

## III.—THE PERSIAN LOAN QUESTION, 1906.

No. 324.

*Mr. Grant Duff to Sir Edward Grey.**Tehran, January 31, 1906.*

F.O. 371/169.

Tel. (No. 32.)

D. 5·30 P.M.

R. 10·30 P.M.

Your telegram No. 16: Loan.<sup>(1)</sup>

Mushir-ed-Dowleh informs me that it is absolutely necessary for Persian Government to contract loan at once, and I hear on good authority that Russian Legation have been approached.

Grand Vizier's position very uncertain, and dependent on whether he can raise money. Administrator of Customs states financial position becoming daily more critical. Would you reconsider matter if entire control of money lent were placed in English hands by Persian Government? Mushir-ed-Dowleh is sending his son to me Saturday, and I suspect he may put above question.

<sup>(1)</sup> [This telegram of January 23, 1906, reports the refusal of His Majesty's Government to grant a loan of £800,000 as requested by the Grand Vizier.]

No. 325.

*Sir Edward Grey to Mr. Grant Duff.*

F.O. 371/169.

Tel. (No. 22.)

*Foreign Office, February 2, 1906.*

D. 1·10 P.M.

Your tele[gra]m No. 32 (of Feb[ruary] 1) (Persian Loan).<sup>(1)</sup>

We cannot hold out any prospect of reconsidering decision as to proposed loan.

<sup>(1)</sup> [v. immediately preceding document.]

No. 326.

*Mr. Spring-Rice to Sir Edward Grey.*

F.O. 371/169.

(No. 111.)

Sir,

*St. Petersburg, D. February 7, 1906.**R. February 19, 1906.*

I have the honour to state that I addressed a private letter to Count Lamsdorff, copy of which I have the honour to enclose, embodying your Telegram No. 34 of the 2nd February on the subject of financial aid to Persia.

To-day I attended Count Lamsdorff's official reception and spoke to him on the subject.

His Excellency informed me that on the preceding day he had laid the letter before the Emperor and that His Majesty had charged him to express his satisfaction at this communication. Count Lamsdorff added that he was quite of the opinion that an end should be put to the practice under which the Persian Government was able to obtain money from the English or the Russian Government by playing off one against the other. Besides which the service rendered to Persia, by offering a loan, was much like that afforded by a moneylender to a spendthrift—which only made him reckless and plunged him deeper into embarrassment,

He expressed his satisfaction at the frank nature of the communication and asked me to inform you accordingly.

I gathered from his language that he regarded the idea of a loan to Persia with disfavour and did not press him as to the suggestion that if the Russian Government thought a loan advisable His Majesty's Government was prepared to enter into negotiations on the subject. Nor did I allude to the possibility of the repetition of the circumstances attending the loan of 1899 in which year the Russian Government, although Lord Salisbury had expressed his willingness to enter into negotiations for a joint loan and while the negotiations were pending, had sanctioned a large advance, nominally made to the Persian Government by a private bank. This question was fully discussed between Count Lamsdorff and Sir Charles Hardinge on the 6th ultimo (see His Excellency's Despatch No. 32),<sup>(1)</sup> and both Count Lamsdorff and Count Witte must be fully aware of the effect on public opinion in England of what would appear after the formal and written communication just made by order of His Majesty's Government and accepted with satisfaction by the Emperor, as little short of a breach of faith. I alluded however to the language held by Count Lamsdorff to His Majesty's Ambassador and reported by him in the above-mentioned Despatch, and observed that the communication I had made was based on the assurances exchanged on that occasion.

I have, &c.

CECIL-SPRING-RICE.

Enclosure in No. 326.

*Mr. Spring-Rice to Count Lamsdorff.*

Particulière et Confidentielle.

Cher Comte Lamsdorff,

23 janvier/5 février, 1906.

Comme Votre Excellence le sait, Sir Edward Grey a dit au Comte Benckendorff, dans une conversation qu'il a eue avec Son Excellence le 18 décembre (n.s.), que, tout en admettant que le moment n'était pas opportun pour entrer en pourparlers en vue d'arriver à une entente ayant pour objet de régler les différences entre les deux pays, le Gouvernement de Sa Majesté de sa part, pendant le délai inévitable éviterait toute action de nature à rendre plus difficiles les négociations qui auraient lieu dans ce but, ou de compromettre la possibilité d'un arrangement éventuel.

