Society*, (1986), p. 28.

⁹⁵⁵ Hobsbawm, *History*, p. 31.

preparation in order to be able to accept changes in its approach. The discussions of new policies to construct the harbour take us through this process.

In order to put the departmental method into operation, the Colonial Office decided in March 1929 to appoint, upon the recommendation of the consulting engineers, George C. Thompson as Resident Engineer with an initial annual salary of £2000. Thompson was selected due to his considerable experience in 'controlling works in the capacity of Contractor's Agent'. He was capable of controlling expenditure and labour, the factors which were 'so essential to the success of work undertaken without the help of Contractors'.⁹⁵⁶ Additionally, upon the approval of the Colonial Secretary, acting on behalf of the government of Palestine, the Crown Agents entered into agreements with assistant engineers from RPT and with staff selected also by the consulting engineers from Britain. These employees were 'for all purposes of discipline and action the servants of the Palestine Government' which paid their salaries. At the same time, the staff were responsible to the consulting engineers for the technical work and execution.⁹⁵⁷ That was possible since the opposition by the international community was principally on the method of execution and not on the employment of British consulting engineers.

Although the Colonial Office attempted to depart from Imperial-like actions not acceptable to the international community, it was not possible to produce something completely new to use in mandated Palestine. The form of the departmental method that the Colonial Secretary returned to was in fact discussed in a meeting in April 1929 in Palestine. The meeting was called for by the High Commissioner and attended by F. Palmer of RPT, who was visiting Palestine, George C. Thompson the Resident Engineer, the Acting Chief

⁹⁵⁶ TNA/CO935/2, Wickhart CA to CO, 18.3.1929.

⁹⁵⁷ TNA/CAOG10/68, CA to CO, 2.11.1927.

Secretary of the government of Palestine, the Treasurer, and the Director of Palestine Public Works. In this meeting, it was decided to establish Haifa Harbour Works Department as part of the government of Palestine.⁹⁵⁸ (See appendix IV, Haifa Harbour Works Department organisational design) This was an agency through which the consulting engineers could undertake the works.⁹⁵⁹ It was essentially similar to that proposed earlier in 1927 by the Crown Agents.⁹⁶⁰ Reaching this solution as a method for construction was not because Britain wanted to challenge or avoid complying with the international regulations, but rather because Britain really lacked the appropriate tools to deal with mandated areas. Only through experience Britain was able to define which approach to follow, particularly as there was no previous sample in recent history where trusteeship, as identified by the mandate system, was used. Work was not given to the Public Works Department of Palestine because the department lacked previous experience in work of such size.⁹⁶¹ It is worth noting that the Haifa Harbour Board was also established in December 1929. The Board, the Chairman of which was the Northern District Commissioner, was formed to deal with any suggestion or criticism of the harbour works as planned.⁹⁶²

The consulting engineers managed the construction of the harbour by using the departmental method in a usual manner. They were entirely responsible for the design, conduct and satisfactory completion of the work entrusted to them.⁹⁶³ Accordingly, they were responsible for the provision of all necessary equipment, and for the efficient and

⁹⁵⁸ Buckton, 'The Construction', p. 551; TNA/CO733/164/6, CA to U-S CO, 18.3.1929: The consulting engineers suggested that Mr. G.C. Thompson, who enjoyed considerable experience in controlling works in the capacity of contractor's agent, should be engaged as Resident Engineer assisted with engineers and staff.

⁹⁵⁹ TNA/CO935/2, Report on the conference held at the Government House, Jerusalem, 16.4.1929; Anon, 'Haifa Harbour', *The Engineer*, 156/4060, (3 November 1933), p. 426.

⁹⁶⁰ Ibid., H.Cr. to CO, 13.3.1929, & CO to CA, 28.5.1929.'

⁹⁶¹ Ibid., CA to CO, 25.7.1929.

⁹⁶² TNA/CO733/184/6, E. Buckton, 'Palestine, Report on Haifa Harbour Works, Partner's Visit June 1930', 30.6.1930, p. 19 & 20.12.1929.

⁹⁶³ TNA/CO935/2, CA to CO, 25.7.1929.

economical execution of the works involved.⁹⁶⁴ Orders for the purchase of machinery and equipment were prepared by the Resident Engineer and sent to the Consulting Engineers in London who, having revised them, would send them to the Crown Agents for execution.⁹⁶⁵ The Crown Agents who was part of their functions to purchase stores including 'railway and public works material, machinery and engineering stores', undertook the responsibility for the harbour equipment and material.⁹⁶⁶ That was possible since, as Barbara Smith argued, in the case of Palestine the Colonial Office was 'adamant that the Palestine Administration deal exclusively through the Crown Agents.'⁹⁶⁷ To benefit British trade, the Crown Agents would see that 'all contracts will be placed in Great Britain'.⁹⁶⁸

By following the non-publicity policy recommended by the Foreign Office, the British government was able to benefit its economy by pursuing an approach which was politically acceptable and politically practical. British interests were favoured and at the same time foreign governments were not able to accuse Britain with violating neither the League's Covenant nor the terms of the Palestine mandate. Gallagher was correct in his assumption that there had been continuities 'in aim, not in performance'.⁹⁶⁹ The mandate of Palestine, Victor Kattan argued, was a compromise between 'progress towards a decolonization process and the manifestation of Imperial rule over peoples not yet able to govern themselves'.⁹⁷⁰

The eventual adoption of 'departmental construction', a method used in the colonies, provides evidence that the Haifa harbour represented no sudden change in policy, but

⁹⁶⁴ Buckton, 'The Construction', p. 551; Stratton, 'British Railways, p. 191.

⁹⁶⁵ TNA/CO935/2, Report on the conference, 16.4.1929; TNA/CO935/2, CA to CO, 25.7.1929.

⁹⁶⁶ TNA/COAG14/107, 'The main functions'.

⁹⁶⁷ Smith, *The Roots*, p. 21.

⁹⁶⁸ TNA/CO935/2, CA to CO, 25.7.1929; TNA/CAOG14/107, 'The main functions'; TNA/CO733/184/6, Lambert CA to Williams CO, 25.8.1930.

⁹⁶⁹ Gallagher, *The Decline*, p. 86.

⁹⁷⁰ Kattan, *From Coexistence*, p.52 & 57.

rather a step in thinking towards a readjustment of approach. The decision of returning to the departmental method was taken on the grounds that 'the acquisition and assembly of equipment required and the engagement of the necessary staff would delay the construction of the works' and it would be cheaper by contract since the equipment would cost a considerable amount of the money allocated for the harbour.⁹⁷¹ Favouring the British firms was a major factor in the government's decision about the method to be adopted for the construction.

Conclusion

The objective of this chapter was to discuss the policies adopted by the British government towards the construction of the Haifa harbour. It was essential to investigate the factors that influenced the government's decisions particularly those that rendered political implications. While Whitehall discussed the method to be adopted for the works of the harbour, essential elements unfolded pertaining to the concerns and priorities of the government. The influence of the international community represented in the League of Nations' regulations regarding economic equality revealed a diminishing power of Britain in making independent decisions. The British government bended its approach so that it would fit the changing global environment. In the final analysis, Britain was able to introduce changes in the form of its approach to Palestine in a manner that did not offend foreign governments though they were not happy. It was always the interests of Britain what matters the most and not the country in its trust as the mandate system demanded. Therefore, the best interests of Palestine were not appraised in connection with Palestine's economic conditions but rather in relation to Britain's interests.

⁹⁷¹ *ibid.*

The debate that took place between the Colonial and the Foreign Offices on the contracting method showed that Britain's commitment to the international community influenced the forming of its policies towards the construction of the harbour. The privilege that the international community enjoyed, represented in the ability to take offenders to The Hague, made the situation all the graver. Assurances given to Italy, for example, to compete for works in Palestine constituted a key driver for the British government to divert from its usual approach of giving works to a British firm. Fear of being taken to court, and of damaging the British government's 'reputation', forced the government to reconsider its colonial practices related to the building of the harbour. What accompanied the decision to retreat from the contracting method was that the government had to keep a very low profile in carrying out the works. In doing so the benefits from building Haifa harbour to the British economy were not detected by foreign political and economic agents. We learn about these benefits from the internal documents of the government and indirectly from the reports of the consulting engineers.

Eventually, British staff, equipment and material were employed for the building of the harbour with minimal criticism because the British government was able to adjust its methods in a manner that did not provoke the international community to an extent to which foreign countries could file complaints against Britain. In fact, the League hesitated to criticise the mandatories over discrimination of a third-state interests 'unless buttressed by clear provision of law'.⁹⁷² The question whether there was genuine change in the British government's approach different than the approach to the colonies, could be answered in the negative. In reality there was an alteration in form only and not in substance. The departmental method that was adopted in the end, although it was recommended neither

⁹⁷² Wright, *Mandates*, p. 259.

by the Crown Agents nor by the consulting engineers, was actually a method that was used earlier in some of the colonies under specific circumstances. Nevertheless, it could be argued that the discussions in Whitehall might have a long-term effect on the thinking of the British government leading to decolonization. In the final analysis it could be said that the best interests of Britain were served by promoting the domestic economy through the mechanism available to purchase British manufactures and by skilfully not infringing international commitments.

This investigation in the contracting method culminated in providing evidence to the assumption of this thesis that the harbour at Haifa was an imperial enterprise. Shuckburgh's views about the harbour at Haifa provides clear evidence that the whole purpose of building the harbour was for the benefit of Britain and the British economy. Choosing the method of carrying out the harbour works very much depended on which method would bring the most benefit to Britain economically and strategically and would not trigger protest by the international community. What seemed to be minor case related to the method of construction, in fact, brought with it major issues relating to international relations that the British government was not able to evade.

Chapter Six

Haifa terminus for the Iraqi oil pipeline, 1927 - 1933

Introduction

At the same time that the British government was debating the method for constructing Haifa harbour, the existence of oil in commercially viable quantities in Iraq was confirmed. This meant that oil needed to be exported to foreign buyers. In principle, the multi-national shareholding Turkish Petroleum Company (TPC), which had concessionary rights over oilfields in Iraq, and the Iraqi government wanted to transport the oil from Mosul in Iraq to the Mediterranean coast. The problem was that there was a difference of opinion particularly between Britain and France, as the major shareholders of the TPC, about the route that the pipeline should follow and the terminus location. The British government felt it was essential for security reasons that oil should be piped through the British-sponsored territory of Transjordan and Palestine, to a British-controlled oil terminus at Haifa Harbour. The British Admiralty and the Colonial Office insisted on the principle of an 'all British' route and outlet for the pipeline. This was because without the assurance of unhindered transport, possessing oil wells was useless to Britain, particularly in war time, since Britain depended mainly upon foreign sources of supply.⁹⁷³ It was also in the interest of the government of Iraq that the pipeline should follow the Haifa route given its dislike of a hypothetical French controlled alternative. Conversely the French government believed that a terminus at Tripoli and a pipeline running through Syrian territory was vital to their interests and expected the company to decide in its favour since it was the closest and the cheapest route.

⁹⁷³ Alfred Bonne, 'The Concessions for the Mosul-Haifa Pipe Line', *Annals of the American Academy of Political and Social Science*, vol. 164, Palestine. A Decade of Development (November 1932), pp. 116-126, p.16.

The challenge facing Britain was that it was saddled by an agreement with France that stated a pipeline must pass through Syria to the seaboard and under the French control. The best route from a technical, economic and standpoint was pipeline along the shortest and cheapest route to the Mediterranean, thus pointing to a northern route leading to a Syrian coast. The route of the pipeline therefore created difficulties and conflicts and it significantly impacted on British decision-making.

The route of the pipeline was a challenge because the TPC was not able to act solely as a private shareholding company. It was made up of companies controlled by their national governments that blended together different commercial and political interests. The difficulties with the pipeline route and terminus went to the very heart of the oil policies not only of Britain but also France, the United States and the Iraqi government. The purpose of this chapter is to explore the difficulties that Britain faced in building the pipeline terminus that would enable it to achieve those strategic benefits from the harbour's construction at Haifa. This necessarily requires the investigation of a significant but little-examined dispute between Britain and France over the route of the oil pipeline. My research shows that the conflict over the terminus contributed greatly to the delay in the production of oil in Iraq which caused delays in sanctioning the building of oil facilities in Haifa harbour since their construction was pending settling the difficulty of the pipeline route.

During First World War, Britain recognised the importance of controlling oil resources to secure a reliable supply of fuel for its navy. In fact, an adequate oil supply became a central

consideration in 'the military and diplomatic strategy'.⁹⁷⁴ Britain was dependent for over two-thirds of its oil supplies on foreign providers and wanted to reduce this reliance.⁹⁷⁵ The dispute between Britain and France on the direction of the pipeline route complicated the matter for Britain. Eventually an agreement was reached by the TPC shareholders for the adoption of the solution of a dual pipeline to go along the borders and then split to Syria and to Palestine. This secured at least one of the routes to run southward to Haifa. The oil outlet would make more oil available under British control and give the Navy access to fuel.

The theme that dominates this chapter is the strategic importance of the pipeline and terminus at Haifa for the defence of the British Empire. While the route of the oil pipeline from Iraq had to be decided upon by the TPC on purely commercial terms, Britain found itself obliged to intervene to influence the decision and direct it in her favour. This hindered the TPC from making a decision on the route of the pipeline that already had a dark shadow of Haifa harbour's construction works hanging over it.

To understand the extent to which the pipeline and the terminus influenced the building of the harbour several factors must be investigated. The first of these is how was Britain's interventionist oil production policy in the Middle East connected to the Haifa harbour construction? To answer this we must ask why Britain had to employ an interventionist policy in regards to oil production in the Middle East. Further questions include why it was difficult for Britain despite being a major shareholder in TPC and the mandatory power for Iraq, to persuade the company to back the route to Haifa? What role did the shareholders of the multinational Turkish Petroleum Company play? How was Britain able to balance the

⁹⁷⁴ J. DeNovo, 'The Movement for an Aggressive American Oil Policy Abroad, 1918-1920', *The American Historical Review*, 61/4, (July 1956), pp. 854-876, p. 855.

⁹⁷⁵ B. McBeth, *British Oil Policy, 1919-1939* (London: Frank Cass, 1985), p. xv.

various interests? And, finally how did this conundrum over the route of the pipeline effect the harbour construction?

The argument in this chapter is that although from commercial and practical points of view the route of an oil pipeline from Kirkuk oilfields to the Mediterranean had to go through Syria, the British government, for economic, strategic and political reasons, had to employ its interventionist policies in order to secure an 'all-British' route of the pipeline and terminus. The chapter also argues that the construction of oil facilities at Haifa harbour cannot be considered in isolation. Britain's insistence on the route of the pipeline, traversing and ending in the British-controlled territory, was in fact at the heart of its oil policies in the Middle East. What seemed to be a technical matter to be decided by the oil company turned out to have its roots in political rivalries, particularly between Britain and the French. The British government's determination to get its way had prevailed particularly owing to the support of the government of Iraq.

This chapter discusses the importance of an oil terminus at Haifa for the British government within the context of Britain's oil broader interests after World War I. For this reason, the British government's discussions about the route of the pipeline and the approach adopted to persuade the company of Britain's view, are examined. Since Britain ambitions faced with obstacles, the chapter demonstrates the limitations imposed by previous agreements and by the mandate system. This includes the examination of the policies and method adopted by the British government that led the company to align its policies and decisions to the satisfaction of all concerned. This consequently allowed Britain to sanctioning the inclusion of oil facilities at Haifa harbour.

The literature available on Britain's interest in Middle Eastern oil hardly recognises the existence of any conflict concerning the route of the pipeline or the importance of its terminal at Haifa. Colin Davies in his PhD thesis discusses the British oil policy in the Middle East between 1919 and 1932 particularly pertaining to controlling oil sources in the region. He mainly examines the British policy from a British point of view depending on British references. With regards to the controversy between Britain and France about the route of the oil pipeline, Davies argues that both countries 'fought doggedly' to ensure that the pipeline should run through territory under their own control.⁹⁷⁶ Edward Fitzgerald also highlights the route of the pipeline as a vital issue to the oil policies during that period. He argues that the contested route of the pipeline was a source of conflict and examines it depending mostly on French sources. He also suggests that the American partner in the TPC played a significant role in resolving the conflict.⁹⁷⁷ This chapter fills the gap in existing literature and provides a more cohesive view on challenges attached to the discussions about the route of the pipeline.

It was not possible to understand the importance of the route of the pipeline except within the context of Britain's oil policy in the Middle East. Brian McBeth's discussion of Britain's dependency on foreign sources for oil mainly the Americans requested the examination of the importance to have ownership of oil fields in the Middle East for Britain.⁹⁷⁸ This was particularly important in light of the central role oil played in Britain's defence policy. Alfred Bonne argues that in light of Britain's position in Egypt, the Haifa oil terminus would assure oil supply to the British fleet.⁹⁷⁹

⁹⁷⁶ Colin Davies, 'British Oil Policy In The Middle East 1919 – 1932,(Ph.D. Thesis University Of Edinburgh), 1973, p. 369.

⁹⁷⁷ Fitzgerald, 'Business Diplomacy'.

⁹⁷⁸ McBeth, *British Oil Policy*.

⁹⁷⁹ Bonne, 'The Concessions', p. 126.

This chapter is also concerned with the interventionist policy of the British government after WWI. G. Gareth Jones argues that the government intervened in commercial affairs as a response to requests from private interests.⁹⁸⁰ The investigation in this chapter shows that this policy continued, at least throughout the period from the start of Britain's interest in Middle Eastern oil until the pipeline issue was solved. This was essential because the pipeline was not a purely commercial matter but one entwined with political concerns. The French too had similar concerns about oil. It was imperative for the French government, as Fitzgerald explains, to be a partner of TPC since it 'possessed no other sources of oil'.⁹⁸¹ Consequently the British and the French, as Michael Hogan argues, agreed to coordinate their oil policies in the Middle East.⁹⁸²

The British government's investment in oil

In order to understand how the issue of the oil terminal and pipeline route coming from Mosul influenced the construction of Haifa harbour, it is necessary to examine Britain's oil interests after World War I. Britain's strategic, political and economic considerations were interlinked the British were key shareholders in the TPC' which rendered it difficult for the company to take its decision on a purely commercial basis. The British government wanted the route of the pipeline to pass through territories under its control and terminate in Haifa, despite though a northern alternative route through French controlled Syria would be shorter and cheaper. Hence, the oil policies of governments propping up the shareholders of the TPC influenced the company's decision.

⁹⁸⁰ G. G. Jones, 'The British Government and the Oil Companies 1912-1924: The Search for an Oil Policy', *The Historical Journal*, 20/3, (September 1977), pp. 647-672.

⁹⁸¹ Fitzgerald, 'Business Diplomacy', p. 218.

⁹⁸² M. Hogan, 'Informal Entente: Public Policy and Private Management in Anglo-American Petroleum Affairs, 1918-1924', *The Business History Review*, 48/2, (Summer 1974), pp. 187-205, p. 188.

Britain's early interest in Middle East oil dates back to 1913 when the British government first became preoccupied with getting control of oil resources, particularly for its Navy. The First Lord of the British Admiralty, Winston Churchill (1911-1915), declared in Parliament that the only way for Britain to safeguard its oil supplies was by becoming 'the owners, or at any rate, the controllers at the source of at least a proportion of the supply of natural oil which we require'. This was a clear statement of intent for the British government to acquire control of a British oil company.⁹⁸³ Indeed, the British Empire found itself dependent on 'foreign, mainly American, oil sources'.⁹⁸⁴ In fact, before the War, the Admiralty saw its major oil contracts fall to American and Romanian contractors.⁹⁸⁵

In 1914, Churchill proposed a project whereby Britain would invest £2.2 million for a 51 per cent stake in the Anglo-Persian Oil Company (APOC) that was operating in the oilfields of Iran.⁹⁸⁶ His proposition came in response to British firms' requests for diplomatic support in the face of continental and American competitors 'often supported by their respective governments'.⁹⁸⁷ British government assistance was also requested, on political and strategic concerns, earlier in 1908, when the government intervened to safeguard APOC. Britain transferred some regiments of the British Indian Army to protect the oilfields in Persia when some disturbances occurred in that region.⁹⁸⁸ APOC, by requesting the British government's investment in the company, in fact, 'assaulted laissez-faire policies'.⁹⁸⁹ Churchill's justification was that this measure was 'as an attempt to maintain competition in the oil-fuel market'.⁹⁹⁰ Nevertheless, the Parliament's decision to invest in APOC was also

⁹⁸³ Hansard, HC Deb, 17 July 1913, vol. 55, cc. 1465-583, c. 1475.

⁹⁸⁴ McBeth, *British*, p. xv.

⁹⁸⁵ Hansard, HC Deb, 10 February 1913, vol. 48, cc. 477-8, c. 478.

⁹⁸⁶ Hansard, HC Deb, 7 July 1914, vol. 64, cc.1032-55.

⁹⁸⁷ Jones, 'The British Government', p.653.

⁹⁸⁸ Hansard, HC Deb, 3 February 1908, vol. 183, c. 519.

⁹⁸⁹ Jones, 'The British Government', p.653.

⁹⁹⁰ *Ibid.*

motivated by concern about 'the German navy rather than any desire to go into business'.⁹⁹¹

The arrangement that afforded the British government a majority shareholding and vote in APOC secured the Admiralty a long-term fuel contract.⁹⁹² The Cabinet files show that APOC had exclusive rights to explore the area for oil in the two 'transferred territories' situated north-east of Baghdad on the Iraqi side of the Iraq-Persian border.⁹⁹³ The company was also granted privilege to construct pipelines through the Turkish territory to the sea.⁹⁹⁴ In fact, there was a short pipeline to the local refinery in Khanakin but it was not suitable for oil exports.⁹⁹⁵ Although the primary concerns were strategic, the British government in effect became a partner in an oil commercial company, fusing together political and economic interests in oil related matters in the Middle East.

Becoming a shareholder in APOC set a precedent for possible government involvement in other oil companies in Iraq, in particular in the TPC.⁹⁹⁶ In 1912, the TPC was formed by Royal Dutch Shell, Deutsche Bank and the British owned National Bank of Turkey in the Ottoman Empire with the goal of obtaining oil exploration rights in the oil-bearing regions of Asiatic Turkey.⁹⁹⁷ The British government decided to be involved in the TPC through APOC. An agreement between Britain and Germany was struck at and led to the reconstitution of the company in March 1914.⁹⁹⁸ TPC's shareholding was split to become a

⁹⁹¹ Lapping, *End of Empire*, p. 196.

⁹⁹² Helmut Mejcher, 'Oil and British Policy towards Mesopotamia, 1914-1918', *Middle Eastern Studies*, 8/3, (October 1972), pp. 377-391, p. 378; Jones, 'The British Government', p.653.

⁹⁹³ McBeth explains that the term 'Transferred Territories', referred to that narrow strip of Khanakin area that under the Turco-Persian Protocol of 7 November 1913 was transferred to Turkey. The British government obtained an undertaking from Turkey that the D'Arcy concession would be recognised in the 'Transferred Territories'. (McBeth, *British*, p. 9).

⁹⁹⁴ *Ibid.*

⁹⁹⁵ TNA/CAB 24/202/18, The proposed Baghdad-Haifa Railway and Pipeline, 7.3.1929.

⁹⁹⁶ Mejcher, 'Oil', p. 378.

⁹⁹⁷ McBeth, *British*, p. 8.

⁹⁹⁸ TNA/CAB 24/202/18, The proposed, 7.3.1929.

British company with the Anglo-Persian Group, the largest single shareholder holding 47.5 per cent of the shares, Royal Dutch Shell 22.5 per cent, Deutsche Bank 25 per cent, and five per cent was held by Participations and Investments Limited owned by Ottoman Armenian subject Calouste Sarkis Gulbenkian.⁹⁹⁹ Although the oil firms cooperated in a joint exploitation of oil resources in the Middle East, Britain strengthened its control of the company itself by the fact that TPC was a British registry, situated within the British dominions and the chairman was at all times a British subject.¹⁰⁰⁰

It is worth noting that upon the recommendation of the Petrol Committee of the Board of Trade, the British government also became a shareholder, to the tune of 40 per cent, of Royal Dutch Shell in 1914 in return for promises of oil concessions from the Ottoman Empire in Iraq.¹⁰⁰¹ In fact, in June 1914 the Grand Vizier wrote to Britain and Germany indicating that the Ottoman Empire 'agrees to lease' to the TPC petroleum deposits 'already discovered or to be discovered in the Villayets of Mosul and Baghdad'.¹⁰⁰² However, the outbreak of World War I halted these arrangements.

During First World War oil became an important asset for the warring countries. The Sykes-Picot Agreement of 1916 gave the French, who already controlled it, primary economic rights in the potentially oil-rich province of Mosul.¹⁰⁰³ However, changes on the ground took place before the armistice of 1918 when the British government decided to expand its

⁹⁹⁹ E. Fitzgerald, 'The Iraq Petroleum Company, Standard Oil of California, and the Contest for Eastern Arabia, 1930-1933', *The International History Review*, 13/3 (August 1991), pp. 441-465, p. 441. It should be noted that Gulbenkian was able to keep his share since he was a pre-war associate with Turkish Petroleum and had established legal rights which 'the major groups found impossible to extinguish'. His participation was through paper corporations which sold his portion of TPC's crude lifting to the major groups.

¹⁰⁰⁰ Frieden, 'International Investment', p. 582; Hansard, HC Deb, 28 November 1927, vol. 211, cc.23-4, c.23; Edward Mead Earle, 'The Turkish Petroleum Company-A Study in Oleaginous Diplomacy', *Political Science Quarterly*, 39/2, (June 1924), pp. 265-279, p. 273.

¹⁰⁰¹ Jones, 'The British Government', p. 666; Earle, 'The Turkish', p. 277.

¹⁰⁰² TNA/CAB 24/202/18, Appendix I, Cadman's Memorandum, 28.3.1928.

¹⁰⁰³ V. Rothwell, 'Mesopotamia in British War Aims, 1914-1918', *The Historical Journal*, 13/2, (June 1970), pp. 273-294, p. 288.

occupation of Iraq to include Mosul province. This gave Britain authority over Iraq pending a final settlement.¹⁰⁰⁴ Retaining control of Iraq was strategically important for Britain, not only for oil but also to reinforce its influence in the Persian Gulf and to join Egypt, Palestine, India and the Far East courtesy of Britain's air power.¹⁰⁰⁵ With her troops in Iraq, Britain wanted to change the terms of Sykes-Picot and requested Mosul be placed under her influence. This was plausible as with the weakening of Turkey and Russia there was no longer a justification for turning Mosul into a buffer zone under the French influence, particularly as it could supply the British Empire with the one natural resource – oil - that it lacked.¹⁰⁰⁶

In December 1918, the French Prime Minister, Georges Clemenceau agreed that Britain should have control of Mosul, in return for British diplomatic support in Europe.¹⁰⁰⁷ In fact, the Iraqi -Turkish frontier was brought up in 1923 at Lausanne and was fixed by the League of Nations in 1926. Here, the Mosul Vilayet area was allocated within Iraq, therefore placing it officially under Britain's rule.¹⁰⁰⁸ Accordingly, Britain gained control of oil resources in Iraq, but by the terms of the mandate it did not have exclusive rights for developing the oilfields.

It was important for Britain to obtain an additional supply of oil to be 'available for the Empire' particularly during a time of war when supplies from America might not be

¹⁰⁰⁴ John Fisher, 'Syria and Mesopotamia in British Middle Eastern Policy in 1919', *Middle Eastern Studies*, 34/2, (April 1998), pp. 129-170, p. 133.

¹⁰⁰⁵ Stivers, 'International', pp. 520-21.

¹⁰⁰⁶ Rothwell, 'Mesopotamia', pp. 288-290.

¹⁰⁰⁷ Ernst Haas, 'The Reconciliation of Conflicting Colonial Policy Aims: Acceptance of the League of Nations Mandate System', *International Organization*, 6/4, (November 1952), pp. 521-536, p 531.

¹⁰⁰⁸ Anon, 'Iraq Petroleum Company Limited And Its Associated Companies', *Handbook Of The Territories Which Form The Theatre Of Operations Of The Iraq Petroleum Company Limited And Its Associated Companies*, (First Edition) (London: Compiled in the Companies' Head Office, 1948).

guaranteed or output from Persian oilfields were unobtainable.¹⁰⁰⁹ 61 per cent of Britain's oil imports in 1920 came from the United States, 37 per cent from other foreign countries and only 2 per cent from British possessions.¹⁰¹⁰ *The Times* reported that new fields should be acquired under British control and without scope for foreigners to be awarded licences for oil exploration.¹⁰¹¹

Negotiations between France and Britain over the boundaries of Palestine were concluded in 1920 after which a discussion of French oil rights in Iraq commenced.¹⁰¹² The 25 percent of Deutsche Bank's stake in the TPC were seized by the British and together with the fifty per cent participation of APOC, the British Government controlled three-quarters of the stock of the TPC.¹⁰¹³ Gallagher explains that defeat in the War 'locked out' the German claim in the TPC and that their share was 'reluctantly' given to France.¹⁰¹⁴ Accordingly, at the French government's initiative the oil company Compagnie Francaise des Petroles (CFP) was set up in 1924 as a quasi-state firm specifically to assume France's portion of TPC.¹⁰¹⁵ The reallocation of shares was related to the settlement of oil issues in other places as well.¹⁰¹⁶ It was essential for the French government to be a partner of the TPC as it 'possessed no other sources of oil'.¹⁰¹⁷

¹⁰⁰⁹ TNA/CAB24/205/15, Baghdad-Haifa Railway and Trans-desert Pipeline, 18.7.1929.

¹⁰¹⁰ *The Times*, 5.11.1921, p. 11.

¹⁰¹¹ *Ibid.*

¹⁰¹² McTague Jr., 'Anglo-French Negotiations', pp. 100-112.

¹⁰¹³ Earle, 'The Turkish', p. 273.

¹⁰¹⁴ Gallagher, 'The Decline', p. 123.

¹⁰¹⁵ Fitzgerald, 'Business Diplomacy', p. 208. Colonel Ernest Mercier was founder and first president of Compagnie Francaise des Petroles, the quasi-national oil company that the French government had asked him to organize in 1923-24. Mercier pressed the case for a 'French route' for the pipeline through Syria and Lebanon to the port of Tripoli. (Fitzgerald, 'Business Diplomacy', photo caption, p. 234).

¹⁰¹⁶ Jones, 'The British Government', p. 669.

¹⁰¹⁷ Fitzgerald, 'Business Diplomacy', p. 218.

In April 1920, the Anglo-French Oil Agreement was concluded during the San Remo Conference in which Britain secured 'complete British control' of the Iraq oilfields.¹⁰¹⁸ In addition, under this agreement the Foreign Secretary, Lord Curzon explained that former German interests in the TPC were allocated to the French government 'in return for facilities by which Mesopotamia (Iraq) oil will be able to reach the Mediterranean'.¹⁰¹⁹ The French government agreed to put 'no legal or fiscal obstacles' in the way of the construction of two separate pipelines going through Syria. The outlet port for the pipelines on the Mediterranean had to be agreed upon by the two governments.¹⁰²⁰ By this arrangement the French government was entitled to purchase 'up to 25 per cent of the oil piped from Persia to the Mediterranean'.¹⁰²¹ The agreement in fact widened the benefit for the French who became entitled to oil transported from Persia and that expected from Iraq. The British and French governments agreed 'to coordinate their petroleum policies' in the Middle East, but there was no mention of the proposed terminal at Haifa in the Oil Agreement.¹⁰²²

Until 1921 the British government had not yet made a decision on whether the development of oil in Iraq would be carried out directly by the British government or 'by arrangement with private companies such as the Turkish Petroleum Company'.¹⁰²³ However, Churchill, now the Colonial Secretary, explained in a note to the Cabinet Secretary, Maurice Hankey, that there was no possibility that the British government would

¹⁰¹⁸ Earle, 'The Turkish', p. 273.

¹⁰¹⁹ *The Times*, 6.4.1921, p. 9.

¹⁰²⁰ Earle, 'The Turkish', pp. 273-4.

¹⁰²¹ TNA/CAB24/202/18. It should be noted that APOC had 25 per cent share in TPC and also owned exclusively oil concession in Iraq known by Naft-Khaneh, which was never in dispute. *Oil News*, 12.6.1926, p. 594.

¹⁰²² Michael Hogan, 'Informal Entente: Public Policy and Private Management in Anglo-American Petroleum Affairs, 1918-1924', *The Business History Review*, 48/2, (Summer 1974), pp. 187-205, p. 188.

¹⁰²³ TNA/CAB24/125/79, by Hankey, Mesopotamia Oil, 27.6.1921.

directly develop oil in Iraq. He further explained that the Anglo-French Oil Agreement was concluded with regards to the TPC's claims in Iraq.¹⁰²⁴

It was not until January 1922 when the British mandate over Iraq was enacted via the Anglo-Iraqi Treaty and the TPC made 'a formal claim' to the government of Iraq to have its rights promised by the Turkish government 'recognised and embodied in the definite instrument'.¹⁰²⁵ This meant that concessions granted before the War by the Ottoman Empire were not automatically valid after the War such as that of the Mavrommatis concession for an electric power project in Palestine. Colin Davies argues that as the oil concession in Iraq was rather dubious, the British government supported the TPC claims more on the grounds of expediency than on legal consideration.¹⁰²⁶ The following year in Lausanne, this promise to the TPC was treated as a contract that 'should be honoured'. The terms of the concession were drawn up under the League of Nations' supervision and a concession convention was signed on 14 March 1925.¹⁰²⁷ The reason that the TPC concession needed international intervention will be discussed later in this chapter in relation to the introduction of the United States into the TPC.

By the provisions of the oil convention, the Iraq government granted the TPC exclusive rights to explore for petroleum in the provinces of Baghdad and Mosul, excluding the 'Transferred Territories' for a period of 75 years. It also stipulated that before 14 November 1928, the company should select 24 eight-square-mile plots and should construct a pipeline

¹⁰²⁴ Ibid., Churchill, CO to the Cabinet Secretary, 20.6.1921.

¹⁰²⁵ TNA/CAB 24/211/35, Committee on Baghdad-Haifa Railway 1930, Appendix I, Cadman TPC to Henderson FO, 20.3.1930.

¹⁰²⁶ Davies, 'British Oil Policy', p. 136.

¹⁰²⁷ TNA/T161/702, translation of a letter from the Iraq Ministry of Finance to the Prime Minister, subject 'Iraq Petroleum Company', 30.9.1929 & TNA/CAB24/202/18, Appendix I, Cadman's memorandum, 28.3.1928.

to a port for export shipment 'as soon as the course should be commercially justifiable'.¹⁰²⁸ This meant that if the Iraq oilfields proved worthy, 'then the problem of the pipeline will have to be settled'.¹⁰²⁹

On 12 June 1926, the Mosul agreement was struck between Britain, Iraq and Turkey, at which time the Iraq-Turkish frontier was finally drawn. The agreement stipulated, *inter alia*, that 'Turkey relinquishes' its claim to the Mosul district of Iraq and its oilfields.¹⁰³⁰ The agreement also stated that Turkey was to receive '10 per cent of all oil and mining royalties' paid to the Iraq Government for 25 years. Moreover, if Turkey had a desire to capitalise on its rights Iraq would be entitled to purchase these rights for £500,000.¹⁰³¹ One week later, the purchase was affected and 'the Turkish participation' reverted to Iraq.¹⁰³² Thus the peaceful development of the concession was assured. This meant that the oilfields in Mosul were placed under Iraq's jurisdiction, which itself came under the direct influence of Britain by the terms of the Iraqi mandate.

The TPC carried out geological surveys during 1925-26 to a 'degree of precision sufficient to enable actual structures to be selected for testing'.¹⁰³³ By September 1926 ten locations were selected to put down test wells. The presence of oil in large quantities was confirmed on 14 October 1927 when Baba Gurgur oil well, north of Kirkuk in the province of Mosul, was struck at a depth of 1,521 feet with the capability of producing 5,000 tons a day.¹⁰³⁴

¹⁰²⁸ TNA/CAB24/202/18, Cadman's Memorandum, 28.3.1928.

¹⁰²⁹ A. Ryan, 'The Model Mandate', *A Fortnightly Review*, May 1865-June 1934, British Periodicals 119,713, (May 1926), pp. 588-596, p. 592.

¹⁰³⁰ *Oil News*, 12.6.1926, p. 583.

¹⁰³¹ *Ibid.*

¹⁰³² *Oil News*, 19.6.1926, p. 630.

¹⁰³³ TNA/CAB24/202/18, Appendix I, Cadman's Memorandum, 28.3.1928.

¹⁰³⁴ John Cadman, 'The History and Construction of the Iraq Pipeline', *Journal of the Institute of Fuel*, 8/42, (August 1935), pp. 321-327, p. 321.

This necessitated the construction of a pipeline from these oilfields to the coast of the Mediterranean for export.

The confirmation of the availability of oil in Iraq made it essential for the British government to control the transportation of the newly found oil. This was possible by having it pass through territories under her influence and for it come out Haifa to serve those strategic purposes mentioned earlier.

Britain's insistence on Haifa as a pipeline terminal

The British government was aware that the TPC decision for the route of the pipeline, based on professional and commercial considerations, would be of the northern line through the French controlled Syria, that would terminate in a French controlled coast. Although this arrangement was agreed upon in the Oil Agreement, the British government's concern was that in the event of war, and due to limits embedded in war-time regulations, it would be difficult for Britain to obtain oil from sources other than her own. Therefore, and principally on strategic but also on economic grounds, Britain wanted the company to take into consideration her desire to have the pipeline laid in British controlled territories and terminated at Haifa.

In February 1926 *The Manchester Guardian* reported that under the international agreement for the Mosul oilfields, a pipeline to the Mediterranean was possible if the output reached 100,000 tons a year. 'There is very little doubt', the report continued, 'that the pipeline will run to Haifa, and a railway may be constructed parallel to it.'¹⁰³⁵ In fact, discussions about a railway from Iraq to the Mediterranean were always an essential factor in British government debates and negotiations on the route of the pipeline took place in

¹⁰³⁵ *The Manchester Guardian*, 1.2.1926, p. 4.

the British government. Moreover, deciding about the route of the pipeline and a railway became a primary concern for Britain, France and Iraq, particularly after the confirmation of a 'gush of oil in vast quantities in the neighbourhood of Kirkuk'.¹⁰³⁶

In January 1927, the British Consul General in Lebanon informed the Colonial Office that improvements had been made at the port of Beirut where the cross-jetty had been widened. Plans had been put forward to enable the modernised landing of passengers and goods, lines of railways and storage tankers for petrol. Plus, assurances had been provided for 'arrangements [to] be made for tankers to discharge their cargo direct on shore into the tanks'.¹⁰³⁷ Although these improvements were in line with the Oil Agreement of San Remo, they resulted in producing concern within the British government with issues of oil transportation. Britain thought that these facilities would reinforce France's position and would constitute strong incentives to encourage the TPC to select the northern route of the pipeline. Accordingly, discussions within Whitehall departments about a trans-desert pipeline commenced.¹⁰³⁸ In order to maximise the benefits from oil, Britain not only wanted to have the oilfields placed under her control but also the route and the terminus for transporting the produced oil.

At any rate, it was important for Britain to convince the TPC with the southern line that should terminate in Haifa. The Colonial Under-Secretary Ormsby-Gore demonstrated that the TPC intended to decide about the route of the oil pipeline 'on the basis of what was the best route from a purely commercial point of view'.¹⁰³⁹ This meant that certain conditions were essential for the consideration of the route. They were related to safety, that the pipe to be laid over ground and not under, that no duties were to be imposed, that the

¹⁰³⁶ *The Economist*, 29.10.1927, p. 735.

¹⁰³⁷ TNA/CO733/132/7, the British Consul General in Beirut H.E. Satow to FO, 25.1.1927.

¹⁰³⁸ TNA/FO371/12278, Shuckburgh CO to Brown, Board of Trade (BOT), 22.11.1927.

¹⁰³⁹ *Ibid.*, minutes by Ormsby-Gore, 24.11.1927.

construction of the pipeline would be facilitated and should be practicable, and there should be an availability of water. The Colonial Office and the Air Ministry were authorized by the Cabinet to prepare 'the practical case for the Haifa route' that would meet those conditions needed to convince the TPC.¹⁰⁴⁰ This route became an urgent matter when the British government received confidential information in December 1927 reporting that the TPC was contemplating 'taking steps at a very early date for [a] detailed survey of [the] pipeline route from Kirkuk to the Syrian coast'.¹⁰⁴¹

The company favoured a 'more northerly route' to Alexandretta (modern day Iskenderun) or Tripoli because a route through Syria would be 'shorter in length, closer to existing railway lines' and did not involve engineering difficulties such as those found in the Jordan Valley.¹⁰⁴² The Board of Trade explained that the estimated distance from Kirkuk to Alexandretta was 564 miles, whilst to Tripoli the distance was 555 miles and to Haifa 650 miles.¹⁰⁴³ The British government wanted to persuade the company to select the southern route, despite it being the longest and consequently costing more.

In trying to ensure the pipeline went to Haifa, the British government was faced with problems which were fundamentally geographic and economic but influenced with strategic and political factors complicating the issue.¹⁰⁴⁴ The Colonial Office in coordination with the Admiralty, Foreign Office, Air Ministry, War Office and the Board of Trade started to collect the necessary information from Iraq and Palestine in order to influence the company's decision.¹⁰⁴⁵ On the insistence of Britain the purpose of the survey was modified

¹⁰⁴⁰ Ibid.

¹⁰⁴¹ Ibid., S.S CO to H.Cr. for Palestine Lord Plumer and the Acting H.Cr. for Iraq B.H. Bourdillon, 1.12.1927.

¹⁰⁴² TNA/FO371/12278, S.S CO to H.Cr. Palestine and Acting H.Cr. Iraq, 1.12.1927.

¹⁰⁴³ TNA/FO371/13020, Wills BOT to Oliphant FO, 27.1.1928.

¹⁰⁴⁴ Davies, 'British oil policy', p. 296.

¹⁰⁴⁵ TNA/FO371/12278, S.S CO to H.Cr. Palestine and Acting H.Cr. Iraq, 1.12.1927.

to 'examine the coast line between Haifa and Alexandretta' and later an alignment for the pipeline across the desert.¹⁰⁴⁶

The British government wanted to pursue more investigations about the route of the pipeline. Hence, the Board of Trade was authorized to consult Sir John Cadman (Chairman of TPC and APOC) and Sir Henri Deterding (Chairman of the Royal Dutch Shell) regarding the route of the pipeline. The experts suggested that the British government should consider the construction of a trans-desert railway from Haifa to Baghdad. This would 'definitely outweigh the disadvantage of increased length and would be a determining factor'.¹⁰⁴⁷ Additionally, it could be used for the construction and the maintenance of the pipeline. The general manager of Palestine railway, R.B.W. Holmes had also pointed that 'a Trans-Jordan railway could be constructed along which a pipeline could be laid'. He explained that such a route should be 'entirely within British mandated territory' and it would benefit British commerce by 'utilising only British manufactures and employing British skilled Labour'.¹⁰⁴⁸

However, the sub-committee of CID, in its report of June 1928, was convinced that a railway project could not be 'justified as a commercial proposition' and would be 'open to serious criticism on financial and political grounds'.¹⁰⁴⁹ In 1929 and in 1930 the Chancellor of the Exchequer, Philip Snowden, First Viscount Snowden, of the Labour Government, declared that it would not 'spend or guarantee a shilling' on the railway in order to bring the pipeline to Haifa.¹⁰⁵⁰ This was because the Treasury believed that the railway was 'unlikely to prove self-supporting for many years and that guarantees of considerable

¹⁰⁴⁶ Ibid., CO to H.Cr. Palestine, 21.12.1927.

¹⁰⁴⁷ TNA/CAB 27/367, Memoranda by S.S. CO, 23.2.1928 & 29.2. 1928.

¹⁰⁴⁸ BOE/OV139/1, Palestine Railways, General Manager's Memorandum to H.Cr., 26.11.1927.

¹⁰⁴⁹ TNA/CAB24/202/18, Report: CID, Sub-Committee on the Construction of the proposed Haifa-Baghdad Railway and/or Pipeline, 13.6.1928.

¹⁰⁵⁰ TNA/CAB24/211/35 Report of the Committee on the Baghdad-Haifa Railway and Pipeline to the Cabinet. 1.5.1930 .

extent will be needed before construction takes place'.¹⁰⁵¹ The railway suggestion remained an issue of discussion in Whitehall and was often used as an essential factor to persuade the TPC to send the oil pipeline along the southern proposed route. Therefore, it will be discussed in this study so far as it was connected to the discussions about the pipeline and its termination at Haifa.

It was essential for Britain to create new facilities to persuade the TPC of the virtues of southern option for the pipeline. This was particularly important because by the provisions of the Anglo-French Oil Agreement, France was bound to 'give facilities', free-duty importation and to exempt the oil company from 'export and transit dues on the oil itself'.¹⁰⁵² France was capable of doing so, according to the Agreement, despite article 11 of the mandate for Syria and Lebanon which secured equality of treatment for other nationals. Hence, France was able to convince TPC with the feasibility of the northern route through Syria. In comparison, Britain did not have the same privileges according to the Oil Agreement. Furthermore, giving preferential treatment to TPC would be 'contrary to' article 18 of the Consequently, the Colonial Office and the Foreign Office proposed to apply a general rule by which all vessels exporting piped oil from Haifa would be granted special reductions in port and harbour dues so as not to be accused of breaching the mandate's provisions.¹⁰⁵³ This was to manipulate the regulations though it was not enough to convince TPC.

The British government contemplated developing the port of Haifa, *inter alia*, so it could be in a position to present a 'cogent argument' to convince the TPC of the adequacy of Haifa

¹⁰⁵¹ Ibid., Cabinet Committee on Baghdad-Haifa Railway 1930.

¹⁰⁵² TNA/FO371/13020, CO to H.Cr., 29.2.1928.

¹⁰⁵³ Ibid., CO to the U-S FO, 29.1.1928 & FO to the U-S CO, 4.2.1928.

harbour as an oil terminal.¹⁰⁵⁴ Actual steps were taken towards constructing the Haifa harbour in 'such a manner as to afford full facilities for [the] berthing of oil tankers and for temporary storage of crude oil in a large scale'.¹⁰⁵⁵ The British government made sure that no difficulties in Palestine and Trans-Jordan would arise 'with any other concessionaires and that no obstacle would be placed in the way of construction of pipeline'.¹⁰⁵⁶ The Board of Trade explained that the conditions at Haifa harbour were desirable to secure the discharge and storage of petroleum.¹⁰⁵⁷ In fact, the consulting engineer, Frederick Palmer, pointed out, in his 1923 report, the possibilities of 'port facilities being required for oil', and hence the necessity to provide harbour facilities to accommodate tank steamers having a draught of about 30 feet.¹⁰⁵⁸ The High Commissioner of Palestine confirmed that according to plans the harbour 'could be utilized in connection with an oil pipeline and the export of oil'.¹⁰⁵⁹

Before intervening in the company's decision Britain wanted to make sure that the pipeline would serve her interests. In order to evaluate the importance of the proposed Baghdad-Haifa railway and pipeline for Britain, the Cabinet decided in February 1928 to appoint a sub-committee to the Committee of Imperial Defence (CID) to carry out the task.¹⁰⁶⁰ The sub-committee was composed of representatives of the Admiralty with Earl Stanhope in the Chair, J. Shuckburgh, from the Colonial Office, G. C. Upcott, from the Treasury, H.J. Seymour, from the Foreign Office, Air Commodore C.L.N. Newall, from the Air Ministry, and J.J. Wills, from the Board of Trade. Their task was to investigate the question as to whether the government should give its support, and in what form, to the construction of the

¹⁰⁵⁴ TNA/FO371/12278, Acting H.Cr. Iraq to CO, 15.12.1927.

¹⁰⁵⁵ Ibid., S.S. CO to H.Cr. Palestine and the Acting H.Cr. Iraq, 1.12.1927.

¹⁰⁵⁶ Ibid., CO to Admiralty, 5.12.1927; Telegram from S.S. CO to H.Cr. Palestine and Acting H.Cr. Iraq, 1.12.1927.

¹⁰⁵⁷ TNA/FO371/13020, BOT to FO, 27.1.1928; TNA/CO733/132/7, by the Board of Trade, 25.8.1927.

¹⁰⁵⁸ TNA/CAOG10/68, from Commercial Relations and Treaties Dept. BOT to S.S. CO, 10.1.1924.

¹⁰⁵⁹ Ibid., H.Cr. Palestine to S.S. CO, 12.1.1928.

¹⁰⁶⁰ TNA/CAB24/202/18, The proposed Baghdad-Haifa Railway and Pipeline, 7.3.1929.

proposed Baghdad-Haifa railway and/or pipeline. The sub-committee had its report ready in June 1928. This report was presented to the Cabinet in March 1929 by the Cabinet Secretary, Maurice Hankey, who was also the secretary of the CID.¹⁰⁶¹

The sub-committee discussed the political, strategic, defence and economic aspects for securing a Baghdad-Haifa alignment for the proposed railway and pipeline and provided recommendations as to the policy to be pursued.¹⁰⁶² The report concluded that by securing an oil pipeline terminating in Haifa the British 'Fleet will possess a source of oil supply upon which reliance can be placed in the future'.¹⁰⁶³ The report emphasised that the proposed scheme was of the greatest strategic importance in connection with the supply of oil fuel to the Navy at home, in the Mediterranean and on the route to the Far East.¹⁰⁶⁴ The recommendation was that the British government should endeavour to 'secure the Baghdad-Haifa alignment for the pipelines' and that it was 'beyond doubt that the pipelines will be laid in British-controlled territory'.¹⁰⁶⁵ This meant that once the pipeline was constructed, oil would be within easy reach of Britain in peace time and a useful supply source for the British Mediterranean Fleet.¹⁰⁶⁶

It is worth noting that the strategic importance of oil for Britain was confirmed in the July 1926 report prepared by Naval Staff of the Admiralty on the strategic importance of Mediterranean ports for the CID. The report was based on the assumption that the British Empire in Europe would be faced with a fleet of equal strength. The bases at Gibraltar and Malta would satisfy requirements in the western and central basins of the Mediterranean.

¹⁰⁶¹ Ibid.

¹⁰⁶² TNA/CAB23/60/11, Proposed Baghdad-Haifa Railway and Pipeline, 13.3.1929.

¹⁰⁶³ TNA/CAB24/202/18, Report: CID, Sub-Committee 13.6.1928.

¹⁰⁶⁴ Ibid.

¹⁰⁶⁵ Ibid.

¹⁰⁶⁶ Davies, 'British oil policy', p. 292.

The problem was with the eastern basin given its proximity to of Alexandria that Britain had ruled out for potential development given the independent status accorded to Egypt. After Famagusta in Cyprus, Haifa was a second alternative to the British Navy.¹⁰⁶⁷ Haifa therefore was the key to the eastern Mediterranean for the British, particularly after the confirmation of the availability of oil in Iraq. Bonne rightly argues that the oil terminus at Haifa, having regard to the situation in Egypt, would assure a supply of oil for the British fleet.¹⁰⁶⁸

The report of the sub-committee also discussed the political side of the proposed scheme and pointed out that the construction of a railway and pipeline through Iraq and British mandated territory would 'strengthen Great Britain's position in the Middle East'.¹⁰⁶⁹ Moreover, it would 'check the growth of French and Turkish influence at the expense of Britain, which a Syrian alignment would encourage'.¹⁰⁷⁰ Hence, the understanding in Whitehall departments was that the British government attached importance that the route of any pipeline between Iraq and the Mediterranean should be adopted 'on strategic and other grounds' and should pass 'exclusively through territory under British influence and finding its outlet at the Palestinian port of Haifa'.¹⁰⁷¹ This position, in fact, was adopted earlier by the Admiralty since 1915.¹⁰⁷²

In its discussions the sub-committee relied on the fact that article 17 of the Palestine mandate, stipulated, *inter alia*, that 'the Mandatory shall be entitled at all times to use the roads, railways and ports of Palestine for the movement of armed forces and the carriage

¹⁰⁶⁷ TNA/CO537/869, Note by Naval Staff, Plans Division, 'Defence of British Ports-Strategical importance of Mediterranean ports', 6.7.1926.

¹⁰⁶⁸ Bonne, 'The Concessions', p. 126.

¹⁰⁶⁹ TNA/CAB24/202/18, Report: CID, Sub-Committee, 13.6.1928.

¹⁰⁷⁰ *Ibid.*

¹⁰⁷¹ TNA/FO371/12278, CO to Admiralty, 5.12.1927 & TNA/CO733/132/7, Harding CO to Wilson CO, 28.2.1927.

¹⁰⁷² TNA/FO371/13020, Seymour's memorandum, 16.3.1928.

of fuel and supplies.¹⁰⁷³ H.J. Seymour of the Foreign Office stated that the sub-committee believed that the mandatory would be allowed in time of war to use Palestine as a base. This meant that Britain would be entitled to use Haifa as if it were one of its 'own ports for the purpose of refuelling'.¹⁰⁷⁴ In the event of war, the Foreign Office explained that Britain would act in Palestine as it would in Egypt. The British occupation would then become 'a belligerent occupation and Egypt would be used as a belligerent base'. Any action that might be taken against Britain and British forces in Egypt the enemy would 'regard himself as at war with Egypt'.¹⁰⁷⁵ Britain feared that if war ensued it would not be able to obtain the oil at the Tripoli terminal. France, in the event of hostilities, could impose 'a complete embargo on the shipment from a Syrian port of oil fuel without giving reasons'.¹⁰⁷⁶ Britain's insistence on a southern line that would end at Haifa harbour was a clear interventionist policy adopted by the British government.

In accordance with the sub-committee's recommendation, the Parliament's discussion was that if oil from Iraq would be shipped through Mediterranean ports 'to this country, we could prevent a further rise in petrol prices, and, after all, petrol to-day under modern conditions is almost as necessary as water'.¹⁰⁷⁷ Additionally, the Crown Agents explained that since oil from Iraq would require 'an outlet into European waters', Haifa harbour would 'save the long sea transport from the Persian Gulf and the charges imposed on vessels using the Suez Canal'.¹⁰⁷⁸ In fact, the Anglo-Persian Oil Company's yearly expenditure of dues was about '£880,000 for transport of oil by the Suez route'. Hence, to

¹⁰⁷³ 'British Mandate for Palestine'.