Se basant sur ce principe, Sir E. Grey a récemment déclaré au Gouvernement persan en réponse à des représentations au sujet de l'état actuel des finances persanes, que le Gouvernement de Sa Majesté Britannique n'était pas disposé à sanctionner une avance pécuniaire en faveur du Gouvernement du Schah.

En faisant part à Votre Excellence, à titre confidentiel de ce qui précède je suis chargé de L'informer que le Gouvernement britannique entend que le Gouvernement russe, de sa part, animé d'un esprit de réciprocité, et du désir de ne pas introduire dans la situation actuelle un élément nouveau ne permettra pas que le Gouvernement persan reçoive un secours pécuniaire des autorités financières russes.

Si toutefois, pour quelque raison, le Gouvernement Impérial le croit désirable de prêter un appui financier à la Perse, et qu'il veut bien considérer la question de concert avec le Gouvernement Britannique, je suis chargé d'assurer Votre Excellence que Sir Edward Grey est tout prêt à entrer en discussion à ce sujet, dans un esprit de conciliation.

Veillez, &c.

CECIL SPRING RICE.

<sup>(1)</sup> [v. *infra*, pp. 622-3, Appendix III.]

*Sir Edward Grey to Mr. Grant Duff.*

F.O. 371/106.

(No. 34.)

Sir,

*Foreign Office, March 6, 1906.*

The Persian Minister asked to see me to-day, and told me that he had come in order that he might inform the Shah whether the British and Russian Governments had an understanding between each other. I said that we desired to be on friendly terms with the Russian Government and had made that known, and that they also desired to be on friendly terms with us. The Persian Minister continued to press me as to whether we had any definite understanding in the sense, for instance, that we had an understanding with France. I said we had not got any definite agreement with Russia about details, as we had with France. The Persian Minister then asked whether we had an intention of making any such agreement. I said that it was impossible to say anything about intentions. This sort of thing depended on circumstances. We had had difficulties with the French Government with regard to Egypt, Newfoundland, and other questions, and we had removed these by a definite agreement. Should we in the future have difficulties with the Russian Government, we no doubt might be desirous of removing these by agreement in the same way. But at the present moment I did not think we had any difficulty with Russian Government which it was necessary to discuss in detail.

He asked me what our views were with regard to Persia, and I said that we desired to see the integrity and independent sovereignty of Persia maintained.

He then pressed me very much on the subject of the loan which the Persian Government desired, and asked me what we meant by saying that we could not lend money under present circumstances. I said that I thought the Persian Government had borrowed enough money already and that we should not, by lending them more, be doing anything to promote the strength of Persia. The Persian Minister asked me whether we would not do at least what Lord Lansdowne had promised to do when he offered to lend £150,000 or £200,000. I replied that when I came into office I found that that offer of Lord Lansdowne had not been accepted by the Persian Government. They had put forward an entirely new demand for £800,000, which we were not prepared to lend, nor were we prepared to renew the offer of the smaller loan, which had not been accepted and had been put aside by the Persian Government. The Persian Minister then pressed me further as to whether we would lend money to Persia, if the Persians would use it to pay off the Russian loan, but I said we could not entertain this proposal. He then asked me what advice I would give should the Persian Government appeal to British capitalists for a loan, and should the British capitalists apply to the Foreign Office for advice. I said that we could not advise any British capitalist to lend money to Persia without guaranteeing the loan or in some way taking responsibility for it ourselves, and as we were not prepared ourselves to lend money to Persia I did not see how we could facilitate Persia's borrowing it elsewhere. He urged that if we would not lend the money the Persian Government would have to apply to Russia, and pressed me for advice as to what they should do. I said that I was very sorry not to be able to give a favourable answer or to give the particular assistance for which he asked, but that as I was not giving that assistance it was not possible for me to give advice with regard to the borrowing of money.

[I am, &c.]

E[DWARD] G[REY].

*Sir N. O'Connor to Sir Edward Grey.*

F.O. 371/108.

(No. 278.) Confidential.