¹⁰⁷⁴ TNA/FO371/13020, Seymour's memorandum, 16.3.1928.

¹⁰⁷⁵ Ibid., Memorandum regarding the position of Egypt when Great Britain is at War, by Field FO, 19.1.1927.

¹⁰⁷⁶ TNA/CAB24/211/35: summary of the memorandum by the Chief of Naval Staff, 5.4.1930.

¹⁰⁷⁷ Hansard, HC Deb, 30 April 1929 vol. 227, cc.1389-510, c. 1466.

¹⁰⁷⁸ TNA/CO733/132/7, CA to CO, 9.2.1927.

construct a pipeline from the 'South Persian fields to Baghdad to connect up with the Baghdad-Mediterranean line' would be a commercial interest for the company.¹⁰⁷⁹

However, the sub-committee also recommended that no action was necessary or desirable at the moment 'in view of the uncertainty which at present surrounds the whole matter'.¹⁰⁸⁰ This position was, in fact, suggested by John Cadman, Chairman of TPC who said that 'any decision to construct a pipeline must be regarded as premature'.¹⁰⁸¹ The Cabinet agreed to this recommendation and hence no decision was taken in relation to the construction of a railway or pipeline.

Although there was no official position with regards to the construction of the pipeline, the Colonial Office approved, in July 1928, the enlargement of the proposed harbour to accommodate the oil pipeline terminal 'should it come to Haifa'.¹⁰⁸² In May 1929, the Crown Agents instructed the consulting engineers to prepare for a berth for the import of oil. This would be arranged so that if the proposed pipeline came to Haifa the 'berth can be given over to oil export' since in this case the import of oil would cease.¹⁰⁸³

In order for Britain to fulfil its economic, strategic and political purposes from the Haifa harbour, it was imperative that an early settlement concerning the route of pipeline was reached, particularly as the Americans had not yet joined the company. This was because the British had fears that the Americans would fall on the side of commercial considerations and ally with the French in this respect.

¹⁰⁷⁹ TNA/CAB24/202/18. Report: CID, Sub-Committee, 13.6.1928.

¹⁰⁸⁰ Ibid.

¹⁰⁸¹ Ibid., Appendix I, Cadman's Memorandum, 28.3.1928.

¹⁰⁸² TNA/CO733/184/6, E. Buckton, Report on Haifa Harbour Works, Partner's visit, December 1929, 20.12.1929.

¹⁰⁸³ Ibid., E. Buckton, Partner's visit, , 30.6.1930.

Difficulties facing the Haifa terminal option

The transport of oil and its terminus at Haifa formed the basis of a dispute that had political implications. The problem was that the TPC was a 'concession-hunting vehicle for four competing interests', the shareholders of the company, and was not an independent business with a strategy of its own.¹⁰⁸⁴ The main reason for this was that the groups that owned shareholding stakes in the TPC were backed or established by their respective governments. Some of the oil policies of these governments, and that of the United States, were revealed by investigating the issue of the oil pipeline's route. It became important to examine the obstacles Britain faced in bringing the pipeline to Haifa as it completes a complex picture that includes the construction of the harbour with its oil facilities and Britain's international relations, particularly with France and the United States. This chapter demonstrates how Britain treated Palestine within the overall context of its attitude to the Middle East and within the framework of its international relations.

The Times reported that French policy had been 'directed towards ensuring independence from the big oil trusts'.¹⁰⁸⁵ France, the report said, envisaged a pipeline going from Mosul and through the French mandated territory of Syria to the port of Alexandretta and Marseilles as the two ports were 'linked by a State subsidized line of tank steamers'.¹⁰⁸⁶ In another report *The Times* explained that French economists, politicians and financial officers made the share of the Iraqi oil 'the basis of their arrangements for the monopoly of

¹⁰⁸⁴ James Barr, *A Line in the Sand, Britain, France and the Struggle for the Mastery of the Middle East* (London: Simon & Schuster, 2011), p. 156.

¹⁰⁸⁵ *The Times*, 17.1.928, p. 13.

¹⁰⁸⁶ *Ibid.*

the refining and the sale of oil on French territory'.¹⁰⁸⁷ Moreover, the French statesmen, soldiers and sailors regarded the delivery of petroleum at a French port on the Mediterranean 'as a most important factor in their plans [for] national defence'.¹⁰⁸⁸ France wanted to assert its rights and to prove itself as an equal power to Britain that won the War side by side with France. In fact, France had fears that in the event a southern route was adopted, it would not be in control of its share of the piped oil from Iraq. Worse still, it might not be able to purchase transported oil at all. National commercial and political interests were the essential drives behind the French interests.

With the dispute between Britain and France over the route of the pipeline, the distinction between private and governmental responsibility in Iraq became 'blurred'.¹⁰⁸⁹ The Colonial Secretary argued that the Oil Agreement was not as the French claimed and that the pipeline 'must necessarily pass through Syrian territory'.¹⁰⁹⁰ At the same time, the French government declared that it should be 'consulted in regard to the selection of a terminal port for a trans-desert pipeline or railway' if the pipeline or railway is to pass through French controlled areas.¹⁰⁹¹ In light of this, it could be acceptable to suggest that from 1927 onward, the pipeline debate went forward both inside and outside TPC, and 'the issue became a staple of British and French diplomatic exchanges'.¹⁰⁹² In France the major role was assumed by 'the Quai d'Orsay and the colonial administrations in the Levant'. In Britain, however, the Admiralty and the Colonial Office were in favour of 'a forceful and confrontationalist policy', whereas the Foreign Office was more concerned with reaching an understanding with France.¹⁰⁹³ This discrepancy of position in Whitehall, between the

¹⁰⁸⁷ *The Times*, 27.5.1931, p. 13.

¹⁰⁸⁸ *Ibid.*

¹⁰⁸⁹ Hogan, 'Informal Entente', p. 204.

¹⁰⁹⁰ TNA/FO371/13020, Shuckburgh CO to S.S FO, 28.4.1927.

¹⁰⁹¹ *Ibid.*

¹⁰⁹² Fitzgerald, 'Business Diplomacy', p. 215.

¹⁰⁹³ *Ibid.*

Foreign Office and the other departments, was seen throughout the discussions concerning Haifa harbour. The Foreign Office was concerned with maintaining a stable foreign policy and to preserve good relations with the international community. Despite these differences, the British government, with its majority share of the TPC, was concerned with reaching an understanding with the French regarding the alignment of the oil pipeline before the 'entry of the Americans' into the TPC.¹⁰⁹⁴ The reason, again, was that the British were certain that the Americans would support the French in favouring the northern alignment for the pipeline on commercial grounds. It is worth asking at this point what the case was for the Americans' introduction into the TPC?

American interest in the Middle East dates back to 1919 and was instigated primarily as a result of the United States' needs and its inability to source its own oil.¹⁰⁹⁵ The US government accepted Britain's controlling power in the Middle East 'provided that this control would act as an umbrella under which American interests could prosper and be protected'.¹⁰⁹⁶ In fact, Britain initially attempted to exclude American oil companies from Iraq's oil and wanted to give advantage to British oil interests.¹⁰⁹⁷ By 1918, the Admiralty opposed the hard and fast decision of exclusion and in 1921 the Petroleum Department demanded the removal of limitations on imperial oil development.¹⁰⁹⁸ With these restrictions, American industry officials recognized the need for government assistance to overcome the restrictions employed by their rival Britain.¹⁰⁹⁹ The US government

¹⁰⁹⁴ TNA/FO371/13020, CO to Cunliffe-Lister BOT, 26.1.1928.

¹⁰⁹⁵ C. Osborn, 'The Future Oil Supply', *Journal of the American Statistical Association*, 18/44 (December 1923), pp. 1004- 1009, p. 1008.

¹⁰⁹⁶ Sluglett, 'An Improvement', p. 418.

¹⁰⁹⁷ Wright, *Mandates*, p. 49.

¹⁰⁹⁸ Stivers, 'International', pp. 527-8.

¹⁰⁹⁹ Hogan, 'Informal Entente', p. 189.

encouraged oil company officials to 'gain a foothold in the rich oil lands of the Middle East' in return for a promise of vigorous 'support for the open door'.¹¹⁰⁰

The Anglo-French Oil Agreement of San Remo aroused the wrath of the Americans. They protested against the 'preferential treatment' given to the French and demanded that Britain apply the principle of equality of treatment, specifically in those areas with potential petroleum resources.¹¹⁰¹ The Americans saw the agreement as one designed to create a Franco-British monopoly to exclude all others.¹¹⁰² As retaliation for US exclusion from the oil arrangement in Iraq, the American Congress enacted in February 1920 the Minerals Leasing Law for public lands, forbidding the acquisition of government property by nationals of any foreign country that denied reciprocity to Americans.¹¹⁰³ The United States struggled for the maintenance of a principle of the open door policy affecting every American commercial interest, and not merely the oil industry.¹¹⁰⁴

Bainbridge Colby, the American Secretary of State, strongly expressed the United States' opposition to the exclusion policy adopted by Britain. Colby stated in a letter addressed to Lord Curzon, the British Foreign Secretary, on November 26th 1920, that it was of the 'utmost importance to the future peace of the world' that the territories acquired by the central powers as a result of the War to be 'held and administered in such a way as to assure equal treatment to the commerce and to the citizens of all nations'.¹¹⁰⁵ Specifically, Britain was expected to depart from its colonial approach expressed in its 'desire for the

¹¹⁰⁰ Ibid, p. 190.

¹¹⁰¹ Secretary of State to the Ambassador in Great Britain (John Davis), 20.7.1920, pp. 658-9. Foreign Relations of the United States (FRUS),

¹¹⁰² Earle, 'The Turkish', p. 274.

¹¹⁰³ De Novo, 'The Movement', p. 871.

¹¹⁰⁴ Bedford, 'World of Oil', p. 104.

¹¹⁰⁵ Bainbridge Colby, 'The United States and the Mesopotamian Mandate', *Advocate of Peace through Justice*, 82/12, (December 1920), pp. 390-392, p. 391.

exclusive control of the resources and markets of annexed territories'.¹¹⁰⁶ In effect, Britain was expected to adhere to the trusteeship secured by the mandate principles as a new concept in international affairs and remove international differences and eliminate the sources of economic warfare inherent in colonialism.¹¹⁰⁷

Colby, in light of an increasing demand for petroleum, requested that Britain apply to the petroleum industry 'the most enlightened principles recognized by nations as appropriate for the peaceful ordering of their economic relations.'¹¹⁰⁸ This meant that American oil companies would have equal opportunities in the oil production of the Middle East and in accordance with the new regulations prevailing after WWI. The government of the United States was clear that it had no desire to interfere in the political relations of any power with the territories under its domain of control. It would however protest any confined use of the terms 'for the creation of exclusive economic spheres'.¹¹⁰⁹ In short, the United States wanted Britain to apply one of the mandate's core principles - economic equal opportunity - to the American oil companies.

Additionally, the United States doubted the validity of the concession awarded to the TPC by the Ottoman Empire for exploring Iraqi oilfields. Colby argued that the Oil Agreement was based on the principle that the concession 'must be honored' but prior to the War the TPC 'possessed in Mesopotamia (Iraq) no rights to petroleum concessions or to the exploitation of oil'.¹¹¹⁰ The TPC was only awarded a concession which hardly set in stone.¹¹¹¹

¹¹⁰⁶ Colby, 'The United States', p. 392.

¹¹⁰⁷ Hogan, 'Informal Entente', p. 192.

¹¹⁰⁸ Colby, 'The United States', p. 392.

¹¹⁰⁹ Bedford, 'The World of Oil', p. 107.

¹¹¹⁰ Colby, 'The United States', p. 392.

¹¹¹¹ Earle, 'The Turkish', p. 271.

Also, under the mandate Britain was not able to place the Iraqi oilfields under its permanent control or to establish 'any kind of monopoly'.¹¹¹²

Maintaining good relations with the United States was imperative for Britain. Therefore, the British Foreign Secretary, Lord Curzon, asserted that Britain would honour the mandate's provisions and that Iraq would enjoy the 'full benefits of ownership' over the oilfields to be developed.¹¹¹³ More importantly, Britain extended the open door policy to Iraq and stated that it had 'no desire' to prevent American participation in the development of the Iraqi oilfields.¹¹¹⁴ This was crucial in light of a later report in *The Times* stating that no foreigners should be awarded licences for oil exploration in Iraq.¹¹¹⁵ Curzon explained that the Oil Agreement 'aimed at no monopoly or exclusive rights' and that the provisions of agreement referred to the concession granted before the war to the TPC were safeguarded by the Treaty of Sevres.¹¹¹⁶ This is why the concession was treated in Lausanne in 1923 as a contract that 'should be honoured'.¹¹¹⁷

In light of these correspondences, *The Times* wrote that commercial and political interests were the source of the dispute between Britain and the United States. With the increasing demand for petroleum, the newspaper concluded, there would be solid ground for control of the oil industry, but such control would have to be 'administered internationally, and the requirements of each country met by a system of rationing'.¹¹¹⁸ In fact, the application of the open door to the oil industry required 'massive combinations of capital and

¹¹¹² Ibid.

¹¹¹³ *The Times*, 6.4.1921, p. 9.

¹¹¹⁴ Ibid.

¹¹¹⁵ *The Times*, 5.11.1921, p. 11.

¹¹¹⁶ *The Times*, 5.11.1921, p. 11.

¹¹¹⁷ TNA/T161/702, the Iraq Minister of Finance to the Prime Minister, 30.9.1929 & TNA/CAB24/202/18, Appendix I, Cadman's memorandum, 28.3.1928.

¹¹¹⁸ *The Times*, 29.4.1921, p. 1.

technology', therefore only a multi-national monopoly would be able to develop the oilfields of Iraq.¹¹¹⁹

By November 1921, the American oil companies formed the so-called 'American Group' under the lead of Standard Oil Company of New Jersey.¹¹²⁰ They opened negotiations with the TPC in order to share in the oil resources of Iraq.¹¹²¹ The British government welcomed this approach because they wanted to silence an American protest as it was better to have the Americans as partners in the TPC. *The Times* reported that one of the foremost British oil experts, Mr. Arthur Beeby Thompson, explained in a lecture before the London Chamber of Commerce that 'without American drillers, and to a large extent without American plant, oil prospecting even by a British company is almost impossible'.¹¹²² The participation of the Americans was therefore essential on a technical level.

Negotiations in the United States and London for a 'proportionate division' of both the profits and the production of Iraqi oil resources were conducted.¹¹²³ After seven years of 'discouraging and frustrating' negotiations, a diplomatic and commercial 'Group Agreement' was concluded on 31 July 1928. By this point, the Americans had become shareholders of the TPC.¹¹²⁴ In fact, this agreement opened enough space to allow the Americans to enter and then was promptly shut again, thus disallowing further shareholders, including the Italians.¹¹²⁵ Elizabeth Monroe explains that the door 'ajar always

¹¹¹⁹ Hogan, 'Informal Entente', p. 202.

¹¹²⁰ Fitzgerald, 'The Iraq', p. 442: The Near East Development, the United States element within the Iraq consortium, was actually a syndicate of five firms: Jersey Standard, Socony, Gulf Refining, Atlantic Refining, and Pan American Petroleum and Transport. Pan American and Atlantic soon sold out to Jersey and Socony, but Gulf continued to hold 16.67 per cent.

¹¹²¹ Hogan, 'Informal Entente', p. 190.

¹¹²² *The Times*, 5.11.1921, p.11.

¹¹²³ Earle, 'The Turkish', p. 275.

¹¹²⁴ De Novo, 'The Movement', p. 875.

¹¹²⁵ Edward Fitzgerald, 'Compagnie Française des Petroles and the Defense of the Red Line Regime in Middle Eastern Oil, 1933-36', *Business and Economic History*, Second Series, vol. 20, (1991) pp. 117-126, p. 118. (CFP)

feels more open to those inside than to those outside it'.¹¹²⁶ The United States succeeded in securing American participation in the monopoly but not in achieving the open door.¹¹²⁷ The door was only open to the great powers. The agreement was 'a binding legal contract' for the consortium which was set up to develop Iraq's oilfields.¹¹²⁸ The TPC became an international consortium made up of four major groups: Anglo-Persian Oil Company was British, Royal Dutch Shell was Dutch with a British shareholding, the French Compagnie Française des Petroles (CFP) and the Near East Development Corporation which was a syndication of five American firms.¹¹²⁹ Each participant owned 23.75 per cent of the enterprise and the remaining 5 per cent was left in the hands of Calouste Sarkis Gulbenkian.¹¹³⁰ By this settlement, the principal petroleum nations of the world were united in TPC and collaborated in the work of developing a jointly held concession.¹¹³¹ The national interests of the governments behind the companies were merged to serve international goals. It is worth noting that the Turkish Petroleum Company now changed its name to Iraq Petroleum Company (IPC) in June 1929.¹¹³²

In brief, the difficulties that Britain faced in reaching its goals related to the insistence of both the French and the Americans on having their own controlling share in the resources and transport of Iraqi oil. It was therefore important to reach an agreement in the TPC as well as among the shareholders of the company on the route of the pipeline and its terminus.

¹¹²⁶ Monroe, *Britain's Moment*, p. 102.

¹¹²⁷ Roger Louis, 'The United Kingdom', p. 87.

¹¹²⁸ Fitzgerald, 'CFP', p. 118.

¹¹²⁹ Fitzgerald, 'The Iraq', p. 442.

¹¹³⁰ *Ibid.*, p. 441.

¹¹³¹ Cadman, 'The History', p. 322.

¹¹³² TNA/T161/703, Oil Concession Revised Agreement, 24.3.1931.

Settlement of stalemate of the pipeline to Haifa

According to the Convention of March 1925, the TPC was expected to have selected 24 plotted oil areas by November 1928 because the Iraqi government wanted to throw 'the rest of the field open for outside competition'.¹¹³³ This was not however possible to complete within the given time, hence, in December 1927 the TPC applied for an extension of its deadline and suggested revising the terms of the concessionary rights of 1925.¹¹³⁴ The TPC's geologists believed that the oil-bearing lands were to the east of the Tigris, therefore, the company wanted to restrict its rights to the east bank in order to avoid the risk of adjoining plots being put up for auction.¹¹³⁵ This was because other drillers 'could tap into the same massive oil pool' that the TPC discovered which could affect its overall production.¹¹³⁶

In February 1928, John Cadman, through the Board of Trade, asked for the help of the British government to advise the government of Iraq to approve the required extension. Accordingly, in its resolution of August 1928, the Iraqi Council of Ministers agreed to a temporary extension of the concession to March 1929 in return, *inter alia*, 'to survey a pipe and rail route from Baghdad to Haifa'.¹¹³⁷ The Council specified the Haifa alignment for the pipeline as 'one of the essential conditions' to grant the proposed extension.¹¹³⁸ In fact, this is how the pipeline issue became 'inextricably linked' with the revision of the 1925 Convention.¹¹³⁹ The supposedly commercial decision demonstrated clearly how the route of

¹¹³³ TNA/CAB24/205/15, The Baghdad-Haifa Railway and Trans-Desert Pipe-Line, 18.7.1929.

¹¹³⁴ TNA/FO371/12278, Memorandum by Colonial Office, December 1927.

¹¹³⁵ Fitzgerald, 'Business Diplomacy', p. 218.

¹¹³⁶ *Ibid.*, p. 217.

¹¹³⁷ TNA/FO371/13020, Cadman TPC to BOT, 8.2.1928; TNA/CAB24/202/28, The proposed Baghdad-Haifa Railway and Pipeline', 12.3.1929; TNA/CAB23/60/11, a note by S.S. FO to Cabinet, 13.3.1929.

¹¹³⁸ TNA/CAB24/202/28, The attitude of the French government regarding the Baghdad-Haifa railway and pipeline. Note by S.S. FO 9.3.1929.

¹¹³⁹ Fitzgerald, 'Business Diplomacy', p. 218.

the pipeline became complicated with politics. Britain, in effect used its political privilege as mandatory to influence a commercial decision to its own benefit.

Political concerns pushed the Iraqi government to favour a southern route that would terminate at Haifa. In fact, King Faisal and the politicians in Iraq were 'keen on avoiding French territory'.¹¹⁴⁰ This was mainly due to King Faisal's 'long-standing grievance against the French' who evicted him from Syria in 1920 and now had 'a score to settle against the French' over the railway and pipeline.¹¹⁴¹ Gallagher also believed that it was Faisal who insisted that a branch of the line must go to Haifa'.¹¹⁴² The feeling in Whitehall was that because Faisal's attitude to the French was so soured that the Iraqi government was going to share his view.¹¹⁴³ Moreover, the Iraqi government had fears of 'French infiltration' and that they would not be content with the oil outlet and would seek to 'control of the source of supply'.¹¹⁴⁴

Other reasons for favouring the southern line related to the Iraqi government's wish to have the length of the pipeline laid in Iraq and pass through the friendly territories of Trans-Jordan which was ruled by Faisal's kin and through Palestine which was under the mandate of their British ally.¹¹⁴⁵ This was because the Iraqi government had concerns that in the event of war, if the pipeline were to be situated in territory under French control, the colonial administration in Syria might interrupt the flow of oil to the Mediterranean. In fact, the Iraqis were warned by the Turks that to consent to the northern line would be 'to place themselves for all time at the mercy of France'.¹¹⁴⁶ This was important because in principle

¹¹⁴⁰ TNA/FO371/13020, H.Cr. Iraq to S.S. CO, 20.1.1928.

¹¹⁴¹ Fitzgerald, 'Business Diplomacy', p. 217.

¹¹⁴² Gallagher, 'The Decline', p. 125.

¹¹⁴³ TNA/CAB24/211/35, Cabinet Committee on Baghdad-Haifa Railway 1930.

¹¹⁴⁴ TNA/T161/702, Hall CO to Rendel FO, 18.11.1930.

¹¹⁴⁵ Fitzgerald, 'Business Diplomacy', p. 214.

¹¹⁴⁶ TNA/T161/703, H .Cr. Iraq to CO, 14.11.1930.

it was incumbent upon the Iraqi government that to protect the pipeline.¹¹⁴⁷ Also since these oilfields belonged to Iraq they would revert to the Iraq government at the end of the concession period.¹¹⁴⁸ Additionally, the Iraqi government was 'anxious to develop trade with Egypt' and to make Baghdad 'the principal trade centre' in the region, which could be achieved by constructing a railway accompanying the pipeline to Haifa.¹¹⁴⁹

However, the rejection of the French group in the IPC the demands of the Iraqi government provoked the French government to intervene. The French government protested against what it termed 'political interference' by the British government in negotiations and demanded that the IPC should be 'dispensed from the obligation' to give any definite preference to the Haifa alignment.¹¹⁵⁰ The British government should 'refrain from all further intervention' and leave the matter to be settled on 'a commercial basis' between the company and the Iraqi government.¹¹⁵¹ The French recommended that such questions should be settled by methods of 'reciprocal concession and co-operation' and hinted to a 'hostile combination of French and American interests'.¹¹⁵²

In light of the French strong opposition, the Cabinet of the new British Labour government of Ramsay MacDonald, which came in May 1929, recommended setting up an interdepartmental committee. Its task was to consider 'the whole situation very carefully' of the Baghdad-Haifa railway and pipeline.¹¹⁵³ The committee was comprised of officials representing the Colonial Office, the Foreign Office, the War and Air departments and the

¹¹⁴⁷ TNA/T161/702, H.Cr. Iraq to S.S CO, 16.6.1930 & 24.6.1930.

¹¹⁴⁸ Ibid.

¹¹⁴⁹ Ibid.

¹¹⁵⁰ TNA/CAB24/202/28, Note by S.S FO, 9.3.1929.

¹¹⁵¹ Ibid.

¹¹⁵² Ibid.

¹¹⁵³ TNA/CAB23/63/17, Baghdad-Haifa 26.3.1930; TNA/CAB24/211/35, Cabinet Committee on Baghdad-Haifa Railway 1930.

Treasury. The recommendation of the interdepartmental committee was that 'a Syrian terminal to the Iraq-Mediterranean pipeline and railway be accepted'.¹¹⁵⁴

This recommendation was, in fact, suggested by Cadman in a report he submitted to the committee since it was in the best interest of the company from a commercial point of view.¹¹⁵⁵ Cadman also asked the British government to influence the Iraqi government to withdraw their condition of Haifa terminal and accept the Tripoli terminal.¹¹⁵⁶ The new government however, did not do that and instructed the High Commissioner for Iraq, Francis Humphrys, not to intervene and to leave the Iraq government to 'decide the question for themselves'.¹¹⁵⁷ This meant that the new government wanted to rectify the relations with France on the issue of the pipeline.

It is worth noting, however, that the Chief Naval Staff who also presented a memorandum to the committee had a contradicting opinion. His basic assumption was that the mobility of the fleet was dependent on adequate supplies of oil. The Haifa terminus was of strategic importance for supplying oil to the Navy and for reducing the naval war reserve of oil.¹¹⁵⁸ That was important since Britain's naval programme, as D. Dilks argues, was chiefly directed against France and Russia.¹¹⁵⁹ It was possible for the British fleet to use Haifa for fuel and refuel during war time. Hence, his recommendation was that the British government should do all that lied in its power 'to prevent French control from being established'. The Haifa

¹¹⁵⁴ TNA/CAB24/211/35, Cabinet Committee, 1930.

¹¹⁵⁵ Ibid.

¹¹⁵⁶ Ibid.

¹¹⁵⁷ TNA/CAB24/205/15, The Baghdad-Haifa Railway and Trans-Desert Pipe-Line, 18.7.1929.

¹¹⁵⁸ TNA/CAB24/202/18, Cabinet Memorandum, The proposed Baghdad-Haifa Railway and pipeline, 7.3.1929, Report: CID, Sub-Committee, 13.6.1928; TNA/CAB24/211/35, Report of the committee on the Baghdad-Haifa to the Cabinet, 1.5. 1930; TNA/CAB24/211/35, A note by the Chief of the Naval Staff to the Admiralty, 5.4.1930: 'If the pipeline terminates at Haifa, our share of Iraq oil would go far to render us independent of foreign supplies and should enable us to reduce our Naval War Reserve of oil below 7,000,000 tons.'

¹¹⁵⁹ D. Dilks (ed.), *Retreat from Empire, Studies in Britain's Foreign Policy of the Twentieth Century*, Volume One 1906-1939 (London: The MacMillan Press Ltd., 1981), p. 2.

route was essential and it 'can only be obtained by stiffening the Iraq government against the French Syrian route' and by subsidising the Haifa railway route.¹¹⁶⁰ This was important because if the pipeline terminated in Haifa as it would render Britain dependence on foreign supplies and would reduce the necessary Naval War reserve of oil in the area below seven million tons.

Despite the Navy's firm position, the Cabinet decided, in May 1930, to adopt the recommendations of the inter-departmental committee to acquiesce to the French. The Cabinet accepted the northern terminal through Syria to the Iraq -Mediterranean pipeline and railway.¹¹⁶¹ It also decided to open negotiations with the French government with the objective of 'obtaining the requirements desired' by the British and the Iraqi governments should the terminal be on the Syrian coast. The Cabinet concluded that before any communication was made to the French government the High Commissioner for Iraq should be informed.¹¹⁶² This policy of surrender to the French was shared by most of the British officials but was resented by the Colonial Office.¹¹⁶³ This policy meant that the British government agreed to give the French government a strong hold on the oil supplies in Iraq and thereby 'greatly strengthen their political position in the Near East'.¹¹⁶⁴ The yielding by the British government could be understood by her desire to avoid direct confrontation with its French and American rivals and to allow for the oil production in Iraq.

However, before the Cabinet decision was communicated to the French, the British government was informed by the High Commissioner for Iraq that the government of Iraq

¹¹⁶⁰ TNA/CAB24/211/35, Cabinet Committee 1930.

¹¹⁶¹ TNA/T161/702, H.Cr. Iraq to S.S. CO, 13.5.1930.

¹¹⁶² TNA/CAB23/64/2, Baghdad-Haifa Railway and pipeline, 7.5.1930.

¹¹⁶³ Davies, 'British oil policy', p. 342.

¹¹⁶⁴ TNA/CAB23/64/2, Baghdad-Haifa, 7.5.1930.

was 'strongly opposed' to the adoption of the pipeline route going through Syria.¹¹⁶⁵ Iraq was 'not prepared to co-operate in a comprehensive settlement with France on any such basis' and was not ready to agree to 'any revision of [the] IPC concession until they are satisfied that their own interests in regard to alignment of pipeline and railway are met'.¹¹⁶⁶

Also, Faisal warned that unless the Iraqi government's offer was accepted by the IPC 'he would regard himself entirely free' to grant oil concessions to some other company.¹¹⁶⁷

Also, the Iraqi government warned that if a revised concession were not signed before January 1931, it would announce an auction for 24 new plots.¹¹⁶⁸ Britain did not object to the Iraqi government's announcement to the IPC and was ready to prepare an alternative policy.¹¹⁶⁹

In facing Iraq's strident position, and in its attempt to find a solution to the revision of the oil convention, the French government decided in August 1930 to approach the representative of the American group in the IPC, Walter Teagle, to find a solution.¹¹⁷⁰ This was because the French Paribas bank was a founding shareholder of the CFP, the French shareholder in IPC, and had in 1920 provided 'financial and political support' for the creation of one of Jersey's new French subsidiaries of which Teagle was its president.¹¹⁷¹ In a meeting with Cadman in London, Teagle suggested that two pipelines be built since the British groups, i.e. APOC and Royal Dutch Shell, would 'never accept a single pipeline running to Tripoli'.¹¹⁷² Teagle explained that the double pipeline would separate into two

¹¹⁶⁵ TNA/T161/702, H.Cr. Iraq to S.S. CO, 13.5.1930.

¹¹⁶⁶ Ibid., H.Cr. Iraq to S.S. CO, 13.5.1930.

¹¹⁶⁷ Ibid., Memorandum by Hall CO, 9.10.1930.

¹¹⁶⁸ TNA/T161/703, H.Cr. Iraq to CO, 12.12.1930.

¹¹⁶⁹ TNA/T161/702, H.Cr. Iraq to CO, 16.6.1930; TNA/CAB23/64/10, Baghdad-Haifa, 24.6.1930; TNA/CAB23/64/5, Baghdad-Haifa, 21.5.1930.

¹¹⁷⁰ Fitzgerald, 'Business Diplomacy', p. 219.

¹¹⁷¹ Ibid., p. 221.

¹¹⁷² Ibid., pp. 225-6 & 233.

single lines to the Mediterranean coast of which one would go to Tripoli and the other to Haifa. The cost estimated for such a proposal would be around £11 million, a figure that must be deemed acceptable by the company as two separate lines like this would provide the company with greater security against potential interruptions in the flow of oil.¹¹⁷³ The French recommended that a split line should be 'built and operated in common' by all groups in the IPC.¹¹⁷⁴

On 10 October 1930, in its board meeting, the IPC's partners agreed to accept the two pipelines suggestion be presented in a revised concessionary agreement to the Iraqi government.¹¹⁷⁵ The struggle centred on Iraqi oil and the control of its transport routes was over in Britain's satisfaction.¹¹⁷⁶ Accordingly, the IPC was obliged to construct a pipeline system from the oilfield to the Mediterranean.¹¹⁷⁷ The agreement also stipulated that the construction of the pipelines would happen simultaneously in three locations: Mosul, Tripoli and Haifa. The point of the pipeline split was, however, not yet determined.¹¹⁷⁸ *The Times* reported that speculation pointed to the line splitting 'at the point where the frontiers of Syria, Palestine and Iraq meet, with a terminal at each port'.¹¹⁷⁹ The French suggested Haditha as a compromise location for the bifurcation point as a midway between the French preference of Abu Kemal near the Syrian frontier and the British preference at Rutba closer to Transjordan frontier.¹¹⁸⁰ The compromise reached between Britain and

¹¹⁷³ Fitzgerald, 'Business Diplomacy', p. 228-9; TNA/CAB24/211/35, Cabinet Committee on Baghdad-Haifa, 1930.

¹¹⁷⁴ Fitzgerald, 'Business Diplomacy', p. 233.

¹¹⁷⁵ *Ibid.*, p. 236.

¹¹⁷⁶ Bonne, 'The Concessions', p. 17.

¹¹⁷⁷ Cadman, 'The History', p. 321.

¹¹⁷⁸ TNA/T161/702, S.S. CO to H.Cr. Iraq, 17.10.1930.

¹¹⁷⁹ *The Times*, 27.5.1931, p. 13.

¹¹⁸⁰ TNA/CAB24/219/36, Baghdad-Haifa, 5.2.1931; TNA/T161/703, S.S. CO to H.Cr. Iraq, 25.11.1930; Fitzgerald, 'Business Diplomacy', p. 239.

France could be viewed as easing their Imperialist rivalry.¹¹⁸¹ The pipeline was also utilized by APOC, according to an agreement with IPC in 1932.¹¹⁸²

The British government considered that the interests of Iraq would 'best be served' by accepting the Haditha proposal. This was because Britain was bound to support the candidature of Iraq for admission to the League of Nations in 1932, although independence did not mean that Iraq would be permitted to operate outside the sphere of British influence.¹¹⁸³ It was necessary to reach an agreement with the French whose acceptance of Iraq as a member of the League was essential.¹¹⁸⁴ With this connection in mind, Monroe explains that doing away with the mandate was regarded by the Americans as a 'device to plunder' Iraq and to hinder the Americans' chances of enjoying the open door clause.¹¹⁸⁵

The Iraqi government consented to this arrangement. The Colonial Office believed that this solution would safeguard the political and economic interests of Iraq, would satisfy Britain's Imperial ambitions in both Iraq and Palestine, and would also be acceptable to the French government.¹¹⁸⁶ After years of wrangling over the route of the pipeline a revised convention was signed on the 24 March 1931. This agreement gave the IPC the exclusive concession it wanted (also termed 'blanket concession') on the east bank of the Tigris.

The pipeline system coming from Mosul was expected to be completed by the end of 1935. It was to follow a route from Haditha to a terminal in Haifa and another to Tripoli in Lebanon. The capacity of the whole pipeline system, that would produce at least 4 million

¹¹⁸¹ Haas, 'The Reconciliation', p. 532.

¹¹⁸² Herbert, and Sosnovsky, *Bauhaus*, p. 47.

¹¹⁸³ BOE/OV139/1, on Haifa Baghdad Railway; Darwin, 'An undeclared', p. 167.

¹¹⁸⁴ TNA/CAB24/219/36, Baghdad-Haifa, 5.2.1931.

¹¹⁸⁵ Monroe, *Britain's moment*, p. 102.

¹¹⁸⁶ TNA/T161/702, CO to FO, 1.11.1930.

tons per annum, was to be carried in equal quantity to both terminals.¹¹⁸⁷ The signing of the agreement initiated economic prospects and allowed for Haifa to be 'the outlet for the vast hinterland stretching to Persia'.¹¹⁸⁸ The IPC's partners were not able to bring the Iraq petrol into the 'world market' until the oil transportation problem was solved.¹¹⁸⁹ *The Times* reported that the difficulty of the terminal port was solved to 'the satisfaction of all the Governments concerned'.¹¹⁹⁰ By this agreement, the Anglo-French pipeline conflict was over.¹¹⁹¹ The goals concerning the route of the pipeline and its terminus at Haifa were achieved following Britain's diplomatic efforts with the French and Iraqi governments and not because it was 'hard to resist' the Palestine government's offer of not imposing levies on the transit or export of oil, as Herbert and Sosnovsky claim.¹¹⁹² France was able to offer more incentives to the IPC, thanks to the Oil Agreement, in order for the later to choose the northern route. It could be said that the dispute about the pipeline route demonstrates that Anglo-French relations were characterised as a 'close cooperation tempered by constant friction' and that nothing changed 'the selfish national interests in either country'.¹¹⁹³

A subsidiary company of the IPC began the work on the pipeline from Iraq to the Mediterranean.¹¹⁹⁴ Nationals of the shareholders of the IPC benefited from the construction of the pipeline. John Cadman declared that the aggregate cost of undertaking the Iraq pipeline construction was approximately £9.25 million. Cadman stated that the

¹¹⁸⁷ TNA/T161/703, 'Iraq Petroleum Company Limited, Agreement concluded on the 24 March 1931, revising the Convention made on the 14 March 1925 with the Government of Iraq; *Oil News*, 14.1.1932, p. 48.

¹¹⁸⁸ Bentwich, *England*, p. 229.

¹¹⁸⁹ DeNovo, 'The Movement', footnote, p. 876.

¹¹⁹⁰ *The Times*, 27.5.1931, p. 13.

¹¹⁹¹ Fitzgerald, 'Business Diplomacy', p. 240.

¹¹⁹² Herbert & Sosnovsky, *Bauhaus*, p. 46.

¹¹⁹³ J. Mathews, 'The End of the Anglo-French Entente', *World Affairs*, 103/3, (September 1940), pp. 149-151, p. 150.

¹¹⁹⁴ *Oil News*, 9.6.1932, p. 524; *The Petroleum World*, February 1932, p. 96.

placed orders in the United Kingdom for the material and transport required in the construction would reach over £2 million.¹¹⁹⁵ Unlike the discrete policy adopted with regards to the announcement of the use of British equipment and material, the British government had now declared publicly that contracts for the pipelines were placed with British manufactures.¹¹⁹⁶ *Oil News* published that the IPC had placed contracts with British and foreign manufacturers, including French, German and American makers of pipelines, to be laid across 1,300 miles from Iraq to the two ports on the Mediterranean.¹¹⁹⁷ The work of laying the pipeline went on simultaneously from the three points: Tripoli, Haifa and Kirkuk.¹¹⁹⁸ It took about seven years from October 1927, when further substantial quantities of oil were discovered in Iraq, until August 1934 that tankers were loaded at Tripoli.¹¹⁹⁹

On 5 January 1931 a convention regulating the transit of mineral oils of the IPC through the territory of Palestine was struck between the High Commissioner for Palestine and IPC. Courtesy of the convention, the government of Palestine was bound to grant to the company the right to construct, maintain, and operate one or more pipelines and the entire

¹¹⁹⁵ Cadman, 'History and Construction', p. 323; *Oil News*, 23.5.1935, p. 416.

¹¹⁹⁶ *Oil News* also reported that Stewarts and Lloyds Ltd., of London, whose works are in Birmingham and Glasgow, had already secured the contract for the 'supply of 60,000 tons of the pipe, valued at over £500,000'. This contract would provide employment for a large number of 'men for over a year'. In addition, Redpath, Brown and Co., Ltd., of London and Edinburgh, received the contract for the steelwork for 63 buildings, including garages, bungalows and a hospital. The contract covered the supply of 'some 1,800 tons of steel'. (*Oil News*, 7.4.1932, p. 312) Furthermore, a large number of lorries and trailers 'specially designed and modified for pipe transport under desert or oil field conditions' were placed with Scammell Lorries, Ltd., of London and Watford. (*Oil News*, 26.5.1932, p. 479) In January 1933, *World Petroleum* reported that Diesel engines for the Iraq pipe line were ordered. The British Harland and Wolff, Ltd. were ordered five pumping plants, Sulzer would provide 18 engines for pumping stations manufactured in both England and France. Werksporr was ordered 12 engines for stations to be built in Holland. (*World Petroleum*, January 1933, p. 119).

¹¹⁹⁷ *Oil News*, 7.4.1932, p. 312.

¹¹⁹⁸ *Oil News*, 16.2.1933, p. 124.

¹¹⁹⁹ Walter Adams, Brock, James W. and Blair, John, 'Retarding the Development of Iraq's Oil Resources: An Episode in Oleaginous Diplomacy, 1927-1939', *Journal of Economic Issues*, 27/1, (March 1993), pp. 69-93, p. 71.

works ancillary thereto, and to do all things necessary for the undertaking.¹²⁰⁰ The British government was now able to make decisions about oil facilities to be constructed at Haifa harbour. In fact, the consulting engineers, who confirmed the possibility of arranging for the required oil accommodation, were instructed earlier by the British government to prepare to this effect.¹²⁰¹ The construction of an oil dock was finally sanctioned by the British government in August 1933.¹²⁰² The IPC arranged with the consulting engineers as to the proposed site of the oil pipeline terminal and to the oil dock for the export of oil.¹²⁰³ Accordingly, the original plans of Haifa harbour were modified 'to enable an area to be included within the breakwaters which would provide a site for the construction of an oil dock'.¹²⁰⁴ It was arranged that the pipeline would run down near the lee breakwater and a new oil dock would be constructed within the sheltered area of the harbour, immediately to the west of the lee breakwater, and that a special oil area be built for bulk storage of oil.¹²⁰⁵ (See appendix V, Map showing the route of the oil pipeline.)

The settlement of the stalemate of the route and terminus of the pipeline was to the convenience of the shareholders and allowed Britain to proceed with the oil facilities in Haifa harbour. Now the French improvements of the harbours in Syria would not hinder the Haifa harbour development in oil related facilities or other commercial services. Additionally, the British government had preserved its good relationship with France and the United States which was essential for Britain's peaceful advance and development in the area.

¹²⁰⁰ TNA/CAOG14/134: IPC, Transit of oils through Palestine and Trans-Jordan, January 1931.

¹²⁰¹ TNA/CAOG10/69, RPT to CA, 31.12.1932; TNA/CO733/132/7, CA to U-S CO, 8.8.1927; TNA/FO371/12278, Ormsby Gore U-S CO to H.Cr. for Palestine and the Acting H.Cr. for Iraq, 7.12.1927.

¹²⁰² TNA/CO733/272/3, by Buckton, RPT, 6.2.1935.

¹²⁰³ TNA/CO733/198/4B, CO to CA, 27.10.1931; H.Cr. Palestine to S.S.CO, 9.10.1931.

¹²⁰⁴ TNA/CO733/272/3, by Buckton, RPT, 6.2.1935.

¹²⁰⁵ TNA/CO733/198/4B, In a meeting at CO included CA and RPT, 30.9.1931; TNA/CO733/233/1, Haifa Harbour opening ceremony, General Description, 31.10.1933 ; Pamphlet, Opening of Haifa Harbour, 31.10.1933.

Conclusion

The strategic, political and economic importance of the Haifa harbour for Britain was reinforced by bringing the oil pipeline terminal to Haifa. Britain's abandonment of its previous *laissez faire* approach in the interwar period can be seen clearly in its involvement in the pipeline. This involvement reflected Britain's oil policy in the region pertaining to oil policies in the Middle East after WWI. The main reasons for Britain's insistence on a Haifa terminal from the strategic point of view were to ensure its control of the whole of the pipeline and to decrease the dependence of the navy and the British Empire on oil supplies from foreign countries particularly the United States.¹²⁰⁶

The issue of the route of the pipeline became further complicated by the TPC's difficult position. as a private shareholding company. It was not able to be neutral and act solely on the merits of commercial imperatives. It had to take into account political factors as the TPC was comprised of companies controlled by different governments with often different and sometimes conflicting goals and motives. With this it had to find compromises that allowed for a blending of commercial and political interests. Diplomatic and business considerations featured in the question of the route of the pipeline.

Britain did not want to be at the mercy of its rival France by allowing the French ultimate control of the route and the terminus of the pipeline on the Mediterranean. The British government was able to manage the limitations and difficulties imposed on it by previous agreements and by the provisions of the mandate system. Britain was handicapped by

¹²⁰⁶ TNA/CAB24/211/35, Conclusion, 26.3.1930.

these commitments as it made it impossible to take actions or give promises that would convince the multinational ownership IPC to adopt an all-British route that would end at Haifa. Davies rightly argues that British oil policy was operating on almost a day-to-day basis, 'without much of the deviousness or overall 'grand design' so often attributed to it'.¹²⁰⁷ The subsequent government adopted different policies on how best to deal with the route of the oil pipeline that wavered between being firm on the Haifa terminal and accepting the northern line. Despite this, Britain was able to achieve its goals with regards to the alignment of the pipeline. The demands of the Iraqi government, stimulated and backed by the British government, undermined the solely commercial basis of the IPC's decisions. In short, indirect interventionist policy was operated in order to influence the company's decision to favour British interests.

This chapter has demonstrated how the connection between the construction of Haifa harbour was established with the oilfields in Iraq which was at the core of Britain's oil policies in the Middle East. It also showed the extent to which Britain's political influence affected commercial decisions. The IPC's adoption of the split pipeline solution with one line going through Syria to Tripoli and the second through Jordan and Palestine to Haifa, was for the satisfaction of the governments behind the shareholders of IPC and the government of Iraq.

Moreover, examining the oil pipeline route and terminus at Haifa makes it possible to enhance our historical understanding of Britain's relationship with the international community after First World War with particular regard to France and the United States. By overcoming the dispute over the open door policy in the Middle East, Britain's political, strategic and economic policies with regards to the construction of Haifa harbour were

¹²⁰⁷ Davies, 'British oil policy', p. 346.

affirmed by establishing a terminus and oil dock in the harbour of Haifa. At the same time, the compromise made by the British to the benefit of international understanding testifies to that Britain was able to depart from its 'romantic imperialism' in pursuit of its national interest.¹²⁰⁸ The British government was able to achieve a considerable balance among local, national and international interests in a manner convenient for all involved and without breaching international obligations.

¹²⁰⁸ Gallagher, *The Decline*, p.123.

Chapter Seven

Construction of Haifa harbour, 1929 - 1933

Introduction

After years of wrangling over the construction of Haifa harbour, when the British government settled on the most suitable method to be employed in the mandated territory, the building of the harbour commenced in October 1929. Through the government of Palestine's established Haifa Harbour Works Department, the British government was able to enact its Imperial methods under disguise. By employing the British consulting engineers and British staff to operate the Harbour Department, Britain was able to do what it wanted without violating international regulations. The British government was able to fulfil its imperial aims by benefiting the British economy, albeit indirectly through the Harbour Department. This was possible by following the Foreign Office's recommendation to execute purchases in Britain in a low profile manner. However, this did not mean that Britain's rivals, the Americans and the Italians in particular, were unaware of British activities in this area.

Vigilant rivals demanded Britain to afford them equal economic opportunities in the harbour works. This compelled Britain to allow non-British firms to perform specific tasks in the harbour construction. This could be viewed as a step away from the very rigid position adopted by the Colonial Office of completely reject foreign businesses to have a stake in the harbour construction. Moreover, since the construction of the harbour was now the responsibility of the government department, it was essential to activate the fair labour conditions, inserted in the Palestine Loan Act, meaning that fair wages and reasonable working time standards had to apply for local labourers. These practices by the British

government did not undermine Britain's supremacy in the region. The opening ceremony of the harbour emphasised this theme by employing similar procedures when opening harbours in the colonies.

Indeed, it is possible to see in the creation of the harbour how British statesmen managed to 'foster both British interests and a stable and balanced world order.'¹²⁰⁹ Thus, this chapter is intended to examine the balance achieved by the British government. This has been possible through the investigation of how purchases made via the departmental method were executed in Britain and how oil facilities for the Iraqi oil pipeline were included in the harbour's construction. This chapter also examines how Britain's, although limited, adherence to the economic equality clause imposed by the League of Nations paved the way for foreign firms to compete for works contracts. Additionally, it examines how Britain, as the mandatory power, paid special attention to the enactment of fair labour conditions for the workers employed locally.

The theme of this chapter is that the British government managed to balance her interests against that of the international community and the local government. Adherence to the mandate system enabled Britain to achieve its goals and satisfy the international interests as well as that of the local inhabitants.

The question that this chapter deals with focuses upon what the British did to achieve this balance of interests? What were the methods used for obtaining British manufactured goods? What measures were utilized to offer foreign firms economic opportunities? To what extent did the British government abide by fair labour conditions in the harbour works? And, what implications could be drawn from the harbour's inauguration ceremony?

¹²⁰⁹ Ferris, 'The Greatest', p.747.

This chapter argues that by the time the construction of the harbour began Britain was able to adjust its methods in order to meet the international requirements. The British government used subtle method to purchase equipment and material from Britain and accepted, although on cost grounds, to allow the miner required dredging to be performed by a foreign firm. The chapter also argues that Britain's strategic aim was fulfilled by the building of oil facilities in the harbour. Moreover, it was essential for Britain to show a form of supremacy by employing colonial ceremonial practices in the opening of the harbour.

This chapter is structured in four main topics. The first concerns the economic and strategic goals achieved by building the breakwaters and the oil dock in the vicinity of the harbour. The second examines Britain's consideration of the international community and its interests as demonstrated by British invitations to foreign firms to compete for dredging contracts. The third is concerned with the fulfilment of fair labour conditions for the employment of local workers. The final topic addresses the significance of Harbour's inauguration ceremony as Britain asserted her power on the mandated territory.

Butler's contention that during the inter-war years Britain went through a period of 'economic readjustment' is vivid in the discussion of the building of the harbour.¹²¹⁰ This manifested itself in the attempt 'to integrate the imperial economic system', that was evident particularly after the onset of the Depression in 1929 when attempts were made to 'use imperial economic policy to assist the metropolitan economy'. Indeed, obtaining equipment in Britain and employing an Anglo-Egyptian company for the main dredging complies with this general theme. This was significant since, as N. Dimsdale discusses, that lack of competitiveness, caused by the little change in Britain's export prices relative to

¹²¹⁰ Butler, *Britain*, p.7.

those of competing economies between 1925 and 1931, was a major factor contributing to Britain's loss of market share'.¹²¹¹

In *The Empire Project*, Darwin argues that the key to British power lay in the combination of its strong overseas assets with that of the imperial centre and the management of them through various linkages of 'imperial politics'.¹²¹² Although Darwin is referring to the dominions, his argument still holds in regards to Britain's policy in Palestine. Britain's economic and strategic policies were indeed evident in her managing the harbour construction project from London, sometimes directly through the Colonial Office and often via the engagement of the Crown Agents for the Colonies.

Metzer argues that the building of the Haifa harbour was part of Britain's commitment to the construction of Palestine's 'economic infrastructure'.¹²¹³ The British government undertook substantial overhead investments with consideration to the 'poor economic state of the country'.¹²¹⁴ Employing local labour in the harbour works conformed to the British government's policy to alleviate the hardship in mandated Palestine and participate in developing its natural resources.

Economic and strategic purposes: equipment and oil dock

The adoption of the departmental method by the British government and the establishment of the Haifa Harbour Works Department (HHWD), was done precisely to

¹²¹¹ Dimsdale, 'British Monetary', pp. 319-20.

¹²¹² Darwin, *The Empire Project*, p. 13.

¹²¹³ J. Metzer, *The Divided Economy of Mandatory Palestine* (Cambridge: Cambridge University Press, 1998).

¹²¹⁴ *Ibid.*

benefit the British Empire. Ferris is correct in arguing that British aims were 'defined and pursued in a hard-headed fashion'.¹²¹⁵ Equipment and material were required in order to execute the layout of the harbour which included main and lee breakwaters, wharf wall, transit sheds, roads and rails, and an oil dock. It was decided to construct the main breakwater to withstand a five-metre wave from trough to crest.¹²¹⁶ Since the result of boring showed certain projections of rock, the consulting engineers were compelled to extend the main breakwater beyond the line originally proposed.¹²¹⁷ The base of the main breakwater on the west started from the promontory Ras-el-Krum at the foot of the Carmel to the east, roughly parallel with the town front.¹²¹⁸ The lee breakwater and the oil dock were situated in the eastern side of the port.

Construction of the harbour commenced on 1 October 1929, and although the consulting engineers expected the works to 'be completed within 36 months', they in fact took four years and were completed in October 1933, a year overdue.¹²¹⁹ The actual works started with the opening of a quarry to the south of Haifa to provide the required rocks to build the breakwaters.

It was vital for the British government to acquire British manufacturing because it fell within its industrial policy. This was also made possible by the British turn toward an interventionist economic approach. Allan Booth argues that officials justified their increasing involvement in the staple industries 'by claiming that short-term intervention was needed to put industry on the right course.'¹²²⁰ By the time the harbour works commenced the second Ramsay MacDonald Labour government was in power. With it

¹²¹⁵ Ferris, 'The Greatest', p. 747.

¹²¹⁶ Buckton, 'The Construction', p. 552.

¹²¹⁷ TNA/CO733/198/4B, by Downie CO, 5.1.1932.

¹²¹⁸ Buckton, 'The Construction', p. 548; TNA/CO733/233/1, Opening Ceremony, 31.10.1933.

¹²¹⁹ TNA/CO733/184/6, RPT to CA, 8.12.1930.

¹²²⁰ Booth, 'Britain', p. 510

came a Treasury policy to promote cheap money and investment.¹²²¹ Passfield, MacDonald's Colonial Secretary, instructed that 'materials should, where available, be purchased locally or that they may be indented for on the Crown Agents for the Colonies, [...] plant and equipment which cannot be manufactured locally should be included.'¹²²² Bearing in mind that the Crown Agents were under standing orders to purchase in Britain, it becomes clear how the arrangements for the HHWD worked in favour of the British producer.¹²²³ The Colonial Secretary's instruction could well be understood in light of A.N. Porter and A.J. Stockwell's contention that Britain exploited colonial resources 'for metropolitan benefit' under the pretence of advancing the colonies.¹²²⁴

The Resident Engineer, George Thompson as head of HHWD ordered stores through the Crown Agents who were entitled to obtain material, machinery, and engineering stores for Mandatory Palestine.¹²²⁵ He also started with preliminary works including acquisition of lands necessary for the works, organization of staff, installation of offices, and laying railway lines and roads.¹²²⁶

In a meeting in April 1929, the Resident Engineer George Thompson, as head of HHWD, outlined the equipment needed for the construction of Haifa harbour. However, since the Government of Palestine possessed no equipment and unsuccessful efforts were made to effect the purchase of equipment locally and in Egypt, it was necessary to obtain all the

¹²²¹ Ibid., p. 503.

¹²²² TNA/CO935/2, S.S. CO to H.Cr., 27.9.1929.