Constantinople, D. April 24, 1906.

R. April 30, 1906.

Sir,

In my Telegram No. 65 of yesterday I had the honour to report that the German Ambassador was giving proof of considerable interest in the Turco-Persian frontier question and was supporting the representations made by my Russian colleague and myself and I added that Baron von Marschall's action appeared to me very significant. I now take leave to supplement my Telegram with the following observations.

The appointment of a tried and able official like Monsieur Stemrich to the post of German Minister at Tehran, is, as I pointed out in my despatch No. 269 Confidential of the 21st instant,<sup>(1)</sup> sufficiently indicative in itself of a more active policy in Persia, and unless I am very much mistaken, the new German Envoy will play a much more important rôle in Persia than did his predecessor Count Rex. I am willing to believe that the anxious desire shown by Baron von Marschall to interfere in the dispute provoked by the Turkish occupation of Passova is in some measure due to apprehension lest a serious conflict in the Azerbidjan district should extend to Northern Mesopotamia and induce an unsettled condition in the country to be traversed by the Bagdad Railway; but I am still more disposed to regard His Excellency's intervention as a sign of his Government's desire to prove to the Shah that Germany takes an interest in Persian affairs and regards them as naturally falling within the sphere of her influence and action.

Baron von Marschall is not particularly addicted to paying visits to his colleagues, but the other day he called at the Persian Embassy and took some trouble to impress on Prince Riza Khan that he had spoken very seriously about the Turco-Persian imbroglio to Izzot Pasha, the Sultan's Second Secretary, in whose hands the conduct of the question has been placed, and how he had pointed out the illegality of the Turkish action in occupying and retaining possession of Passova which, being to the East of the debatable zone laid down in the Anglo-Russian Commissioners' map of 1869, must incontestably be in Persian territory. He expressed also the wish to be kept informed of the course of the negotiations and contrived throughout his conversation to convey the impression that Germany was interested equally with the two mediating Powers in the question and that his benevolent interference merited the grateful recognition of the Persian Government. The Persian Ambassador appears to have fallen into the trap at once, and to have thankfully expressed his appreciation of Baron von Marschall's comforting assurances and unsolicited support.

When His Highness told me what had occurred I suggested that he might do well to secure the support not only of Germany but also of France and the other Great Powers, as I had no doubt that all the Ambassadors at Constantinople would be as ready to afford reasonable support and aid in composing the quarrel as our German colleague had been.

Prince Riza Khan replied that he would explain the situation to the French Ambassador and the Italian Chargé d'Affaires and invoke their good offices and I myself took an opportunity this afternoon of acquainting Monsieur Constans with the present phase of this question.

Another symptom of Germany's interest in Persian affairs, which we cannot afford to overlook and which would seem to be part and parcel of some policy for a definite end, is the recent establishment by the Hamburg-American Company of a service of steamers to the Persian Gulf.

In face of the above facts it appears to me very probable that if Great Britain and Russia do not very soon come to an agreement with regard to their respective interests

<sup>(1)</sup> [Not reproduced. The despatch deals only with personal details referring to Herr Stemrich.]

in Persia, they may find themselves confronted there with Germany very much as did France in Morocco. Indeed I am almost afraid that the psychological moment for an arrangement *à deux* may be already passed.

As I walked with my Russian Colleague from the Persian Embassy, where we met yesterday to discuss the frontier dispute, I mentioned to him my idea that Baron von Marschall's attitude in the question boded a more active interest in Persian affairs which might make us regret that we had tarried so long in coming to an understanding. Monsieur Zinoviev replied that things did wear that appearance, but that as I knew he had always been in favour of an understanding with England, and he had not failed to express that opinion to his Government, feeling that he was entitled to do so on account of his intimate acquaintance with and long residence in Persia.

I have, &c.

N. R. O'CONNOR.

No. 329.

*Sir Edward Grey to Mr. Spring-Rice.*

F.O. 371/125.

(No. 213.)