¹²²³ Hansard, HC Deb, 9 December 1926, vol. 200, cc.2327-90, c. 2373: Amery: The Crown Agents for the Colonies were 'under standing orders not to give any order outside this country, or outside the British Empire, without special reference to the Secretary of State.'; TNA/CAOG14/107, 'The main function', 9.7. 1917.

¹²²⁴ A. Porter and A. Stockwell, *British Imperial Policy and Decolonization, 1938-64*, vol. I, 1938-51 (London: Macmillan Press, 1987), p.12.

¹²²⁵ TNA/CAOG14/107, 'The main function', 9.7. 1917.

¹²²⁶ TNA/CO935/2, RPT to CA, 20.9.1929, & CA to CO, 23.10.1929.

equipment elsewhere.¹²²⁷ Because the consulting engineers were held responsible for the satisfactory execution of the scheme, they were charged with preparing all contracts and specifications. The arrangements also entailed that tenders would be invited by the Crown Agents, and the tenders received would be submitted to the consulting engineers for their recommendation. It was decided that all contracts would be placed in Britain by the Crown Agents.¹²²⁸ In fact, tendering and contracting was planned and executed by the Crown Agents in London, some distance from the government of Palestine. Past practice in the colonies, when large public works were carried out departmentally was different. The Crown Agents explained it had been for the Resident Engineer to pass the necessary purchase orders 'through the Colonial government'.¹²²⁹ As for the project of building the harbour the role of the government of Palestine was confined to that of a mediator between the Resident Engineer and the Crown Agents and did not have the authority to perform the purchases of equipment and material for the harbour works. In this case, it could be said that the arrangement effectively diminished the role of the mandate government below that of the colonial government.

It was a major concern of the British government that this practice of purchasing British-only goods would not provoke criticism among foreign countries. According to *The Manchester Guardian*, 'While it may be taken that British machinery will mostly be used, foreign Governments will not be able to protest that a mandate territory is being used to favour British interests.'¹²³⁰ The reason for any lack of protest would be because, according to government documents, there was not yet any announcement by the Crown Agents concerning public purchasing of the needed equipment. There was only limited advertising about placing, with British firms, orders pursued by the Crown Agents. For example,

¹²²⁷ Buckton, 'The Construction', p. 561; TNA/CO935/2, CA to CO, 23.10.1929.

¹²²⁸ TNA/CO935/2, Report on the conference, 16.4.1929; TNA/CO733/164/6, CA to CO, 25.7.1929.

¹²²⁹ TNA/CO733/164/6, CA to CO, 4.9.1929.

¹²³⁰ *The Manchester Guardian*, 10 April 1929, p. 7.

Modern Transport published that 'in connection with the harbour development scheme at Haifa, Palestine, Sir Wm. Arrol and Co., Limited, of Glasgow, have been awarded, by the Crown Agents for the colonies, the contract for 100 all-steel skips, each of a capacity of about 10 tons,' for the use of stone quarries.¹²³¹ Another advertisement said that 'The Hunslet Engine Co., Limited, Leeds have received from the Crown Agents for the Colonies an order for eight tank engines required in connection with the extension of Haifa harbour.'¹²³² Under 'Notes of the week', it was written in *Modern Transport* that 'at the Haifa harbour works, good progress has been made during the past few weeks. Since 15 September [1929], between 700 and 800 tons of heavy plant and machinery have arrived at the railway jetty at Haifa harbour.'¹²³³ And in a report that also appeared in *Modern Transport* about 'Harbour development in Palestine' it was mentioned that 'The steel work is being supplied by Horseley Bridge and Thomas Piggott Limited of Tipton (Staffs.)'.¹²³⁴ The documents of the British government including *The Board of Trade Journal*, the Crown Agents, including *The Crown Agents Bulletin*, and the various newspapers did not provide any further announcements about placing contracts with British firms. Occasional references to the works at Haifa in general were found in *The Economist*, *The Times*, and *Modern Transport*. This shows evidence that the British government, in fact, followed the advice of the Foreign Office about not advertising widely any of the contracts and to purchase the equipment in piecemeal and by petty contracts. Therefore, it was not possible to identify the firms and manufacturers who provided all of the equipment and material for the harbour construction. The reports of the consulting engineers and the government documents however ascertained that these purchases were executed in Britain.

¹²³¹ *Modern Transport*, 9.11.1929, p. 23.

¹²³² *Ibid.*, 21/546, 31.8.1929, P. 13.

¹²³³ *Ibid.*, 22/563, 28.12.1929, p. 11.

¹²³⁴ *Ibid.*, 31/807, 1.9.1934, pp. 3-4.

The Crown Agents took good care that all contracts should be placed in Britain through inviting competition directly from British manufacturers with track records of capability, resources, and trustworthiness.¹²³⁵ The Crown Agents assured the Colonial Office that in principle there was no 'difficulty in proceeding with the acquisition of the plant required'. However, some of the required items should be 'purchased direct from makers.'¹²³⁶ Therefore, in order to boost the British economy, particularly given that 'exports declined 13.4 per cent' and 'world trade increased 27 per cent' between 1913 and 1929, a limited number of British firms were invited to tender.¹²³⁷ However, the documents do not provide an exact number or the names of the firms.

The consulting engineers' reports and the correspondence of the Crown Agents show that locomotives, cranes, machinery and other equipment had been purchased in Britain and sent out to Haifa.¹²³⁸ The equipment obtained in Britain included seven 15-ton Scotch derrick-cranes of 65-foot radius, twelve tank-locomotives, fourteen 15-ton steam travelling cranes, and four hundred skips of various sizes.¹²³⁹ Additionally, a 15-ton pillar crane was designed by the engineers for a special task. It had been tested in Britain and was delivered to Haifa and started work in December 1930.¹²⁴⁰ Booth and Glynn's contention that industries increased their specialization in 'catering for the demands of the export industries' is evident in the manufacturing of a crane to perform a specific task in the

¹²³⁵ TNA/CO935/2, CA to CO, 25.7.1929; TNA/CAOG14/107, 'The functions'; TNA/CO 733/184/6, Partner's Report, June 30th 1930.

¹²³⁶ TNA/CO935/2, CA to CO, 18.3.1929.

¹²³⁷ A. Kahn, 'The British Balance of Payments and Problems of Domestic Policy', *The Quarterly Journal of Economics*, 61/3, (May 1947), pp. 368-396, p.374; TNA/CO733/198/5A, CA to CO, 20.1.1931.

¹²³⁸ TNA/CO733/164/Memorandum by CO, 7.1.1929; TNA/CO935/2, RPT to CA, 27.5.1929.

¹²³⁹ Buckton, 'The Construction', p. 562.

¹²⁴⁰ TNA/CO733/198/4A, Partner's report, 31.3.1931.

harbour.¹²⁴¹ Five units of this equipment, including the derrick crane and travelling cranes were used in the quarries.¹²⁴²

The abundance of stone in Palestine was one of the most important factors affecting the ultimate cost of the work.¹²⁴³ This was due to stone being the main physical component for building the breakwaters and constituted the bulk financial cost of the harbour. It was possible to obtain the required stone from the sandstone ridge of the Athlit quarries eleven miles south of Haifa.¹²⁴⁴ Arrangements were made between HHWD and the Palestine Railway Department to place 200 stone train wagons at the disposal of the Harbour Department. At the same time the Railway Department took care of sidings and haulage of the stone trains to reach the base of the breakwater.¹²⁴⁵

With the use of the equipment shipped to Haifa, five thousand tons of stone was removed daily from Athlit quarry with the total amount of stones quarried 1,202,833 cubic meters solid that were used in building the breakwaters.¹²⁴⁶ (See appendix VI: One of the faces in the north quarry at Athlit)The crest level of the breakwaters was four metres and 2,210 in length metres.¹²⁴⁷ Large natural blocks of stones of irregular shape and form were transported by the British made skips and were placed in position by the specially-designed pillar crane, capable of handling a load of 15-tons at a radius of 65 feet.¹²⁴⁸ (See appendix VII: Equipment, pillar crane for construction of main breakwater) However, it was concrete and not stone that was used for the parapet and was provided with bollards at intervals for end-on moorings for cargo steamers.¹²⁴⁹ The lee breakwater was of a much lighter design than the main breakwater, as the structure had only to withstand the moderate waves

¹²⁴¹ A. Booth and S. Glynn, 'Unemployment in the Interwar Period: A Multiple Problem', *Journal of Contemporary History*, 10/4, (October 1975), pp. 611-636, p. 621.

¹²⁴² Buckton, 'The Construction', p. 563.

¹²⁴³ TNA/CO733/164/6, CA to CO, 25.7.1929.

¹²⁴⁴ TNA/CO733/149/3, RPT to CA, 13.7.1928; TNA/CO 733/164/6, CA to CO, 25.7.1929; *Engineering*, vol. 136, 3.11.1933, p. 488.

¹²⁴⁵ TNA/CO733/164/6, CA to U-S CO, 25.7.1929; TNA/CO935/2, CO to CA, 28.5. 1929.

¹²⁴⁶ TNA/CO733/232/1, Partner's report, 30.9.1932.

¹²⁴⁷ Buckton, 'Construction', p. 557.

¹²⁴⁸ TNA/CO935/2, RPT to CA, 20.9.1929.

¹²⁴⁹ TNA/CO733/233/1, Opening Ceremony.

from the north. The lee breakwater, which was formed by prolonging the existing railway jetty, and was about 765 metres long, contained 230,000 cubic yards of stones with a crest-level of 2 metres above mean sea level.¹²⁵⁰ It was also built with the use of the machinery brought from England.

In addition to the main and lee breakwaters, the wharf and the oil dock became an essential part of the harbour for both economic and strategic reasons. For ultimate utilization of the pipeline terminus coming from the oil fields of Mosul, the British government in consultation with the consulting engineers and the Iraq Petroleum Company, decided to construct an oil dock within the harbour and not outside of it in order that tankers and oil cargoes would be protected by the breakwaters similar to other types of shipping. The need for an oil dock in the harbour, *The Times* explained, was so that tankers can come to take oil brought through the Iraqi pipeline.¹²⁵¹ The oil dock at Haifa served as a facility to export the Iraqi oil to Europe of whom Britain was the largest consumer taking more than 75 per cent of the total amount going to Europe.¹²⁵² (See appendix VIII: Design of the harbour including the oil dock).

When the works for the development of the Haifa harbour were approaching completion, *Oil News* wrote that the lay-out of the harbour was such as to 'provide a site for an oil dock within it.'¹²⁵³ The consulting engineers assured the Crown Agents that 'the plans of the lee breakwater were modified' and 'stern-on moorings must be confined to the main breakwater' in order to allow for the accommodation of oil dock.¹²⁵⁴ The plan of the harbour could be utilized in connection with an oil pipeline and the export of oil 'without interfering in any way with its use for ordinary commercial purposes.'¹²⁵⁵ The Crown agents were enthusiastic that they suggested the building of a 'safe oil dock' would be carried out

¹²⁵⁰ Buckton, 'The Construction', p. 557.

¹²⁵¹ *The Times*, 31.10.1933, p. 13.

¹²⁵² E. Miller, 'The Role of Petroleum in the Middle East', *The Scientific Monthly*, 57/3, (September 1943), pp. 240-248, p. 247.

¹²⁵³ *Oil News*, 9.3.1933, p. 171.

¹²⁵⁴ TNA/CO733/198/4B, by Downie CO, 5.1.1932; TNA/CO733/232/1, Partner's report, May 1933.

¹²⁵⁵ TNA/CAOG10/68, H.Cr. to S.S. CO, 12.1.1928.

‘concurrently with the main harbour works.’¹²⁵⁶ This did not happen as the construction of the oil dock was only sanctioned in August 1933 when the harbour works were almost complete. Why did it take that long for the British government to decide about the oil facilities at Haifa harbour? This was primarily due to the delay in settling the issue of the alignment of the oil pipelines from Mosul to the Mediterranean. Additionally, it was due to the British government thinking it advisable to allow for the possibility for the IPC to request the building of the oil dock in order to finance its expenses.¹²⁵⁷ This was essential, since the loan provision for the harbour did not include the cost of an oil dock in the original estimate of £100,000.¹²⁵⁸

Nevertheless, the British government was encouraged to approve the building of the oil dock since Palmer of the consulting engineers was confident that the cost of the additional building in the harbour for oil facilities could be covered by harbour charges payable by IPC.¹²⁵⁹ Gilbert Herbert states that serious negotiations with the Iraq Petroleum Company began in the latter part of 1932, with the consulting engineers ‘stressing the urgency of a firm decision in view of the anticipated completion of the pipeline in 1934.’¹²⁶⁰ In order to make the funds available without burdening the British government, the Colonial Office suggested to the Treasury that provisions for the oil dock could be afforded by using the funds allocated for another project in the Palestine Loan schedule. The drainage scheme, amounting to £107,000, was duly identified.¹²⁶¹ The Treasury agreed to that on the understanding that the IPC were willing to enter into an agreement for a period of twenty years on the basis of flat rate payment on all oil loaded and to be subject to a guaranteed

¹²⁵⁶ TNA/CO733/149/4, RPT to CA, 12.12.1928.

¹²⁵⁷ TNA/CO733/216/4, Downie CO to Williams CO, 19.8.1932.

¹²⁵⁸ TNA/CO733/198/4B, by Downie CO, 5.1.1932.

¹²⁵⁹ *Ibid.*

¹²⁶⁰ Herbert, ‘Crossroads’, p. 323; TNA/CO733/216/4, Downie CO to Williams CO, 19.8.1932.

¹²⁶¹ TNA/CO733/216/4, Williams CO to Grieve Treasury, 12.1.1933.

minimum of £25,000 per annum.¹²⁶² By this arrangement the funds needed for building the oil dock became available. It is worth noting that the procedure entailed the government of Palestine gaining Treasury approval for most of its expenditure proposals.¹²⁶³ The Crown Agents, on behalf of the government of Palestine concluded an agreement with IPC for the use of Haifa oil dock on 15 June 1933.¹²⁶⁴ In doing so the company had agreed to 'a non-exclusive right to use the dock'.¹²⁶⁵ This meant that the IPC would pay for the construction of the oil dock while permitting other companies and shipping agencies to use it as well. However, building an oil dock within Haifa harbour did not pass without criticism.

The Association of Steamship Agents at the Haifa port, and the Italian Consulich Line, protested against the construction of the oil dock within the Harbour on grounds of safety. The risk of fire in particular was identified due to the proximity of the oil and because of the foul odour causing discomfort to passengers aboard nearby vessels.¹²⁶⁶ There were therefore concerns that tourist trade would be affected by the building of the oil dock. Moreover, having the oil dock located to the west of the lee breakwater would hamper the berthing of larger vessels thus would 'lessen the attraction of Haifa as a desirable safe port of call for large cruising ships'.¹²⁶⁷

The consulting engineers refuted these allegations, and assured the Colonial Office that those fears were baseless and that every precautionary measure was taken to make the oil dock 'the cleanest and tidiest section of the harbour'. Additionally, a clause was included in

¹²⁶² TNA/CO733/232/2, Officer administrating the government (OAG), to S.S. CO, 25.5.1933;

TNA/CAOG14/126, Treasury to the U-S CO, 20.2.1933; CAOG 14/126, Williams CO to CA, 27.2.1933.

¹²⁶³ R. El-Eini, 'Government Fiscal Policy in Mandatory Palestine in the 1930s', *Middle Eastern Studies*, 33/3, (July 1997), pp. 570-596, p. 572.

¹²⁶⁴ TNA/CAOG14/126, CA to U-S CO, 23.6.1933.

¹²⁶⁵ TNA/CAOG14/126, lawyers' office E. F Turner & Sons to CA, 15.3.1933.

¹²⁶⁶ TNA/CO733/232/2, from 'Italia' Flotte Riunte Consulich-Lloyd Sabauda - Navigazione Generale to FO, 20.9.1933; TNA/CAOG10/69, OAG to S.S. CO, 25.9.1933.

¹²⁶⁷ TNA/CO733/232/2, from 'Italia' to FO, 20.9.1933; TNA/CAOG10/69, OAG to S.S. CO, 25.9.1933.

the agreement with the IPC that demanded the company to 'take all necessary measures for keeping the oil dock clean and free from scum.'¹²⁶⁸ Moreover, Buckton of PRT presented to the Colonial Office a comparison between the plans of the oil dock at Haifa with plans for oil docks situated in various other harbours. He showed that the position of Haifa oil dock appeared to be 'at least as safe, and in some cases safer than others, e.g. Colombo and Hamburg'.¹²⁶⁹ Consequently, the Secretary of State was satisfied that there would be no justification for insurance companies increasing their rates in Haifa. This was because the precautions which had been provided against fire risks the oil dock were 'as great as or greater than those taken in other ports.'¹²⁷⁰ In fact, a fire-screen of reinforced concrete was extended along the entire length of the oil dock.¹²⁷¹ Thus the Italians, in particular, were not able to pursue their complaints.

Modern Transport reported in September 1934 that the construction of the concrete jetties to form an oil dock had commenced and that these works were expected to be completed towards the middle of the following year.¹²⁷² Some equipment was transferred from the HHWD and used in carrying out the new works of the oil dock.¹²⁷³ With an enclosed area of 25 acres formed between the lee breakwater and the oil dock, it was possible for the harbour to take two tankers and a future extension would allow for a further two.¹²⁷⁴ The oil dock in fact made it possible for the transportation of oil from the pipeline terminus in Haifa. However, in order for the British fleet to make use of the oil it had to be refined, so a refining facility was constructed later. Therefore, the oil dock served as a facility that the navy could use in connection with further arrangements.

¹²⁶⁸ TNA/CO733/232/2, RPT, 'Brief Statement of Precautions being taken against fire', 6.10.1933.

¹²⁶⁹ TNA/CO733/232/2, Downie CO to Williams CO, 13.10.1933.

¹²⁷⁰ Ibid.

¹²⁷¹ Buckton, 'The Construction', p. 560.

¹²⁷² *Modern Transport*, 1.9.1934, pp. 3-4.

¹²⁷³ TNA/CO733/232/1, Partner's report, May 1933.

¹²⁷⁴ Buckton, 'The Construction', p. 560.

The total cost of the equipment, machinery and material purchased by the government of Palestine from the Palestine loan for the building of the harbour amounted to £220,000.¹²⁷⁵ This amount did not include the additional equipment purchased for the oil dock or the stores and material provided by the Crown Agents to works related to the building of the harbour. The bulk of this amount (£180,000) was spent in Britain with only some items and material purchased from the local market. The Colonial Office wrote that small contracts should be sourced locally for the supply of material, or for the execution of sections of the work, as circumstances permitted.¹²⁷⁶ No further details, however, were provided as to the material or contracts that were executed in Palestine. The only mention in the consulting engineers' report refers to the expenditure of £40,000 that was spent locally.¹²⁷⁷ Nevertheless, we also learn that some second hand equipment such as a compressor and some cement were purchased locally. The lack of information about the local expenditure may be attributed to the fact that upon completion of the works at the harbour, all papers were disposed of as required by the government and as the instructions given to the Resident Engineer regarding the 'disposal of correspondence files'.¹²⁷⁸

Although it is not the intention in this study to delve into various aspects of economic conditions in Britain during the interwar period, it is necessary to relate those conditions to the behaviour of the government in regards to the building of Haifa harbour. It is possible to say that the policy of 'protection' established as an 'emergency measure' by the British government in 1931 was in fact enforced earlier in 1929 by the Colonial Office and

¹²⁷⁵ 'Discussion of Buckton's report on Haifa harbour and other issues', *Minutes of Proceeding of the Institution of Civil Engineers*, Vol. 239, (1934-35), p. 625; TNA/CO733/232/1, Partner's report, May 1933.

¹²⁷⁶ TNA/CO935/2, Williams CO to CA, 8.2.1929; TNA/CO733/198/5A, Rendel FO to General Charles G. Dawes Ambassador of the United States, 24.2.1931.

¹²⁷⁷ TNA/CO733/232/1, RPT, Partner's visit, July 1933.

¹²⁷⁸ *Ibid.*, Partner's report May, 1933.

continued to be so until the completion of the works.¹²⁷⁹ Such behaviour could be explained by Cain and Hopkin's claim that 'the growth of foreign competition certainly increased business demand for protection and for greater state involvement.'¹²⁸⁰ The state's involvement in connection with the construction of the harbour at Haifa is seen in the extent to which the government managed to use British products. Using the method followed by the Crown Agents of directly obtaining quotations for equipment and machinery from selected manufacturers, known for their capability, resources, and trustworthiness, it was manageable to give the issue of purchasing in Britain a low profile.¹²⁸¹ The usual practice of the Crown Agents was that upon receipt of orders for stores, depending on the quality and nature of the items requested, they would contact one of their suppliers or solicit bids from an approved list of manufacturing firms. The beneficiary of this policy was British business.¹²⁸² For Britain, as the mandatory power, such action was justified because it felt that in return for administrating the territory of Palestine it had the right to benefit from its economy. Besides this, Britain wanted to keep its rivals away and thus competition for tendering was limited to known British firms.

The state involvement was not only related to the staple products in Britain but also in gearing the mandatory territory towards spending its money inside Britain. The government of Palestine was not even given the opportunity to consider obtaining equipment from other foreign countries. The entire issue of the harbour construction was in the hands of the government in London acting through the Crown Agents and the consulting engineers. Although the amount spent in Britain was not huge, in comparison to that spent for the

¹²⁷⁹ Alford, *Britain*, p. 140

¹²⁸⁰ P. Cain and A. Hopkins, 'Gentlemanly Capitalism and British Expansion Overseas II: New Imperialism, 1850-1945', *The Economic History Review*, New Series, 40/1, (February 1987), pp. 1-26, p. 9.

¹²⁸¹ TNA/CAOG14/107, 'The main functions', 9.7.1917.

¹²⁸² Ponko, Jr., 'Economic Management', p. 368.

extension of the oil pipeline from Mosul to the Mediterranean, it contributed to reviving British industrial production, even by a small amount.

The end result was that the British government was able to obtain the required equipment and material for the building of the harbour from British manufacturers. This goal was possible since the work was performed by an ad hoc department of the Palestine government. This allowed for the manipulation of the mandate provisions that demanded economic equality. In this matter it is feasible to say that Britain in effect treated Palestine as if it were one of its colonies.

Initial change: accepting foreign competition

It was not possible for the British government to pursue the dredging of the harbour in the same manner it dealt with obtaining machinery and equipment (i.e. through British providers and with a low profile). The purpose of dredging was to deepen the basin of the harbour in order to meet the Colonial Secretary's instructions for the harbour to be of a depth suitable to 'enable vessels drawing thirty three feet to enter in all weathers'.¹²⁸³ The Colonial Office made enquiries with P&O and the Royal Mail in order to decide the depth of dredging suitable for Mediterranean-bound steamers.¹²⁸⁴ Dredging of the whole enclosed area by the breakwaters was decided in order to provide nearly 10,000 feet of vessel quayage along the eastern, western and southern sides of the harbour.¹²⁸⁵

The consulting engineers suggested that dredging needed to be carried out stage by stage so as to suit the general progress of the works. The first operation required was the

¹²⁸³ TNA/CO733/132/7, S.S. CO to H.Cr., 15.6.1927.

¹²⁸⁴ Ibid., Harding to Wilson CO, 19.3.1927.

¹²⁸⁵ Ibid., CA to U-S CO, 9.2.1927.

dredging of a trench for the foundations of the wharf wall. The second was general dredging of the whole enclosed area. However, dredging by HHWD was not advised by the consulting engineers. If dredging were to be carried out by HHWD, they explained, the cost would be 25 per cent greater than the amount allocated for dredging since dredgers were expensive vessels both to build and to maintain.¹²⁸⁶ The recommendation of the consulting engineers was to open up the work to competitive tender, with sourcing a reputable firm of constructors being the most economical method of carrying out the work.¹²⁸⁷ The Crown Agents supported this view, although, in their opinion, purchasing expensive equipment for dredging would 'benefit British trade'.¹²⁸⁸

It was decided, in October 1930 that dredging works should be put out to tender and open to foreign firms.¹²⁸⁹ Though the decision was based on cost concerns, the new approach of allowing foreign firms to tender could be understood along the lines of Butler's claims that 'for Britain, the interwar years saw the beginnings of an important phase of economic readjustment.'¹²⁹⁰ The Crown Agents were concerned that if the public invitation for tenders were issued Dutch and Italian firms experienced in dredging would make 'great efforts to secure the work'.¹²⁹¹ Thus, the Colonial Office found it necessary to consult with the Foreign Office regarding the method used for inviting tenders.¹²⁹² That was essential for the Colonial Office in order to avoid any appearance of discrimination or of infringement of the mandate.¹²⁹³

¹²⁸⁶ TNA/CO733/132/8, Harding CO to Shuckburgh CO, 29.12.1927; The estimated cost of a new plant was approximately £160,000 and would take about '16 months to build and deliver'. (TNA/CO733/184/6, RPT to CA, 1.10.1930).

¹²⁸⁷ TNA/CO733/184/6, RPT to CA, 22.8.1930.

¹²⁸⁸ *Ibid.*, CA to CO, 25.8.1930.

¹²⁸⁹ TNA/CO733/198/4A, Partner's report, July 1931.

¹²⁹⁰ Butler, *Britain*, p.6.

¹²⁹¹ TNA/CO733/184/6, CA to CO, 25.8.1930.

¹²⁹² TNA/CO733/198/5A, by Priestman CO, 6.1.1931 and Beckett CO, 7.1.1931.

¹²⁹³ TNA/CO733/184/6, Shuckburgh CO to CA, 29.12.1930.

For its part, the Foreign Office took a firm stand and insisted that foreign firms should be permitted to tender in light of Italian and American protests against the attempt to limit the call to tender to British firms.¹²⁹⁴ With the consent of the Colonial Office, the Foreign Office wrote to the ambassadors of Italy and the United States in order to inform them that modifications were introduced to the departmental method chosen to construct the harbour. They were told that the government of Palestine decided to carry out part of the constructional dredging in connection with the harbour works by contract.¹²⁹⁵ However, in order to make clear that there was no intention to open the competition to all firms, the Foreign Secretary pointed out to them that tenders would be advertised to the colonies by the Crown Agents. This meant that the Crown Agents would not employ a fully open door policy by public tendering but rather would be limited to include British and some non-British firms. The Foreign Secretary explained that as the contract was small, referring to the dredging for the foundations of the wharf wall would 'likely to command itself only to such firms as have the necessary dredging plant in the vicinity.'¹²⁹⁶

The Crown Agents did not prefer the method of public tendering as they sought to avoid receiving tenders from 'unknown or unsatisfactory firms'.¹²⁹⁷ They wanted to maintain their standard practice and confine invitations to known firms. They, in fact, authorized the consulting engineers Rendel, Palmer and Tritton to invite known and reputed firms to include 'those foreign firms who have already applied, and from one or two others who are known to them to do good work'.¹²⁹⁸ The new approach of inviting non-British firms was a breakthrough in the traditional colonial policy related to construction works. It was now

¹²⁹⁴ Ibid., FO to CO, 30.10.1930.

¹²⁹⁵ TNA/CO733/198/5A, Rendel FO to U-S CO, 11.2.1931.

¹²⁹⁶ Ibid., FO to Shuckburgh CO, 8.1.1931 & Rendel FO to the American Ambassador General G. Dawes and Italian Ambassador Antonio Bordonaro, 24.2.1931.