Sir,

*Foreign Office, May 11, 1906.*

I reminded Count Benckendorff in conversation to-day that, since receiving the friendly message from Count Lamsdorff some weeks ago, indicating that proposals might be made by us for a definite agreement on matters of mutual interest, I had postponed the idea of our making any such proposals, owing to the change in progress in the Russian Government and the latter's natural preoccupation with internal affairs. But within the last day or two a report had reached me that Persia was negotiating with Germany for a loan. I had originally told Count Benckendorff that, as regards Persia and other subjects of that kind, we would for the present do our utmost to preserve the *status quo* in order to keep the door open for a subsequent arrangement with Russia. But if the *status quo* was to be disturbed in the interval by third persons, it would make a future arrangement more and more difficult, and I had therefore thought it right to tell Count Benckendorff of the report which I had heard.

I said it was for the Russian Government to consider what steps they thought it in their interest to take. I held that it was wasting money to lend it to the present Persian Government. But I did think it very desirable to preserve the *status quo*. Possibly a joint loan by Russia and Great Britain might be worth considering as a temporary expedient, simply to preserve things as they were till we could settle the whole question; though I thought Russia, by conditions she had already made with Persia, might have grounds on which to object by herself to the Persian Government's contracting a loan.

Count Benckendorff asked me whether the information with regard to a German loan came from a source which made me believe it, and how it was being arranged.

I said the report had reached me in the barest possible form. A million was named as the amount of the loan. But I was not sure even as to the amount, nor did I know through what channels it was being arranged, nor was I certain of the conditions which might be attached to it. I did, however, think that the report which had reached me might not be without foundation. But the Russian Government no doubt had means as good as ours for making their own inquiries.

There was another matter which it was necessary for me to mention.

The Bagdad Railway had not recently been brought before us officially in any way, but I gathered that it was likely to be revived. Questions were being asked me in the House of Commons, and from other indications I expected that we might soon have to give an answer as to whether we were prepared to participate. We were not prepared to participate in it unless France also did so; and we did not wish to go into it unless

Russia as well would take part. The Bagdad Railway, if completed, would form an important commercial outlet. I knew very well the interest which such an outlet had always had for the Russian Government, and I realised that if this outlet was to be made on the Persian Gulf, it was something in which they would naturally feel they ought to have some share. It was for them to consider, therefore, whether it would not be better, instead of attempting to block the project of the Railway, which might be destined to be made nevertheless, that they should make up their minds as to the conditions and methods by which Russian interest might be brought into the scheme. All I had to say was that we would consider very favourably any suggestions of this kind which the Russian Government might have to make.

I told Count Benckendorff I did not wish this to be regarded as an official communication, because at present we were not being asked for any decision; but I foresaw that we might have to come to a decision before very long, and, as this too would be an alteration in the *status quo* in a part of the world in which we were both interested, I was anxious to take no step on our part without letting the Russian Government know, and it was very desirable that they should come to a decision as to what their own interest and policy in the matter should be.

Count Benckendorff told me that M. Cambon had already had conversations with him and M. Nelidoff on this subject.

I said I had spoken to M. Cambon some time ago, but my reason for mentioning it now was that the questions which were being asked me in Parliament made me think that the time when we might have to come to a decision was nearer than I had thought, and it was desirable that the Russian Government should also be prepared.

[I am, &c.]

E[DWARD] G[REY].

No. 380.

*Mr. Spring-Rice to Sir Edward Grey.*

*St. Petersburg, May 12, 1906.*

F.O. 371/109.

Tel. (No. 89.)

D. 4.42 P.M.

R. 5 P.M.

My tel[egram] No. 88 of yesterday. Persia.<sup>(1)</sup>

Russian F[oreign] O[ffice] has no precise information but hear that M. Naus has changed his policy since his return from Constantinople where he had frequent conferences with German Amb[assador] who proposed to him a Berlin loan in return for certain concessions to Germany.

<sup>(1)</sup> [Not reproduced.]

No. 381.

*Sir A. Nicolson to Sir Edward Grey.*

F.O. 371/169.

(No. 404.)

Sir,

*St. Petersburg, D. June 26, 1906.*

*R. July 9, 1906.*

I mentioned to Monsieur Isvolsky yesterday that it had been reported from an unofficial source that the Persian Government were allowing it to be understood that an offer had been made to them of a Russian loan of two million sterling. I said that no credence was attached to this report, as it was not the first time that the Persian Authorities had allowed reports of this nature to be disseminated, possibly



with the object of inducing others to come forward with offers of a similar character. I only mentioned this report to him in order to place him on his guard, as I knew that the Russian Government would abide by the understanding regarding Persian loans which had been made with his predecessor, Count Lamsdorff.