¹²⁹⁷ Ibid., CA to CO, 20.1.1931.

¹²⁹⁸ TNA/CO733/184/6, CA to CO, 26.11.1930; For example an invitation was sent to Ing. Roberto Almagia, the Italian who had plant in Egypt or Greece, and had already made an offer to the Resident Engineer at Haifa for the trench dredging. (TNA/CO733/198/5A, CA to CO, 3.1.1931).

feasible for the British government to consider the interests of other members of the League of Nations in accordance with the rules of the mandate system.

Five firms, including British and foreign firms but with, the latter having representatives in Britain, were invited to tender in January 1931 for the dredging work required for the foundation trench for the wharf wall. Only three tenders were received. The lowest tender, amounting to £9,252, was submitted by James M. Dawar & Sons, in London, acting on behalf of their principals the Dutch firm, Baggerwerken de Vries & Van Bosch who had dredging machinery and equipment at Latakia on the Syrian coast.¹²⁹⁹ A foreign firm having works close to Haifa was accepted, meaning that finally an equal access was given to non-British firm to perform works in the Haifa harbour. The fears of the Colonial Office therefore, that the government behind the firm would attempt to gain a controlling stake in the mandated territory, appeared to be baseless and as this did not transpire in this example. The dredging to thirty-one feet below mean sea level for a length of about 1400 feet took two months and ended in July 1931.¹³⁰⁰ Although this part of the dredging was in a small amount, it drew the attention of the Americans.

With instructions from the government of the United States, the American Consul-General in Jerusalem addressed the government of Palestine with regards to tendering for dredging. He demanded to be furnished with copies of the dredging concession since the Crown Agents called for tenders from suitable British and foreign firms. He also inquired about the conditions of the tender for the projected work of dredging.¹³⁰¹ In reply, the Colonial Office, through the government of Palestine, furnished the American Consulate with copies of the contract placed with the Dutch firm as well as with documents related to the projected

¹²⁹⁹ TNA/CO733/198/5A, CA to U-S CO, 14.4.1931 & CA to CO, 3.1.1931.

¹³⁰⁰ TNA/CO733/198/4B, RPT report, Sep., 1931.

¹³⁰¹ TNA/CO733/198/5B, P. Knabenshue, Consul General of the United States, Jerusalem to the Chief Secretary, Government Offices, Jerusalem, 16.4.1931.

main dredging at Haifa harbour.¹³⁰² Moreover, Standard Dredging Company of New York was also provided with the necessary documents to enable them to submit tender.¹³⁰³

Similar tendering invitations were adopted for the main dredging. Invitations to tender for the main dredging and reclamation work were sent in August 1931 to nine suitable firms but were not advertised publicly and openly beyond these. Only six tenders were received and came from British, Dutch, Belgian and Italian contractors. The Americans did not bid for the contract, although they were invited to do so.¹³⁰⁴ Although the manner of invitation to tender was not opposed by the Americans, it seemed that the conditions of the tender were not agreeable or that they did not have available equipment close enough to the area. Heavier work was expected for this part of the project. The contract was for dredging the whole of the harbour area between the main wharf and Lee breakwater. This required dredging to a depth of 9.4 metres and depth of 11.3 metres for the harbour entrance and to provide large mooring and a turning area for tourist vessels. The contract covered the removal of all necessary material to provide the required depth. It was designed so that the whole of the dredged material was to be used in the building of a reclaimed area at the foreshore.¹³⁰⁵ On the recommendation of the consulting engineers, the Crown Agents accepted the lowest tender which had been submitted by the Anglo-Egyptian firm Tilbury Contracting and Dredging Co., (Egypt) Ltd, and amounted to approximately £80,000. The main dredging works covering 175 acres started in November 1931 and was finished in September 1933.¹³⁰⁶ This meant that giving the work for an Anglo-Egyptian company was not in violation of the provisions of the mandate since the British government opened the work fairly to British and foreign firms alike. (See Appendix IX: Reclamation pump dredger)

¹³⁰² Ibid., CA to CO, 26.6.1931; TNA/CO733/198/5B, S.S. CO to H.Cr. Palestine, 2.7.1931.

¹³⁰³ Ibid., CA to CO, 30.6.1931.

¹³⁰⁴ Ibid., CA to CO, 30.6.1931; TNA/CO733/198/4A, Partner's report, July 1931.

¹³⁰⁵ TNA/CO733/233/1, Opening ceremony, General Description, 31.10.1933.

¹³⁰⁶ TNA/CO733/198/5B, CA to CO, 12.8.1931; TNA/CO733/198 /4B, RPT report, Sep., 1931; TNA/CO733/232/1, Partner's report, July 1933.

Modern Transport reported that 'altogether over 2 million cubic yards of material, mainly sand, have been removed in connection with deepening the harbour and reclaiming the area along the shore.'¹³⁰⁷ Technically, dredging added around 100 acres of reclaimed land in front of the town. The High Commissioner explained that this area was 'available for the erection of buildings' and was used for the new harbour station and for the standard gauge railway.¹³⁰⁸ As a result it was possible to accommodate 30,000-ton liners, or 'the largest ships which call at Haifa'.¹³⁰⁹ The harbour became more suitable for commercial and naval ships meaning economic and strategic goals would be satisfied. (See appendix X: General view, harbour works, July 1931.)

This work ended up by providing about 300 acres of sheltered water enclosed by the main breakwater. This ran from the foot of Mount Carmel and lee breakwaters built from the east.¹³¹⁰ These two arms protected about 700 yards of quay space which allowed for six ships weighing in between 8,000 to 10,000 tons as well as lighters and coasting vessels to be simultaneously moored alongside them.¹³¹¹ Even before dredging was completed seven ships moored along the lee breakwater.¹³¹² This meant that the original goal to provide Haifa with a major harbour given that big vessels could now moor on its wharves.

Although works were given after foreign firms were invited to tender, awarding the works to the Anglo-Egyptian company did not pass quietly. The Italians protested in September 1931 in a communication to the Foreign Office. They stated that article 11 of the Palestine mandate gave them rights of equal opportunity to participate in public works, services and

¹³⁰⁷ *Modern Transport*, 1.9.1934, pp. 3-4.

¹³⁰⁸ *The Times*, 1.11.1933, p. 11 & 31.10.1933, p. 13.

¹³⁰⁹ *The Manchester Guardian*, 13.3.1933, p. 7; *Engineering*, 3.11.1933, p. 488.

¹³¹⁰ TNA/CO733/233/1, Opening Ceremony, 31.10.1933.

¹³¹¹ Schattner, 'Haifa', p. 35; *The Times*, 9.9.1933, p. 11.

¹³¹² *The Manchester Guardian*, 13.3.1933, p. 7.

utilities and in the development of the national resources of the country so far as these matters were not directly undertaken by the administration. They postulated that according to the principles which governed the grant of the mandates 'all works of a certain importance had to be thrown open to competitive offers by public tender.' They added that the direct assumption by the Palestine administration of the more important public works 'is a policy contrary to the spirit of international agreements on the subject'.¹³¹³ Their complaint was not only directed towards the recent dredging contract but also referred to the departmental method used for the construction of the harbour. In fact, the use of this method limited the field in which Italians, as well as nationals of other states, would be able to compete for contracts.¹³¹⁴ The departmental method had been in operation for about two years, however giving the dredging to Tilbury Company had soured the Italians' approach towards the whole harbour project. Due to military weakness and to the new ideological currents that swept Europe, Italy was handicapped and was unable to 'win even a secondary position in Palestine.'¹³¹⁵

Since the British government adhered to the provision of the mandate and invited foreign firms to tender, the Colonial Office agreed with the Foreign Office to reply to the Italian's indictment. Their answer stated that although the British government admitted that the principle of granting works of the mandate had to be put out to public tender, they argued that the government reserved the right 'to decide in the light of the best interests of the Mandated Territory' about the appropriate method.¹³¹⁶ This approach was in line with the British government's policy since the start of its investment in the Haifa harbour project. When the decision was taken to carry out the works of the harbour by a government department, the pretence offered was that this was done in the best interest of the

¹³¹³ TNA/CO733/210/6, Downie to Williams CO, 10.12.1931.

¹³¹⁴ Ibid., Downie CO to Bennett FO, 17.12.1931.

¹³¹⁵ Manuel, 'The Palestine Question', p. 280.

¹³¹⁶ TNA/CO733/210/6, Downie CO to Bennett FO, 17.12.1931.

mandated territory. Indeed, Darwin rightly argues that there was a distinction between the theoretical acceptance of trusteeship and the practiced day-to-day approach of colonial administrators.¹³¹⁷ Although he refers to self-government, the British government had to go through hardship in order finally to decide which method that was the most suitable (or the least disadvantageous) for Britain in its major decisions concerning the construction of Haifa harbour. With the dredging experience, Britain had to move away from its pure colonial method of administrating and to adjust its method to fit prevailing conditions.

The position of the British government clearly was to assert its superiority in matters related to the territory under its control. Gallagher and Robinson explain in their discussion about the relationship of economic and political arms in the Empire, that the political actions aided commercial supremacy and this supremacy in turn strengthened political influence.¹³¹⁸ Although their discussion is relevant to the period before First World War, it is possible to suggest that the political position of Britain as a mandatory power aided her commercial supremacy in the region.

The Colonial Office believed that the government's reply would be acceptable to the League of Nations. Such conviction emanated from the principle that the mandatory power had the right to make its own arrangements with regards to public works, purchases of stores, etc., but this was to be conditioned by the interests of the mandated territory. This principle had been under the consideration of the Permanent Mandates Commission since its sixteenth session in 1929. A decision by the Commission was deferred until 'further information could be collected from the Mandatory powers'.¹³¹⁹ The Commission's view was similar to its view on the purchasing of British material using monies from the Palestine

¹³¹⁷ Darwin, 'Imperialism in Decline?', p. 657.

¹³¹⁸ Gallagher and Robinson, 'Imperialism', p.7.

¹³¹⁹ TNA/CO733/210/6, Downie to Williams CO, 10.12.1931.

loan. No decision however had yet been reached. This could be understood in light of how Zara Steiner describes the League of Nations. She said that the 'Geneva system was not a substitute for great-power politics but rather an adjunct to it.'¹³²⁰

It can be claimed that the dredging episode demonstrates a slight transition in the British government's colonial policy towards investment in Palestine. Perhaps the consideration of the method to be used for the harbour construction could be considered as a step toward changing the colonial approach. The dredging episode was however a more obvious attempt. This could be understood in light of the previous, and firm, position of the Colonial Office which refused any participation or engagement of foreign firms or governments in the harbour works. The dredging issue could also be seen as an acid test of Britain's commitment to international agreements and understandings. The British government was compelled not only to explain itself to the international community, but to adhere to the provisions of the mandate resulting mainly from the pressure exerted by the Americans and the Italians. The coordination between the Colonial and the Foreign Offices could be characterised as more harmonious in regards to dredging. This sits in clear comparison with their disagreements over decisions concerning the method of constructing the harbour. The Colonial Office accepted the position of the Foreign Office and the recommendation of the consulting engineer to go for contracting. In return however, commercial benefits to Britain would potentially be lost, as argued by the Crown Agents. It was through coordination between government departments that Britain could adapt to the international regulations and accept competition for projects in British controlled territories from other nations in British controlled territories.

¹³²⁰ Z. Steiner, *The Lights That Failed: European International History, 1919-1933* (Oxford, 2005), p.299, quoted in Pedersen, 'Back', p.1095.

This is demonstrated by Britain's awarding of minor dredging to a Dutch firm whilst retaining the main contract for a firm of British origin (although right under the noses of the Italians and the Americans). This was not always planned, particularly as the main work was awarded to an Anglo-Egyptian company only as a result of a tendering that was not limited to British firms. It can, however, be suggested that there was still a hidden Imperial motivation in the referencing for British contractors. Although the dredging issue involved various departments to consider changes to past colonial practice, it was vital for the British government to reassert itself as an Imperial power. This also could be viewed in light of Susan Pederson's claim that 'the League was the training ground' where statesmen learned skills and built alliances to regulate the world.¹³²¹ In light of this, it is possible to suggest that British statesmen also learned how to avoid provoking the international community. This being said, there is no evidence that the British government deliberately subverted the process.

Consideration of labour conditions

The British government's trusteeship over Palestine, and commitment to aid development in the territory as dictated by the mandate system, was given important expression in British attempts to develop Haifa harbour and to raise the standard of living in Palestine. This was demonstrated by Britain's desire to make sure that the government of Palestine would meet Section 1 (4) of the Palestine Loan Act concerning 'fair labour conditions' in the harbour works. The Resident Engineer, HHWD head George Thompson was compelled to adhere to that provision. Wage rates and working hours were the important labour conditions concerns. *The Manchester Guardian* published an article in December 1927

¹³²¹ Pedersen, 'Back', p.1116.

titled 'Unskilled Labour in Palestine: Jewish–Arab Competition' that claimed there was a considerable disparity between the wages paid for unskilled Jewish workers and Arab labourers. For the cost of any piece of work, the government employed 'the Arab standard' which was lower than the Jewish one.¹³²² In fact, H. Nevinson pointed out that the government of Palestine favoured the Arabs because the Arab would work for about 'a third of the Jew's wages.'¹³²³ In light of the government's wage policy in Palestine, and the requirements stated in the Loan Act, the question posed concerned those labour conditions adopted by the HHWD and to what extent these conditions influenced the works of the harbour.

It was part Britain's colonial policy aims, as D. Meredith contests, 'to raise the living standards of the people for whom the British government thought itself a trustee.'¹³²⁴ The decision to carry out the works by the HHWD did not therefore relieve the Colonial Secretary of the responsibility to satisfy fair labour conditions.¹³²⁵ The issue of fair conditions was related more to unskilled labour as skilled labourers were paid fair wages. The daily rate for skilled and semi-skilled labour varied in accordance to the type of work. For example, a carpenter was paid between 180 and 350 mils in 1929 and increased gradually to reach somewhere in between 200 and 475 mils by 1933.¹³²⁶ That average was also paid for fitters, blacksmiths, electricians, locomotive and crane drivers.¹³²⁷ Professions and technicians enjoyed fair pay since, as we learned earlier, it was difficult to obtain these professionals given they were usually employed by contractors. Their comparatively better

¹³²² *The Manchester Guardian*, 8.12.1927, p. 20.

¹³²³ H. Nevinson, 'Arabs and Jews in Palestine', *Foreign Affairs*, 8/2, (January 1930), pp. 225-236, p.233.

¹³²⁴ Meredith, 'The British Government', p. 485.

¹³²⁵ TNA/CO733/164/6, by CO, 28.3.1929.

¹³²⁶ Buckton, 'The Construction', Appendix IV, Labour Rates: £1 Palestine =1,000 Mils- £1 Sterling.

¹³²⁷ TNA/CO935/2, CA to CO, 18.3.1929.

pay compared to unskilled labour was further enhanced given premiums received for improved performance.

With regards to unskilled labour, Palmer argued that since there was no 'serious unemployment' in Palestine, it was not possible to obtain local labour below the current market rates of 120 mils per day.¹³²⁸ The estimated cost of work at the harbour was based on this figure. Nevertheless, the Resident Engineer was instructed to cooperate with other departments on the labour question.¹³²⁹ Guided by the rates given by the Railway Department, the initial wage adopted at the commencement of the harbour works for unskilled labour started at 120 mils per diem.¹³³⁰ Accepting a low-wage, Issa Khalaf explains, was due to rural migrant workers accepting wages lower than those paid to Arab urban workers. This was because employers and the government determined wage scales without reference to the labourers' general needs. Rural migrants were seen as requiring less to live on and as willing to accept a lower standard of living in the countryside.¹³³¹ On the other hand, the public works secured Jewish unskilled labour at 150 mils. J. Metzger explains that there was a 'widening standard-of-living gap' between the two communities, i.e. Arabs and Jews. He added that Jewish per capita income was 'already 2.6 times higher than that of the Arabs in 1929, and the differential remained fairly constant thereafter.'¹³³² Although De Vries is generally correct in his argument that for the civil services the government of Palestine preferred 'employing low-wage Arab workers over Jewish ones', a different

¹³²⁸ TNA/CO733/164/6, Williams CO, 'Note of Interview with Mr. Palmer and Mr. Thompson, 14.5.1929.

¹³²⁹ TNA/CO733/164/6, by Williams CO, 16.5.1929.

¹³³⁰ TNA/CO935/2, CA to CO, 18.3.1929.

¹³³¹ I. Khalaf, 'The Effect of Socioeconomic Change on Arab Societal Collapse in Mandate Palestine', *International Journal of Middle East Studies*, 29/1, (February 1997), pp. 93-112, p.100.

¹³³² Metzger, *The Divided*, p.16.

approach was considered in pursuing the construction of the harbour.¹³³³ The Colonial Office advised the government of Palestine to adopt a uniform wage rate for unskilled labour which would yet be high enough to attract some unskilled Jewish labour.¹³³⁴

Was the uniform wage rate of 120 mils sufficient for unskilled Jewish labour? Why was it important to attract unskilled Jewish labour? The reason for giving special treatment to the wage rates offered to Jewish labour involves the Zionist Organisation and its lobbying of the Colonial Office about the needs of unskilled Jewish labours and their wages. The normal market rate of 120-140 mil per day for unskilled labour was, in the Organization's opinion 'insufficient to maintain the average Jewish working-man's family.' Therefore, the Organization requested that a Jewish unskilled labourer should be paid 200 mils a day. In order to avoid the difficulty that would accompany fixing different wage scales, the Organization suggested that a Jewish worker should be offered a wage above the base rate for 'suitable piecework arrangements'.¹³³⁵ Such a suggestion was expected to solve the problem of wage disparity between Arab and Jewish labourers, but in fact it exacerbated it.

In order to meet the requirements of the Jewish Organization, the Colonial Office amended the wage rate to a minimum of 150 mils per day for a maximum working week of 54 hours. Additionally, a 'piece-work' rate of about 50 mils for unskilled Jewish workmen and a weekly day of rest were included.¹³³⁶ The increase to 150 mils as instructed was justifiable by the Resident Engineer as men were trained and became more efficient.¹³³⁷ Although the Organization demanded a percentage of jobs to be given to Jews, Chaim Weizmann,

¹³³³ D. De Vries, 'British Rule and Arab-Jewish Coalescence of Interest: The 1946 Civil Servants' Strike in Palestine', *International Journal of Middle East Studies*, 36/4, (November 2004), pp. 613-638., p. 613.

¹³³⁴ TNA/CO935/2, OAG to S.S. CO, 9.11.1928; TNA/CO733/164/6, Williams CO, 'Note', 14.5.1929.

¹³³⁵ TNA/CO 935/2, Zionist Organization to CO, 9.10.1928.

¹³³⁶ TNA/CO733/198/5A, CO to CA, 25.2.1931.

¹³³⁷ TNA/CO733/184/6, Extract from RPT report to CO, 30.7.1930.

Chairman of the Zionist Executive and the Jewish Agency and President of the World Zionist Organisation during 1919-31, admitted that at Haifa harbour 'large numbers of Jews were employed'.¹³³⁸ In fact, the maximum total labour employed at the construction of Haifa harbour, including the quarries, was 1615 of which 1243, about 77 percent, were Arabs and 372 Jews and, from the latter, 50 workers were paid on a piece-work basis.¹³³⁹ This means that some of the Jewish unskilled labour were in effect paid above the wage rate given for everybody else as requested by the Jewish Organization. Additionally, around 500 workers of whom 94 per cent were Arabs were employed for the construction of the oil facilities in the harbour.¹³⁴⁰ The variation in the number of Arab and Jewish workers is possible to understand in light of the fact that 'within the Jewish economy the Jewish labour movement advocated the hiring of Jewish, and not Arab, workers.'¹³⁴¹ The reason for adopting this policy regarding Jewish labour for the Jewish economy lay in Churchill's White Paper of 1922. The paper set out the concept of 'economic absorptive capacity' as the criterion for the granting Jews immigration certificates.¹³⁴² That is labour was connected with politics in the sense that Jewish immigration was decided on the basis of economic criteria to allow Jewish labour to enter the country on the pretext that they were needed for the local economy.¹³⁴³ In this case these labourers would not be counted as foreign labour imported for works in Palestine but rather fell in the category of Jewish immigrants. Hence, Arabs were mostly employed by the government for the harbour works.

¹³³⁸ Segev, *One Palestine*, pp. 358-9; Chaim Weizmann, 'Palestine To-Day', *International Affairs (Royal Institute of International Affairs 1931-1939)*, 15/5, (September - October 1936), pp. 671-683, p. 682; El-Eini, *Mandate Landscape*, endnote, p. 41.

¹³³⁹ TNA/CO733/198/4B, RPT progress report, 30.9.1931; TNA/CO733/184/6, Partner's report, 30.6.1930: maximum labour employed at the quarries was 1043 made up of Arabs 835 (80 per cent) and Jews 208 (20 per cent) of whom 50 Jews were on piecework basis.

¹³⁴⁰ TNA/CAOG10/70, RPT Progress Report, 31.3.1934.

¹³⁴¹ N. Caplan, 'Arab-Jewish Contacts in Palestine after the First World War', *Journal of Contemporary History*, 12/4, (October 1977), pp. 635-668, p. 647.

¹³⁴² N. Halevi, 'The Political Economy of Absorptive Capacity: Growth and Cycles in Jewish Palestine under the British Mandate', *Middle Eastern Studies*, 19/4, (October 1983), pp. 456-469, p. 456.

¹³⁴³ Miller (ed.), *Britain, Palestine*, p. 4.

In general, HHWD received 'applications in great numbers for employment' from all over Palestine.¹³⁴⁴ Eligibility of candidates was examined 'in pursuance of the policy' adopted by the High Commissioner so 'that the maximum number of suitable Palestinians shall be employed upon the Haifa Harbour works.'¹³⁴⁵ The policy was taken in light of the described labour conditions and in accordance with the mandate system with regards to the living standard of the population of the mandated territory.

With regards to staff, it was upon the approval of the Colonial Secretary Amery that the Crown Agents, acting on behalf of the government of Palestine signed agreements in March 1929 with staff selected mainly by the consulting engineers from Britain. This staff included engineers, accountants, foremen and gangers, derrick drivers, storekeepers and clerks.¹³⁴⁶ The Resident Engineer assured the government of Palestine that 'no engagement has been made in London that could have been satisfactorily filled locally'.¹³⁴⁷ The low level of personal qualifications in Palestine provided a rationale for the employment of staff and professionals from Britain. However, for filling further vacancies for the harbour works the policy of the government of Palestine was that they should refer to the Colonial Office 'before proceeding with any proposal for the engagement of additional staff'.¹³⁴⁸ In this respect, the Colonial Office decided that it was not advisable to advertise in Palestine for any particular appointments in order to avoid 'difficulties with foreign governments'.¹³⁴⁹ That is that foreign governments would claim their right under the equal economic opportunity to be employed in connection to the harbour works.

¹³⁴⁴ TNA/CO733/164/6, H.Cr. to S.S. CO, 19.11.1929.

¹³⁴⁵ Ibid.

¹³⁴⁶ TNA/CO935/2, S.S. CO to H.Cr., 21.3.1929 & CA to CO, 18.3.1929.

¹³⁴⁷ TNA/CO733/164/6, H.Cr. to S. S. CO, 19.11.1929

¹³⁴⁸ TNA/CO733/164/6, by CO, 25.5.1929.

¹³⁴⁹ Ibid.

The fears of the British government were justified since the Italians complained to the Foreign Office about the policy incorporated with regards to the harbour works. The Italian position was that the British government's policy was 'contrary to the letter and the spirit of the mandate' and that public works in Palestine were given to British firms whose engineers were 'incorporated in the Palestine administration'.¹³⁵⁰ In reply to the Italians' protest, the Colonial Office explained to the Foreign Office the policy actually adopted with regards to the harbour works. They demonstrated that the staff engaged in London were officials of the government of Palestine and were paid from Palestinian funds. In fact they were officials of the HHWD that formed part of the government of Palestine. Furthermore, those officers lent from the staff of the consulting engineers were engaged on temporary agreement with the government of Palestine. To justify this procedure the Colonial Office asserted that these engagements were 'made in the interests of efficient execution of the work', meaning that this was in the interest of the mandated territory.¹³⁵¹ Therefore, in approving this arrangement the British government did not admit to 'contravening either the letter or the spirit' of the mandate or the assurances given by the Foreign Secretary to the Italians in 1926 regarding concerns of economic equality.¹³⁵²

Despite the conservative approach to employment followed by the HHWD, the fact that Britain paid full heed and attention to fair labour conditions shows how much the British were adapting to the international environment. Adjusting the wage rates and weekly working hours were also in conformity with the provisions of the League of Nations' covenant concerning labour standards. Consequently, by adhering to the instructions of the Colonial Office, the government of Palestine contributed to elevating the standard of labour in the mandated territory.

¹³⁵⁰ TNA/CO733/198/5B, FO to CO, 29.7.1931.

¹³⁵¹ Ibid., CO to U-S FO, 29.9.1931.

¹³⁵² Ibid.

Opening ceremony

The inauguration of the new Haifa harbour in 1933, and the building of the oil pipeline in 1935, formed a platform for the British government to assert its power over mandated Palestine and consequently the region. The opening ceremonies were impressive and brought with them a sense of great achievement vis-a-vis the British government's role in and contribution to Palestine. The Haifa harbour became 'the finest harbour in the Levant', serving both Britain's commercial and strategic purposes.¹³⁵³

When the works at Haifa harbour were approaching completion, the consulting engineers suggested the end of October for its official opening.¹³⁵⁴ The 31 October 1933 was the date assigned by the Colonial Office for the official opening of the harbour. The Colonial Office suggested inviting special guests to the ceremony such as the governors of the neighbouring countries and Iran. However, the Foreign Office limited those Invitations under various political pretences to bordering and adjacent countries.¹³⁵⁵ Hence the invitations were extended only to the governor of Egypt, the High Commissioner for Syria, and the governments of Jordan and Iraq.

One day before the opening of the harbour however, the High Commissioner, now Arthur Wauchope (November 1931 - March 1938), decided to 'curtail the ceremony of formal opening'.¹³⁵⁶ He thought it would not be 'fitting to hold a ceremony' as arranged while lives were lost and families were being mourned as a result of the riots that occurred a few days

¹³⁵³ *The Times*, 31.10.1933, p. 13.

¹³⁵⁴ TNA/CO733/232/1, Partner's report, May 1933.

¹³⁵⁵ TNA/CO733/232/4, by Williams CO, 12.9.1933 & S.S. CO to OAG, 9.10.1933.