Monsieur Isvolsky thanked me for having alluded to the report, but he could assure me that since he had been in office there had been no question of any loan to Persia. He added that at the present moment, moreover, the Russian Government or Russian Banks were not in a position to lend money to anyone.

I have, &c.

A. NICOLSON.

No. 332.

*Sir Edward Grey to Sir A. Nicolson.*

F.O. 371/169.

*Foreign Office, August 13, 1906.*

Tel. (No. 219.)

D. 1.35 P.M.

Count Benckendorff says that M. Isvolsky desires in view of internal troubles in Persia to come to some sort of *modus vivendi* with us.

You might tell M. Isvolsky that Sir C. Spring Rice, who starts early in September will be instructed to keep in touch with M. Hartwig at Tehran; that we propose to adhere to a policy of non-interference as far as possible and that British subjects inland will be told in case of danger to them to go to the Ports; that Sir C. Spring Rice will probably ask his colleagues to agree to some limitation of the custom of taking "Bast"; that subject to these precautions we propose to let crisis in Persia take its course, but are ready to agree with the Russians that the Valiahd should be favourably regarded as successor, if the Shah dies.

This should not be allowed to forestall or complicate subsequent negotiations as to agreement about Persia; if M. Isvolsky raises that you should receive his views and say that we will consider them.

No. 333.

*Sir A. Nicolson to Sir Edward Grey.*

*St. Petersburg, August 15, 1906.*

F.O. 371/169.

D. 8.56 P.M.

Tel. (No. 185.)

R. 10 P.M.

Your telegram No. 219.<sup>(1)</sup>

I communicated to the Minister for Foreign Affairs verbally instructions which Sir C. Spring-Rice would take with him to Tehran, explaining that these were not to prejudice any negotiation we might subsequently undertake on the general question of Persia.

His Excellency said he was sure that the British and Russian Ministers would co-operate cordially together.

<sup>(1)</sup> [v. immediately preceding document.]

No. 334.

*Sir Edward Grey to Mr. Grant Duff.*

F.O. 371/169.

Tel. (No. 112.)

Foreign Office, August 16, 1906.

D. 12 P.M.

Your Russian colleague has been instructed to concert with you as to adoption of any steps, which may assist towards calming situation in Persia. Should any new necessity arise you should endeavour to co-operate with him. We desire to avoid giving any ground for an impression that recent events have been encouraged as an opportunity for interference in Persian affairs or to exploit the situation at the expense of Russia.

(Repeat to St. Petersburg, No. 231.)

No. 335.

*Mr. Grant Duff to Sir Edward Grey.*

Tehran, September 1, 1906.

F.O. 371/110.

Tel. (No. 227.)

D. 1.20 P.M.

R. 6.45 P.M.

My immediately preceding telegram. Meshed-Seistan line.<sup>(1)</sup>

Grand Vizier yesterday admitted to me that orders had been given to transfer instruments at Meshed from the Persian to the Russian office, but denied that there was any intention of making further concessions. I pointed out to His Highness that His Majesty's Government would view with surprise and regret fact that his first act as Grand Vizier had been to hand over to Russian control a line (?) conducting down to our Indian frontier, and said that we should most certainly demand a *quid pro quo*, and that it would probably be a large one.

His Highness was evidently much concerned at this view of the matter, and protested that Shah's signature had been given long before he had become Grand Vizier.

Subsequently he sent his son to me with the original Russian note and the Shah's Minute in order to prove that the matter had been arranged before his access to power. I promised to tell you this, but pointed out that it in no way affected actual position.

I took the opportunity to explain to the Grand Vizier's son, with the aid of a map, that the control over the line would enable Russians to place a whole string of agents along Afghan border right down to our Indian frontier. I also showed that, in the event of trouble between Persia and Afghanistan, Persians had by their own act put it in the power of the Russians to cut off at will all telegraphic communication between Tehran and the whole eastern frontier of Persia. This was the one line of all others that the Persians ought never to have let out of their hands. The only remedy, I said, was the linking up of Seistan with the Central Persian system, or, in other words, concession of Kuh-Malik-Siah extension. He seemed impressed with this argument.

I finally urged him not to make any further concessions to the Russians on the line, and, above all, not to let Seistan pass out of their hands.

<sup>(1)</sup> [Tel. No. 226 from Mr. Grant Duff of August 30, 1906, states the Persian Government was about to hand over the control of the Meshed-Seistan telegraph line to the Russian Government. The Persian Minister of Telegraphs was ready to postpone effecting the transfer for two days in the hope of British intervention. While he wanted to retain control of the line himself, he would have preferred to hand it over to Great Britain rather than to Russia.]



I think that Grand Vizier is thoroughly alarmed, and if His Majesty's Government will impress on Persian Legation that they regard matter very seriously, I believe that we might now press for the Kuh-Malik-Siah extension with fair hope of success.

I have, of course, not indicated that His Majesty's Government would consider extension alone to be adequate compensation.

MINUTES.

The unsatisfactory part of this question, apart from the material side, is that it is a modification of the *status quo* which we have been so careful to maintain recently in Persia, and I think that this aspect of the question may legitimately be pointed out to M. Isvolsky by Sir A. Nicolson, who might be told that we shall expect a counter concession.

C. H.

Yes.

E. G.

The Persians may have done it of themselves without recent pressure from the Russians in order to predispose Russia to lend money; or M. Hartwig may have asked for it as a *quid pro quo* for the prestige gained by us through the abnormal hospitality of our Legation.

E. G.

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No. 396.

*Sir A. Nicolson to Sir Edward Grey.*

F.O. 371/169.

(No. 575.)

Sir,

*St. Petersburg, D. September 1, 1906.*

*R. September 10, 1906.*

M. Isvolsky sent me word yesterday afternoon that he would like to call upon me, as he wished to speak to me on certain matters. His Excellency paid me a visit in the course of the afternoon, and said that he wished to inform me that the Persian Government had been pressing the Russian Minister at Teheran to procure for them an immediate advance of three million tomans (about £500,000) and also a loan of ten million tomans (about £1,650,000). They had stated to M. Hartwig that their financial condition was exceedingly precarious, and that if his Government would render them the above service, they would subscribe to any conditions which might be required. They further added that the British Government had been offering them financial assistance in return for concessions of a political character, but that they preferred to address themselves in the first instance to the Russian Government. They intimated that if neither the Russian nor the British Government were disposed to assist them, they would apply to Germany.

M. Isvolsky said that Sir C. Spring Rice had written a private note to Count Lamsdorff in January last,<sup>(1)</sup> which had remained without a written reply; but that on the note, which M. Isvolsky produced from his portfolio, Count Lamsdorff had written a minute to the effect that he had informed Sir C. Spring Rice verbally that the Russian Government were in accord with the principles enunciated in his communication.

M. Isvolsky observed that he wished to act in harmony with the spirit of what he termed the "tacit agreement" of January last, and he had therefore communicated to me the steps which the Persian Government had recently taken. There was, he said, little doubt that the financial condition of Persia was almost desperate, and that he wished to consult with His Majesty's Government as to the best means of affording relief and in what measure assistance could be rendered. He would be glad to know what information I had received in regard to the financial situation in Persia, and also what were the views of His Majesty's Government on the subject.

<sup>(1)</sup> [*v. supra*, p. 379, No. 326, *encl.*]

I told M. Isvolsky that, in the first place, I was sure that my Government would highly appreciate the loyal and frank step which he had been good enough to take; and that in the second place, I could assure him that no offer of any kind had been made to the Persian Government on our part, and that their assertion that financial relief had been tendered was an old device of the Persian authorities. I had no special data at that moment in my memory as to the financial condition of Persia, but that I had little doubt that it was extremely unsatisfactory. I did not know what view you would take as to the best means of overcoming the financial difficulty: but it seemed to me that it would be desirable, in the first place, to obtain some expert and trustworthy information as to the amount which would be needed to meet the most pressing necessities and that then the two Governments might consult together as to whether an advance might not be made in common. Perhaps it might be found necessary to have some control as to the expenditure of the advance, if one were made, as otherwise the funds might be squandered uselessly. I added that it would be better if the Persian Government could be restrained from applying to other quarters, such as Germany, for financial assistance.