¹³⁵⁶ *The Times*, 31.10.1933, p. 14.

before the opening.¹³⁵⁷ In response a special train trip was cancelled. The train was originally put on to bring members of the Executive Council, Corps Consulaire whilst other special invitations for guests from Jerusalem and Lydda.¹³⁵⁸ Special invitees like Sir Percy Loraine, the British High Commissioner for Egypt, did not attend and the planned luncheon was also cancelled.¹³⁵⁹

Nevertheless, an impressive audience attended the ceremony. The appearance of the High Commissioner was in the presence of mainly British officials.¹³⁶⁰ They included Colonel Woods, representing the Foreign Office and the Department of Overseas Trade, and Colonel Fleming, Engineer-in-Chief of the Crown Agents for the Colonies. Captain Sanfor, of H.M.S. Hastings, and Directors of other liners that called at Haifa harbour also attended the ceremony.¹³⁶¹ Other attendants included the chairman and members of the Harbour Board which was comprised of the Director of Customs, Excise and Trade, Director of Public Works, General Manager of Palestine Railways, in addition to E. Keith-Roach and R. E. H. Crosbie as Northern and Southern District Commissioners, G.H. Adams deputy Treasurer and the port Officer of Haifa. Attendants also came from HHWD, the Resident Engineer G.C. Thompson and Chief Assistant Engineer from RPT. Other attendees included dredging Contractors Tilbury Contracting and Dredging Co. (Egypt) Ltd and Baggerwerken De Vries and Van Den Bosch from Holland. Officers from the departments that were associated with the completion of this enterprise of Haifa harbour also attended.¹³⁶² That is the ceremony

¹³⁵⁷ TNA/CO733/233/1, Opening Ceremony, 31.10.1933; The riots referred to were that on Friday 27 October 1933, Arabs formed a procession in the neighbourhood of the government offices at Jaffa to 'protest against Jewish immigration into Palestine'. It was officially stated that one constable and 10 civilians were killed, and two constables and 20 civilians seriously injured during the Arab demonstration. (*The Times*, 28.10.1933, p. 12). On the following days disturbances were witnessed in other chief towns such Jerusalem and Haifa where casualties were reported and some of the Arab leadership were arrested. (*The Times*, 30.10.1933, p. 13 & 12).

¹³⁵⁸ TNA/CO733/232/4, by Keith-Roach, 8.8.1933.

¹³⁵⁹ TNA/CO733/233/1, Opening Ceremony, 31.10.1933.

¹³⁶⁰ *The Times*, 31.10.1933, p. 14.

¹³⁶¹ *The Times*, 1.11.1933, p.11.

¹³⁶² TNA/CO733/233/1, Opening Ceremony, 31.10.1933.

was a very British affair and was performed with a modified programme 'without any guests being present.'¹³⁶³

The opening ceremony was very much similar to the inauguration of colonial ports such as Takoradi, on the Gold Coast. The Colonial Office wanted the official opening of Haifa harbour to be a spectacular event. The arrangements agreed with the government of Palestine for the formal opening of the harbour therefore ensured this was achieved.

The High Commissioner Wauchope arrived to Haifa by aeroplane. He went aboard the 'Lancastrian Prince', a British line steamer that regularly called at the port of Haifa was especially decorated for the occasion. The steamer entered the harbour 'amid the discharge of maroons and salute of guns from H.M.S. Hastings'.¹³⁶⁴ On the sound of 'the band of the second Battalion of the seaforth [sic] highlanders', the High Commissioner proceeded towards the main wharf wall where he inspected the guard of honour and then declared the opening of the Haifa harbour.¹³⁶⁵ He declared that 'the harbour is to be of benefit not only to Palestine and Trans-Jordan but also to many other countries both in the East and in the West'. With these words the High Commissioner proceeded with his inauguration speech. He went on to emphasize the importance of Haifa as 'the new gateway of the East'. He also spoke in confidence about prosperity and of extending of trade the harbour would bring to Palestine.¹³⁶⁶ (See appendix XI: Haifa from Carmel showing completed harbour.)

¹³⁶³ Ibid., H.Cr. to S.S. CO, 31.10.1933.

¹³⁶⁴ TNA/CO733/232/4, Opening Ceremony, CO to Hynard, 16.9. 1933. & H.Cr. to CO, 11.9.1933; *The Times*, 1.11.1933, p. 11.

¹³⁶⁵ TNA/CO733/232/4, by Keith-Roach, 8.8.1933.

¹³⁶⁶ Ibid., Opening Ceremony, H.Cr., 31.10.1933.

The High Commissioner's speech concentrated on the benefits brought by the harbour to Palestine and to the international community. More specifically, the construction of Haifa harbour transformed an unprotected roadstead into a modern harbour for Palestine and the reclaimed dredged area also added about one hundred acres of land to the town. With the development of Haifa harbour communications with the rest of the world would, particularly with the existence of railways that provided direct communication with Egypt. Plus, through the Hejaz railway new access to Tran-Jordan and Syria was established to go with a network of roads that linked up with Syria and all parts of Palestine. Additionally, within a decade the population of the town of Haifa had doubled and a number of new industries were established. Moreover, the amount of shipping to the harbour had increased and the figures for export a steadily rose. Most importantly, that a special oil area had been established for bulk storage of oil and arrangements were made to the transport with fuel oil since the town was chosen as one of sites for an Iraqi pipeline terminal.

The economic and strategic importance of the harbour to Britain was not in fact raised in the speech. The Colonial Office decided that it was 'undesirable to lay stress upon British enterprise in building the harbour' in the speeches for the opening ceremony of Haifa harbour. They thought that the method of constructing the harbour was still 'a matter of suspicion at Geneva'. They were afraid that if the speeches mentioned the purchases performed in Britain, and the number of British staff employed in the harbour, the Italians would think the British government abused its position as the mandatory power.¹³⁶⁷ Caution was required, in the view of the Colonial Secretary, to not incite foreign nations who were waiting for the British government to admit to the exclusive benefits it accrued from the harbour project. By confining the inauguration speech to technical and factual elements, and overlooking important factors that concerned the mandatory power, the

¹³⁶⁷ TNA/CO733/232/4, Williams to Parkinson CO, 30.9.1933.

British government sought to mask the fact that they enjoyed tremendous gains from the construction of Haifa harbour. Therefore, the speeches were meant to concentrate on the benefits brought to Palestine itself.¹³⁶⁸

Additionally, Palmer's speech was revised several times by the Colonial Office. When Northern District Commissioner Major Keith-Roach, read Palmer's speech on his behalf, as he was taken ill at that time, the concentrated on the technical description of the construction.¹³⁶⁹ Palmer's message also stipulated that 'the imminent opening of the pipeline from Northern Iraq could leave no doubt that the success of the harbour was already assured'.¹³⁷⁰

Moreover, a description of the works and data about the harbour were the subject of a pamphlet specially prepared for the occasion.¹³⁷¹ With this, a fact sheet, based on an article published earlier in *Modern Transport* by the Resident Engineer, Thompson, was prepared for the press.¹³⁷² Both publications provided facts and figures about the construction of the harbour dating back to 1922 when the Crown Agents authorized the consulting engineers to examine the Palestine coast for a suitable harbour. An account on the progress of the works, up to its completion and including a description of the shape of the completed harbour, was included. They also spoke about the expected use of the harbour for oil export as well as about future developments. These publications provided material for the opening ceremony's coverage in the British media. Articles in *The Times* and in *The Dock*

¹³⁶⁸ TNA/CO733/232/4, Williams to Parkinson CO, 30.9.1933.

¹³⁶⁹ 'Keith-Roach joined Samuel's first administration in 1920, having been a major with the Military Administration prior to that. He had been Secretary to the Palestine Government in 1920, and had since served as Assistant District Commissioner and Administrator for the Northern and Jerusalem Districts respectively. Since 1937, he was Administrator of the Jerusalem District.' (Cohen, 'Direction', endnote, p. 260)

¹³⁷⁰ *The Times*, 1.11.1933, p.11.

¹³⁷¹ TNA/CO733/233/1, Pamphlet: Opening of Haifa Harbour, 31.10.1933.

¹³⁷² TNA/CO733/233/1, RPT to CO, 25.10.1933; & *Modern Transport*, 12.8.1933, p. 3.

and Harbour Journal reported the construction of the harbour and the development it would bring to Palestine and Trans-Jordan.¹³⁷³ In accordance with the Colonial Office directives, the press coverage did not mention the economic and strategic benefits rendered for Britain as a result of the harbour construction. Similar to the speeches delivered in the opening ceremony, most of the reports in newspapers and magazines highlighted the benefit that the harbour brought to Palestine by turning it into a gate to the East.

At the end of the ceremony, the High Commissioner exchanged wireless telephone messages with the Colonial Secretary who extended his congratulations to the government of Palestine for the opening of the harbour; he also praised the consulting engineers for their work. The Colonial Secretary was quoted in *The Times* saying ‘for four years from 1,000 to 2,000 workmen, both Arabs and Jews, had laboured on the construction of the harbour, and some 70 per cent of the cost had been spent in Palestine itself. These facts witnessed to the benefit to Palestine from the work of construction alone.’¹³⁷⁴ He also pointed out the progress made by the IPC in laying the pipeline that would link the Mosul oil fields to the terminal at Haifa. In regards to the latter, preparations for the construction of the required oil dock were at an advanced stage.¹³⁷⁵

The High Commissioner, in a telephone message, said that within two years after work began ‘vessels of large tonnage were able to moor in the new harbour, [...] a mooring space

¹³⁷³ For example, the coverage appeared in: *The Times*, ‘New Harbour of Haifa’, *Finest in the Levant*, 31.10.1933, p.1; *The Times*, ‘The New Harbour at Haifa’, *Opening Ceremony*, 1.11.1933, p.11; *The Dock and Harbour Journal*, ‘Official opening of Haifa harbour’, 14.11.1933, p.1; *Modern Transport*, ‘Harbour Development in Palestine. Approaching Completion of New Works at Port of Haifa’, 12.8.1933, p.3; *Modern Transport*, ‘Harbour development in Palestine: Important extensions at Haifa and Jaffa to Facilitate increasing Trade’, 1.9.1934, pp. 3-4.

¹³⁷⁴ *The Times*, 1.11.1933, p.11.

¹³⁷⁵ TNA/CO733/232/4, *Opening Ceremony*, 31,10,1933.

only a little less than that of the great port of Marseille.¹³⁷⁶ In fact, ships continued to use the harbour during construction subject to permission. In the autumn of 1931, commercial shipping was first allowed to moor in the shelter of the main breakwater. In 1932, several ships entered the harbour including H.M.S. Sandhurst, seven destroyers and the S.S. 'Bormaira' carrying pipes for the IPC, moored at the main breakwater, and another merchant ship moored at the lee breakwater.¹³⁷⁷ Beyond that, a hundred and thirty-seven vessels had entered the port by May 1933.¹³⁷⁸ It was also said that Haifa would provide an incomparable base for the British fleet.¹³⁷⁹ The charging of port dues was effective in August 1933 when berthing facilities, quays, transit sheds and rail and road access became available.¹³⁸⁰

Fourteen months after the official opening of the harbour at Haifa, the oil pipeline was formally opened. On 14 January 1935 King Ghazi of Iraq officially opened the '1,150 mile pipeline which the Iraq Petroleum Company has constructed between its oilfields at Kirkuk and the two terminals of Tripoli, in Syria, and Haifa, in Palestine' on the Mediterranean.¹³⁸¹ The official inauguration of the oil pipeline in Iraq was 'in the presence of a brilliant gathering' mainly composed of officials representing the different nationalities of company shareholders.¹³⁸² However, in comparison with the opening ceremony of the Haifa harbour, the opening ceremony of the pipeline in the oil fields of Kirkuk was simple, with no guard of honour or British army band playing music. The King of Iraq, now Ghazi the son of the late King Faisal, inspected the buildings and quarters. He then entered the pump house and turned a handle which started the engines and sending oil on its journey across the desert

¹³⁷⁶ *The Times*, 1.11.1933, p. 11.

¹³⁷⁷ TNA/CO733/232/1, Partner's report, November 1932.

¹³⁷⁸ Buckton, 'The Construction', p. 569.

¹³⁷⁹ Williams, 'Palestine', p. 672.

¹³⁸⁰ Buckton, 'The Construction', p. 569.

¹³⁸¹ *Oil News*, 17.1.1935, p. 54.

¹³⁸² *Ibid.*, p. 44.

to the Mediterranean.¹³⁸³ The *Petroleum Times* reported on the official opening and said that ‘further opening ceremonies will take place during the next few days in the various countries through which the pipeline passes.’¹³⁸⁴

On 22 January 1935, the High Commissioner Wauchope formally opened the Haifa oil terminal. In the ‘presence of a large gathering’, he started the mechanical operation which allowed oil to flow through the sea-line into the hold of a tanker which lay off shore. In his speech he hinted that the oil facilities would be extended in the near future by the ‘establishment of a refinery at Haifa’. At the luncheon afterwards Sir John Cadman, the chairman of the IPC, referred to Haifa as ‘providing facilities for loading oil unique in the Eastern Mediterranean.’¹³⁸⁵ (See appendix XII: Haifa harbour development works, showing the oil dock, 1935.)

On the occasion of the opening of the pipeline, John Cadman said in his address to the Institute of Fuel, said that ‘From a political point of view, as well as from an international one, the understanding was equally important, because it had brought together in harmony and sharing the same interest of many different nations, not only European ones but also our cousins overseas.’¹³⁸⁶ For Britain, by opening the oil terminal at Haifa had achieved the economic and strategic aims of building the harbour. Building Haifa harbour with an oil dock could be seen to confirm Darwin’s argument that Britain operated to assert its ‘Imperial claim’ in the Middle East.¹³⁸⁷ Moreover, the harbour brought benefits to Europe at large as Middle Eastern oil was made available on the east coast of the Mediterranean. Gallagher and Robinson’s claimed that Britain, before First World War, pursued its Imperial

¹³⁸³ *The Times*, 15.1.1935, , p. 12.

¹³⁸⁴ *The Petroleum Times*, 19.1.1935, p. 67.

¹³⁸⁵ *The Times*, 23.1.1935, p.11.

¹³⁸⁶ Cadman, ‘The History and construction’, p.326.

¹³⁸⁷ Darwin, ‘An undeclared’, p. 160.

interest 'by maintaining supremacy over the whole region' in regard to Africa and the South Pacific. This argument is also applicable to the Middle East in relation to routes to the east after WWI and is demonstrated by the events that surrounded the construction of Haifa harbour.¹³⁸⁸

The opening ceremony of Haifa harbour reflected the Britain's access in achieving its economic and strategic goals in Palestine as a key to its policy in Middle East and beyond. It also shows the extent to which the British knew that they had not applied the spirit of the mandate regulations, even if they applied the letter, and thus they purposefully avoided drawing attention to their intent and achievement over the Haifa harbour. Confining the speeches in the ceremony to the benefits the new harbour conferred on Palestine. As well as the international community, demonstrates a clear change in Britain's approach to Imperialism. Britain remained careful to show adherence to the regulations of the League of Nations and consequently to the interests of the international community.

Conclusion

In discussing the construction of Haifa harbour, it becomes clear that the British government was adroit in balancing its own interests with those of the international community as well as those of the people of Palestine. In order not to provoke foreign firms and governments, the Crown Agents purchased equipment and machinery from the British market in piecemeal form as recommended by the Foreign Office. All equipment and material were obtained as the stage of work required and were sent out to Haifa. This approach contributed to the revival of the British economy, albeit on a very limited scale.

¹³⁸⁸ Gallagher and Robinson, 'Imperialism', p.3.

The Foreign Office was careful to avoid pursuing a policy that would mar Britain's image in front of the League of Nations. Indeed, and on the one hand, the Foreign Office wanted to pursue a policy concerning the mandate that would not antagonize the League. On the other hand, it endeavoured successfully to utilize British products and interests to serve Britain's Imperial aspirations. The Foreign Office recommendation was that the contracting be made on piece-meal parts of the harbour project to avoid having a detrimental effect upon British interests. Thus, the Colonial Office interpreted these recommendations and the principle of economic equality by not issuing public tenders that would favour British firms. The Crown Agents opted to target many British firms for the each of the different items needed for the harbour instead of contracting one big firm.

Nevertheless, the Italians and the Americans in particular made representations against the British government's decision to construct the harbour through an ad hoc department formed under the cover of a department of the Palestine government. Alerted by this, and to avoid further difficulties, the British government allowed the Crown Agents to invite a limited number of British and foreign firms, with the consent of some foreign governments, to tender contracts to carry out specific tasks, (i.e. dredging). This implied a slight change from Britain's firm position to ignore other nationals' interests in the mandated territory. Britain could therefore be viewed as abiding by the provisions of the mandate by honouring equal economic opportunities for foreign firms, yet still retaining for itself the maximum benefit from the development project. Equipment and material were purchased in Britain and contracts with essential staff were struck in London.

Cost saving in the harbour construction project, and saving the Palestinian tax-payer additional burden, was possible by the use of natural stone already available in Palestine. Additionally, the employment of local labour on higher than usual wages, in effect

contributed to the rise of native peoples' standard of living in the mandated territory. Additionally, the building of the oil dock in conjunction with the harbour works made it possible to reduce costs and prepare the site to receive the oil pipeline coming from the Mosul oilfields. The oil facilities built in the harbour also allowed for export trade to Europe to develop, of which Britain was the not beneficiary. Finally, despite the scaling back of the opening ceremony due to unforeseen circumstances, it still played to the advantage of the government. The ceremony was attended mostly by British officials whether from Britain itself or from the government of Palestine which gave it the appearance of a traditionally British ceremony. With this, it was possible to deliver such speeches that highlighted the benefits the new Haifa harbour brought to Palestine and the international community, without any opposition by foreign governments who might be disadvantaged through their non-participation in the harbour works.

Conclusion

In this thesis I have explored Britain's economic policy in the mandate of Palestine through the construction of Haifa harbour. This has been undertaken with a focus on how Britain balanced three key factors: the domestic (British), the international, and the local. This was done by examining the influence that the mandate system had upon Britain's behaviour, as mandatory power. The first factor related to British interests in Palestine. This thesis investigated how Britain prioritised its economic, strategic and political interests in its decision-making throughout the period of the harbour construction. The crucial aspect of this first factor was how the British government employed the appropriate constructing method of construction that would benefit the British economy through the purchase of British manufactured items, and also how it achieved its strategic goals relating to having an oil terminus in Haifa. The second factor relates to the interests of the international community. This study examined how negotiations in Whitehall, particularly between the Colonial Office and the Foreign Office, produced serious disagreement about how to deal with the international community. Of particular concerns was the reference for equal economic opportunities, as demanded by the League of Nations. As we have seen, ultimately, the Foreign Office view prevailed. The third factor was connected to the extent to which the British government developed the local area in Palestine. The harbour itself, as this thesis demonstrates, was a major asset which added to the already important strategic location of Palestine. The importance of Haifa was enhanced by the building of a new terminal which brought the oil pipeline from the oil fields of Mosul to the city.

The intention of this thesis was to establish that Britain's economic policies in Palestine followed an imperial pattern in that its primary aim was to use the natural resources of the

territory so as to bring benefit to the British economy. The acquisition of territories as a result of First World War did not trigger fundamental changes to Britain's imperial approach where, in Palestine, the colonial style of administration was maintained.¹³⁸⁹ Hence, the claims of Cain and Hopkins and those of Wright with regards of Britain's change of its imperialist approach after the War was challenged in this study.¹³⁹⁰ Comprehensive economic and political control over the Palestine mandate made it possible to expect high return on investment, a concept which was expressed by Fieldhouse in regards to imperial expansion after 1870.¹³⁹¹ However, the British did have to modify implementation of their imperial policies due to their commitment to the provisions of the mandate system as set by the League of Nations, in particular these were those obligations pertaining for equal economic opportunities to the members of the League. The imperial goal remained: exploiting the natural resources of the acquired territory. But the manner to achieve it was different in order to comply with the emerging world system after First World War.

According to Herbert and Sosnovsky, the development of Haifa harbour was an imperial project contemplated by the British government in order to fulfil Britain's economic and strategic purposes in Palestine.¹³⁹² Nevertheless, the method to be used in constructing the harbour was different from that used in the colonies. Debates in Whitehall about that method were influenced by two major aspects, which confirm Darwin's description of British imperialism. The first aspect is related to what Darwin termed as the chronic disagreement with the British government over how the British system should work, the second was reflected in Britain's international connections as influenced by the exogenous forces of the global environment.¹³⁹³ These two aspects were interwoven in the case of the

¹³⁸⁹ Butler, *Britain*, p. 16.

¹³⁹⁰ Wright, 'The Mandates', p. 342.

¹³⁹¹ Fieldhouse, 'Imperialism', p. 192.

¹³⁹² Herbert and Sosnovsky, *Bauhaus*, p. 36.

¹³⁹³ Darwin, *The Empire Project*, p. 8.

Haifa harbour construction. There was constant conflict between the Colonial Office and the Foreign Office over the method of construction, which was influenced by the world environment. The concern of the Foreign Office to conform with the League of Nations' regulations, also demonstrated the extent to which the global environment affected Britain's decision about the construction of the harbour at Haifa. This approach is also seen in this thesis when discussions in the British government took place over the Palestine loan and the oil terminus at Haifa.

The investigation in this study mainly depended on the documents of the British government as well as on early publications by official institutions, such as the Bank of England, and non-official institutions such as the Institute of Civil Engineers. These and other sources provided material to answer the following research questions: What were Britain's economic and investment policies in Palestine during the period in question, 1919-1935, and how were they formed? It was possible to answer this fundamental question by investigating the construction of the harbour at Haifa. In examining the extent to which Britain's approach towards the harbour construction was influenced by its economic and strategic concerns, we learned that British economic and strategic interests were the driving force behind the construction of the harbour. Also, by looking at how Britain's international commitments affected its decisions about the construction of the port, it becomes clear that these external pressures of the League of Nations and the international community at large influenced what was usually characterised as an internal concern of Britain. Moreover, by discussing the impact that Britain's foreign policy had on its insistence on the Haifa terminus for the Iraqi oil pipeline, the fact that Britain employed its interventionist policy to achieve its economic and strategic goals in Haifa was revealed. Finally, the inquiry of how Britain's imperial approach towards acquired territories was adapted to fit the mandate system was seen in Britain's readjustment of its usual approach

to colonies. This was demonstrated by the manner which Britain attained its interests without violating the mandate; consequently, Britain did not receive criticism from the League of Nations.

This thesis argued that the construction of Haifa harbour was an imperialist enterprise and one that reflected the British economic concerns. However, it was not possible to follow straightforward methods like those used in the colonies to give the works to British firms. This was due in part to the League of Nations' mandate system that demanded economic equality, ensuring that other members of the League could participate in development projects in the mandated territory. Britain had to achieve its goals through subtle means which the British government arrived at only after extensive deliberations in Whitehall. This thesis argued that these deliberations show that, in fact, Britain lacked the proper mechanisms to deal with the mandated territory. Hence, the harbour construction started debates in Whitehall as how to pursue Imperial goals whilst adhering to the requirements of the League. The thesis argued that the British government had to adjust its traditional colonial methods and develop a new approach that incorporated pre-existing colonial practice. The purpose of this evolution was so that Britain's policy would fit with the changed global environment. The thesis further argued that by manipulating the mandate system Britain was able to balance its own interests, that of the local population and that of the international community.

The contribution of this thesis is to enhance the historiography of Britain's economic policy in Palestine. This is important in light of John Darwin's suggestion that studies of imperialism did not recognize the Middle East as a sphere of great 'imperial significance'.¹³⁹⁴ However, he explains that in the view of some British officials, British

¹³⁹⁴ Darwin, 'An undeclared', p. 160.

interests in the Middle East were of major political and strategic value.¹³⁹⁵ Hence, the purpose of this thesis was to shed light on the British government's imperial approach in Palestine by examining its economic policy as implemented in the construction of Haifa harbour. It was not possible to consider this issue in isolation, not least because decisions about the port had to take the international community into account and the interests of France in particular as the power controlling Syria and Lebanon. Britain was bound by its commitment to the mandate system of the League of Nations, yet was able to pursue a course that largely conformed to her interests. Developments over the period of study saw this underlying imperial approach challenged, as evidenced when Britain had to open competition for dredging in the harbour to foreign firms. Nevertheless, the British approach endured. Underpinning all of this has been a methodical examination of Britain's commitment to imperialism and the shift that occurred in the way it applied its traditional colonial practices. In principle, Britain did not depart significantly from its colonial approach towards Palestine although its methods were, in most cases, different.

A major conclusion of this thesis highlights the importance of the interrelatedness between the economic, strategic and political aspects of Britain's approach to the mandated territory of Palestine. This thesis argued that Britain's guardianship over underdeveloped countries, in the form of a mandate, followed a colonial example, particularly with regards to exploitation of natural resources and securing economic benefit to Britain. This thesis was built upon the assumption that the construction of Haifa harbour was done mainly to satisfy Britain's economic objectives. This assumption has been proven by many examples of British policy and action. Since the beginning of British rule in Palestine, the military commanders made it clear that the development of Haifa, including its port, would contribute economically to the British Exchequer and help deal with the nation's financial

¹³⁹⁵ Darwin, *An undeclared*, p. 160.

difficulties resulting from WWI. Indeed, this hope was expressed by the Colonial Secretary, Amery, in his defence of the British loan guarantee to Palestine.

Nevertheless, this thesis has revealed how a gradual movement took place from a rigid imperial approach to an acceptance that other nations must be afforded the right to access opportunities in the mandate territory. This shift from the purely imperial approach, to one more accepting of the emerging global political environment, was slow but not insignificant.

A central finding of this study has been that the British government's concern for the regulations of the League of Nations and the provisions of the mandate was a constant. This was because the League's Covenant did not provide directions on how to manage the mandated territories, as Pedersen explained, and hence the mandatory powers were not equipped with proper tools to govern the territories.¹³⁹⁶ Although the British government sought the success of the mandate system as an alternative to colonization and annexation, in practice it was not able to produce in Palestine an approach that greatly differed from existing colonial methods. In order to achieve the optimum economic and strategic benefits, Britain had to employ unconventional methods. By relying on previous experiences in the territories under its control, the British government succeeded in coming out with modified ways to meet its interests without infringing the provisions of the mandate that originally gave it the right to control Palestine. This could be attributed to the fact that other influential powers in the League such as France, also wanted to seek benefits from mandated territories without being criticised by the international community.

¹³⁹⁶ Pedersen, *The Guardians*, p.2.

Moreover, the fact that the United States was absent from the League meant that its anti-imperialism could not be institutionalised within it.¹³⁹⁷

This thesis has also revealed the importance of the mandate provisions in framing British acts. These provisions fell short of fulfilling the basic needs of the mandatory power. It seems that the authors of the Palestine mandate neglected and overlooked the need to secure benefits for Britain, as their primary concern was to preserve world peace through securing equal economic opportunities for all members of the League of Nations. The claim by British officials that the United Kingdom had the right to accrue benefits, in return for administering the country would have carried more weight had the mandate included such provisions. This might have been possible, given the French secured privileges for public works in the mandate of Syria. Additionally, changes could have been introduced to the text of the Palestine mandate before it was confirmed by the Council of the League of Nations. This was done before when, for example, the 'juridical and political' rights of the non-Jewish population stated in the preamble of the mandate for Palestine were substituted with 'civil and religious' rights. This change was not opposed by the League. It is worth noting that amendments, upon the request of the mandatory power, to the provisions of its mandate after being ratified requested the consent of the League's Council.¹³⁹⁸

In examining the method used to construct the harbour, this thesis explored the goal and purpose of the British government's decisions. Barbara Smith is right in arguing that 'the building of Haifa Harbor is the most glaring example of the underlying policy at work. Nobody doubted that the size and location of the port were determined by British colonial interests'.¹³⁹⁹ It is worth noting here, however, that Smith's argument that the first High

¹³⁹⁷ Rappard, *International Relations*, p.5.

¹³⁹⁸ Wright, *Mandates*, p. 117.

¹³⁹⁹ Smith, *The Roots*, p. 49.

Commissioner 'privately communicated' to the Foreign Office requesting for a loan for Palestine is not entirely accurate.¹⁴⁰⁰ This was because, in fact, Samuel's request was discussed in Whitehall and at the League of Nations and resulted with adding article 28 to the provisions of the Palestine mandate regarding securing the rights of the bondholders of a raised loan. The investigation of the method adopted for the building of the harbour showed that there was considerable hesitation over which path to follow. The British government consistently changed its mind about the best method to use, mainly because of obstacles arising from the mandate system, which did not permit the mandatory to act as it pleased. The investigation showed that the British government oscillated between the departmental method and the contracting method. Although, the central guiding principle was the desire to bring maximum benefit to the British economy, their deliberations were affected by Britain's foreign policy goals. Britain was not able to take truly independent decisions about Palestine as it had to honour the mandate system, as well as the specific Palestine mandate, in regards to how public works and the rights of foreign nationals were organised in Palestine. Hence, it was the Foreign Office that insisted that the Colonial Office take measures to accommodate the rights of the other nationals. It was this pressure, which led to the works being undertaken by the departmental method. This was done by the establishment of the Haifa Harbour Works Department as an ad hoc department within the government of Palestine. Thus the British government could make sure that orders for purchases were executed only through the Crown Agents who in turn instructed that purchases be made from Britain or the British Empire.

In this connection, the thesis has explored the role played by the Crown Agents for the Colonies in the mandated territory. This is significant as the available literature about the Agents, such as that of Sunderland and Penson, falls short in discussing their role during the

¹⁴⁰⁰ Ibid., p. 33.

period between the two World Wars and in particular in mandated territories.¹⁴⁰¹ This thesis demonstrated that in principle the Crown Agents performed the same role that they did in the colonies, according to the functions set out for them by the Colonial Office in 1917.¹⁴⁰² These functions included: a) contracting with firms, such as Rendle, Palmer and Tritton consulting engineers; b) entering into engagements with staff to work in mandated territory such as that which took place with the staff employed for the Haifa Harbour Works Department; and c) the purchase in Britain, or the British Empire, of equipment, material and stores needed for the harbour construction and for the government in general. However, they did not employ in Palestine their financial role, as were forbidden to do this, because Palestine was not subject to Britain's colonial regulations in this respect.

It was also the Foreign Office which recommended that purchases for the harbour in Britain should be carried out by breaking down its buying of equipment and material into smaller, single items from different providers. This tactic was coupled with a ploy to ensure that no tenders or orders from providers or manufacturers outside of the British Empire were entertained, as Smith also demonstrated.¹⁴⁰³ Therefore, only three or four announcements on placing orders for the harbour works in Palestine appeared in British newspapers and periodicals. Nevertheless, such attempts to conceal the fact that purchases were carried out in Britain was not entirely successful. The Americans and the Italians in particular monitored Britain's actions and were prepared to protest officially. They were unable to do so, because of the fact that the management of mandated territory was not defined by the League of Nations' Covenant and, therefore, the League's Permanent Mandate Commission could not violation of the provisions of the mandate. Clearly, Britain did not fully abide by the spirit of the League of Nations' regulations, as Rappard pointed out; but at the same

¹⁴⁰¹ Sunderland, *Managing British*; Penson, 'The Origin'.

¹⁴⁰² TNA/CAOG14/107, The Main Functions, CA, 9.7. 1917.

¹⁴⁰³ Smith, *The Roots*, p. 21.

time it managed to avoid breaching them entirely.¹⁴⁰⁴ The dissatisfaction of other countries remained though, and rose again when the British government decided to carry out the dredging works by contract.

During the harbour construction process, the British government was faced with a situation where it found itself obliged to use a contracting method for the performance of a certain task. Using contractors to dredge the enclosed area of the harbour by contracting was the more appropriate method due to the tight budget that was allocated for the harbour. The British government's fear about awarding the harbour works to a contracting firm was still valid with the dredging task but the government had to do it on financial grounds. The concerns of the government were that in the event that work was awarded to foreign firms, British firms and Parliament would be angry; the guarantee of the Palestine loan was only approved on the verbal condition that British contractors, providers and manufacturers would benefit from its proceeds. Moreover, ministers and officials were particularly anxious that no other nation should acquire any kind of foothold in Palestine and that Britain should retain exclusive control.

Britain's apprehension about rivals for power in the Middle East and its aim to affirm its position in the region was also apparent in the deliberations over the route that the pipeline would take to Haifa's new terminal from the Mosul oilfields. Creating the terminal served one strategic goal because it ensured that the pipeline traversed territories under its control and terminated at Haifa. The aim was to guard British interests in the region from competitors, particularly France, as Barr maintained.¹⁴⁰⁵ The terminal at Haifa was thus one essential part of Britain's oil policies in the Middle East. In the episode regarding the oil pipeline two major issues were discussed. These were Britain's interventionist policy where

¹⁴⁰⁴ Rappard, 'Nationalism', p. 724.

¹⁴⁰⁵ Barr, *A Line in the Sand*.

politics influenced an economic decision. The second was the fulfilment of strategic purposes by making fuel available for the British fleet in the event of war. Therefore, Britain wanted to retreat from its Oil Agreement with France; to impose on the IPC, commercial company its own desires with regards to the route of a pipeline ending at Haifa; and still to maintain good relations with its rivals, especially France. It was because the French wanted oil production to start that a compromise was reached. The solution of two lines bifurcated at Haditha, one to Tripoli under French control and the second to Haifa under the British control, was to the satisfaction of all concerned parties.

A further conclusion of this thesis is that the construction of the harbour at Haifa signified evolving British attitudes towards decolonisation. Debates in Whitehall over the harbour construction could be seen in light of the notion that the mandate did not denote colony.¹⁴⁰⁶ The argument that the mandate of Palestine was a compromise between 'progress towards a decolonization process and the manifestation of Imperial rule over peoples not yet able to govern themselves' was evident towards the end of this thesis where Britain's imperial policy did not entirely change.¹⁴⁰⁷ This meant that the change in rhetoric did not equate to a substantive adjustment in policy. The dredging issue demonstrated the more genuine intent of the British government to consider the interests of the international community by not limiting invitations to tender to British firms but to include foreign firms too (through the process remained secret). Awarding these small contracts reflected a slight change in British government thinking and could be understood in light of Ferris's view that during the 1920s 'Britain helped significantly (and more than any other power) to increase the stability and the longevity of the post-war-world order'.¹⁴⁰⁸ Such a change did not, however, indicate a loosening of Britain's grip on

¹⁴⁰⁶ Kattan, *From Coexistence*, p.52 & 57.

¹⁴⁰⁷ *Ibid.*

¹⁴⁰⁸ Ferris, 'The Greatest', p. 749.

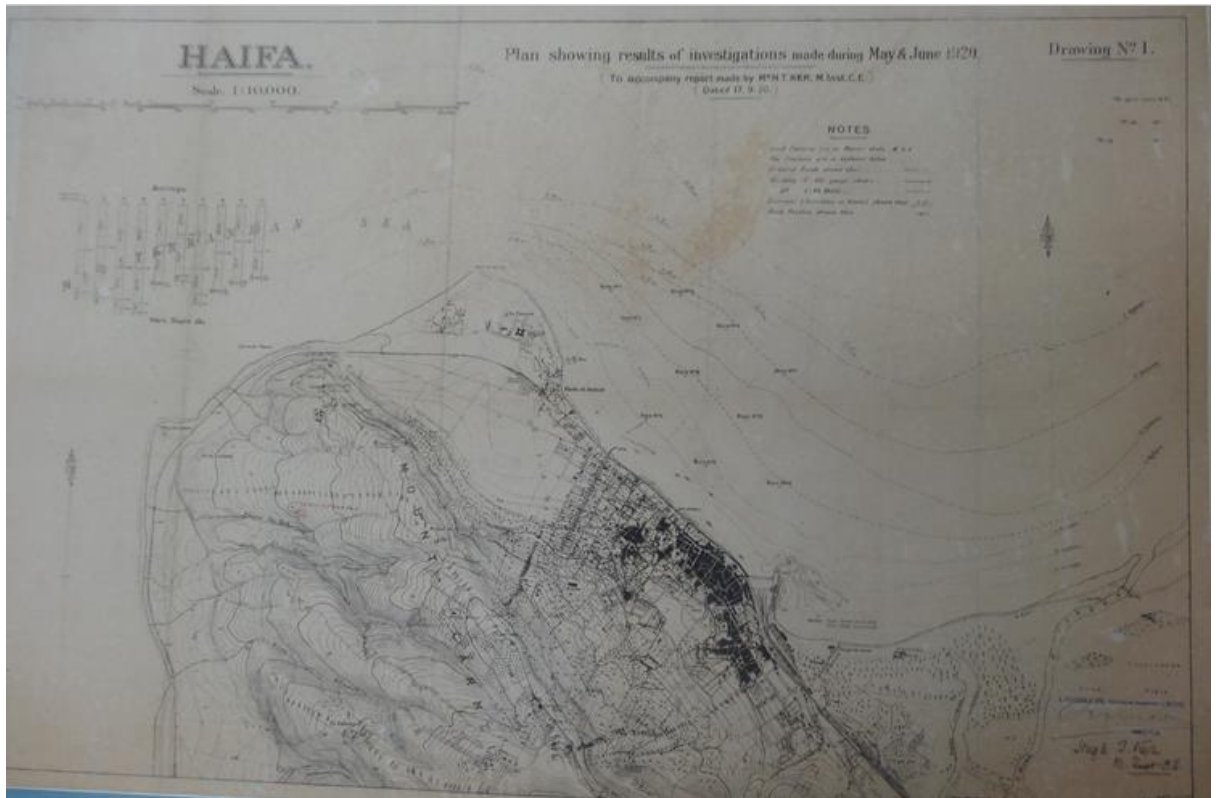
Palestine, or a departure from its imperialist policies. Indeed, the dredging issue, and the wider construction of the harbour, affirms Darwin's view that 'British interests in the Middle East were regarded as of greater political and strategic value, and more deserving of protection than those in almost any other part of the imperial system.'¹⁴⁰⁹ This feeling was evident in the opening ceremony of the Haifa harbour where a colonial-like ceremony was performed.

Through these various Whitehall and international developments related to Haifa, it has become clear that the United Kingdom developed new policies and approaches towards the mandated territory. This was reflected in Britain shifting away from established colonial practices and adopting new methods that fit the changing global environment. This occurred courtesy of pressure exerted by rival powers, which squeezed Britain to find alternative methods for dealing with mandated Palestine. It was also seen through continuous European and American attempts to enforce their rights, according to the provisions of the mandate system, so as to exploit a share of the natural resources of Palestine. Their insistence on equal economic rights in Palestine prompted Britain to find ways to protect its interests and at the same time not infringe the international regulations set by the League of Nations. This was important because Britain, as a founder member of the League, found itself committed to these regulations, which also legitimated its authority over Palestine. With Britain's fulfilment of its commitments to the League, it therefore asserted its right to exercise control over the territory, thus securing its presence in the region. This supremacy would only be strengthened by the construction of Haifa harbour, offering Britain strategic benefits on water and on land. In naval terms, the British fleet would have a safe harbour for filling fuel and Haifa also served as a key location connecting Britain to the remaining territories of its Empire in the east.

¹⁴⁰⁹ Darwin, 'An undeclared', pp. 159-176.

Appendices

Appendix I: Ker, Haifa Plan, 1920.



TNA/MFQ1/25, Maps. Plan showing results of investigations made during May and June 1920. Drawing No.1 Haifa to accompany report made by H. T. Ker, sealed by S. Pearson and Son Consulting Engineers Limited.

Appendix II: Rendle, Palmer & Tritton, Plan of Haifa, 1923.



John E.G. Palmer (Fredrick's son), Fredrick Palmer – 1862 to 1934, Highlights from the life of an unusual civil engineer, *The Institute of Civil Engineers*, (Spring 1978), p. 17.

Appendix III: Palestine and East Africa Loan Act, 1926.

Palestine and East Africa Loans Act, 1926. Chapter 62.

An Act to authorise the Treasury to guarantee certain loans to be raised respectively by the government of Palestine and by the governments of certain territories in East Africa [15th December 1926].

Be it enacted by the King's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:-

1.-(1) The Treasury may, subject to the provisions of this Act, guarantee in such manner and on such conditions as they think fit the payment of the principal of and the interest on any loan raised by the government of Palestine for the purposes set out in the First Schedule to this Act and any loan raised by the Governments of Kenya, Uganda, Northern Rhodesia, Nyasaland, or Tanganyika for the purposes set out in the Second Schedule to this Act:

Provided that the amount of the principal of the loans to be guaranteed under this Act shall not in the aggregate exceed, as respects loans raised by the government of Palestine an amount sufficient to raise the four million five hundred thousand pounds, and as respects loans raised by the other Governments aforesaid an amount sufficient to raise ten million pounds.

(2) A guarantee shall not be given under this Act until the Government by which the loan is to be raised has provided to the satisfaction of the Treasury and the Secretary of State—(a) For raising, appropriating, and duly applying the loan in the case of a loan to be raised by the Government of Palestine, for the purposes and in the manner set out in the First Schedule to this Act, and in the ... either case to any arrangements which may be made with the assent of the Treasury and the S/S for the application of savings on one head of expenditure under the Said First Schedule or the said Second Schedule, as the case may be, to another head of expenditure thereunder: (2) For the establishment and regulation of one or more sinking funds for the purpose of the repayment of the principal of the loan or any instalment thereof within a period not exceeding forty years from the date on which the loan or instalment is actually raised and for the management of the sinking funds by trustees to be nominated by the Treasury. (c) For charging on the general revenues and assets of the territory or colony concerned or on any other revenues or assets which may be made available for the purpose, with priority over any charges not existing at the date of the passing of this Act the principal and interest of the loan and the payments to be made to the sinking funds to be established as aforesaid: (d) For charging on the general revenues and assets of the territory or colony concerned immediately after the last mentioned charge the repayment to the Treasury of any sum issued in pursuance of this Act out of the Consolidated Fund on account of the guarantee under this Act with interest on the said sum at such rate as the Treasury may fix. (e) For raising or securing the raising of, sufficient money to meet the above charges, nor, in the case of loan to be raised by any Government

other than the Government of Palestine, until after consultation with the advisory committee appointed by the Secretary of State subject to the approval of the Treasury.

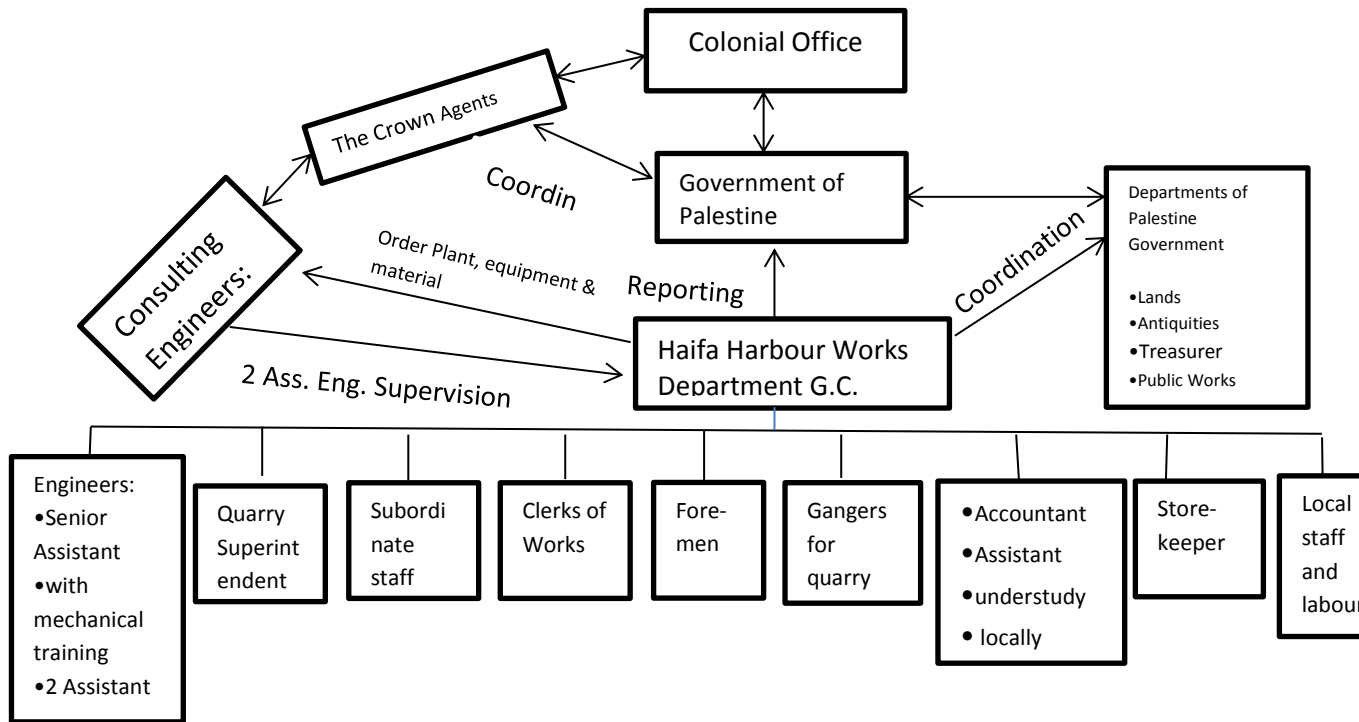
(3) Any sums required by the Treasury for fulfilling any guarantee given under this Act shall be charged on and issued out of the Consolidated Fund or growing produce thereof, and any sums so issued shall be paid into the Exchequer.

(4) The Secretary of State shall satisfy himself that fair conditions of labour are observed in the execution of all works carried out under any loan raised in pursuance of this Act.

2. This Act may be cited as the Palestine and East Africa Act, 1926.' First Schedule, Purpose of Palestine Loan: 1. Railways: £1,640,000; Purchase of railway and other capital assets from HMG: £1,000,000; 3. Harbour Construction and port improvement: 1,115,000; 4. Public buildings, telegraphs and telephones, surveys, minor works of development, and purposes incidental to or connected with any of the purposes mentioned in this Schedule, including the raising of the loan: £745,000; Total: £4,500,000.

-TNA/CAOG10/68, Palestine and East Africa Loan Act, 1926.

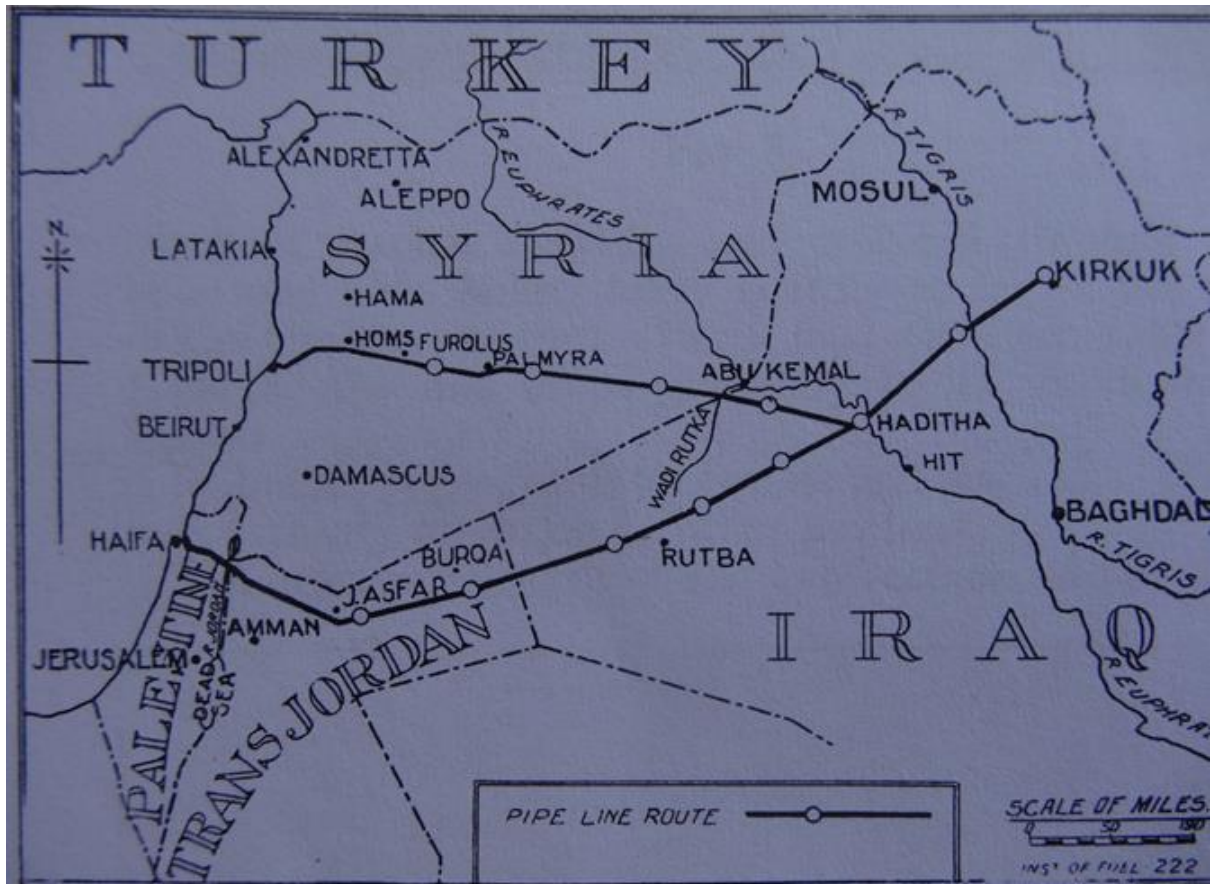
Appendix IV: Haifa Harbour Works Department organisational design



—— Line of authority

Data collected from TNA/CO935/2, CA to CO, 18.3.1929.

Appendix V: Map showing the route of the oil pipeline



John Cadman, 'The History and Construction of the Iraq Pipeline', *Journal of the Institute of Fuel*, 8/42, (August 1935), pp. 321-327, Figure 1, p. 322.

Appendix VI: One of the faces in the north quarry at Athlit



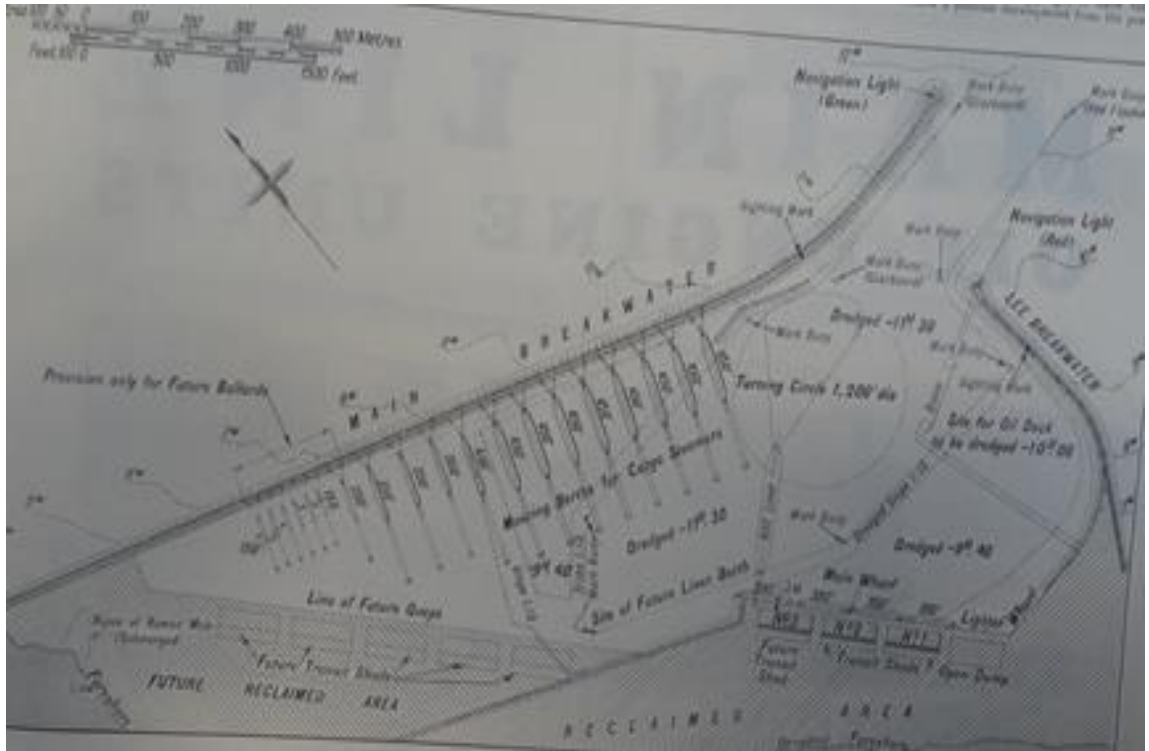
The Dock and Harbour Authority, 'Haifa Development Works', XI/124, (February 1931), p. 102.

Appendix VII: Equipment, pillar crane for construction of main breakwater



The Dock and Harbour Authority, 'Haifa Development Works', XI/124, (February 1931), p. 100.

Appendix VIII: Design of the harbour including the oil dock



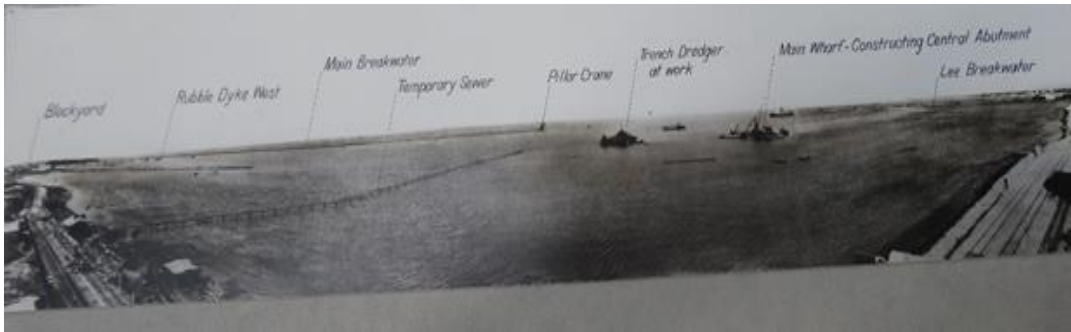
Modern Transport, 'Haifa harbour', 12 August 1933, p. 4: showing the harbour including the oil dock.

Appendix IX: Reclamation pump dredger



TNA/CO733/164/7, Palestine government opening of Haifa harbour, 31.10.1933

Appendix X: General view, harbour works, July 1931



TNA/CO733/198/4, RPT report July 1931.

Appendix XI: Haifa from Carmel showing completed harbour



TNA/CO733/164/7, Palestine government opening of Haifa harbour, 31.10.1933

Appendix XII: Haifa harbour development works, showing the oil dock, 1935



TNA/CO733/272/1, Haifa harbour development works including the oil dock, October 1935.

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