To this latter remark M. Isvolsky fully agreed, and said that as both Russia and Great Britain had large interests in Persia it was desirable that they should work together without the intervention of third parties. His Excellency said that these and other matters concerning the present situation in Persia which Sir C. Spring Rice and M. Hartwig might discuss were not to prejudice any arrangement which the Governments of Great Britain and Russia might hereafter conclude in regard to our future respective relations and attitudes towards the general question of Persia. I said that this was also, I knew, the view of my Government.

I have, &c.  
A. NICOLSON.

No. 337.

*Sir Edward Grey to Sir A. Nicolson.*

F.O. 371/169.  
Tel. (No. 262.)

*Foreign Office, September 3, 1906.*  
D. 2.40 P.M.

Your tel[egram] No. 202 (of Aug[ust] 31). Persia.<sup>(1)</sup> It is now several months since Persian Government pressed us most urgently for a loan and were definitely refused.<sup>(2)</sup> I assume that since then they have tried other sources and their renewed application to Russia is evidence that they have failed to obtain anything. If however Russian Gov[ernmen]t think there is danger of money being lent by any other source in terms, which would introduce undesirable complications in Persian question,<sup>(3)</sup> we will discuss question of making an advance in common and for this purpose instruct Grant Duff to ascertain in conjunction with his Russian colleague how much is required, and how we can secure that it should be applied to objects of real necessity. In view however of uncertainty of Shah's health and consequent instability of present Gov[ernmen]t in Persia it would be more useful if a loan could be deferred. I assume that Russia agrees to supporting the Valiahd as successor in that event a loan might enable a better start to be made with a new Gov[ernmen]t. A loan if made now should at any rate be confined to bare necessities required to carry on for a short period.

<sup>(1)</sup> [This telegram gave the substance in shorter form of Sir A. Nicolson's despatch No. 575 of September 1, 1906. v. immediately preceding document.]

<sup>(2)</sup> [v. *supra*, p. 378, Nos. 324-5.]

<sup>(3)</sup> [*cp. supra*, pp. 382-3, No. 329.]

*Sir A. Nicolson to Sir Edward Grey.*

*St. Petersburg, September 5, 1906.*

F.O. 971/169.

Tel. (No. 205.)

D. 8.6 P.M.

R. 9.45 P.M.

Your telegram No. 262: Persia.<sup>(1)</sup>

Minister for Foreign Affairs will send instructions to the Russian Minister at Tehran to obtain, in concert with Mr. Grant Duff, information as to the amount of advance really required, and to ascertain if some means could be taken that it should be properly applied.

I gave his Excellency your views as to the loan, and he appeared to agree with them.

<sup>(1)</sup> [v. immediately preceding document.]

*Sir C. Hardinge to Sir A. Nicolson.*

Private.<sup>(1)</sup>

My dear Nico,

*Foreign Office, September 5, 1906.*

. . . .<sup>(2)</sup> As regards Persia, the sooner Isvolsky can be invited to make suggestions the better. We are of this opinion since we do not know at all upon what basis they would wish to negotiate and we are not yet quite prepared to say what we are ready to concede. I keep on impressing upon the I[ndia] O[ffice] the absolute necessity of coming to some definite decision as to what our policy is to be, and that there is no time to lose. I think I shall succeed in getting an expression of opinion from them but it may take a few weeks. The pourparlers are however not advancing rapidly which is to our advantage, but it would be very useful if you could get Isvolsky to express his own ideas.

Now you will have received Grant Duff's tel[egram] 227 about the Meshed-Seistan Telegraph which is very unsatisfactory.<sup>(3)</sup> What is however the most unsatisfactory part of this question, apart from the material side, is that it is a modification of the *status quo* which we have been so careful to maintain recently in Persia and Sir E. Grey thinks that this aspect of the question may legitimately be pointed out to Isvolsky by you and that if this concession is confirmed we shall have to consider what counter-concession we must demand.

While writing the above to you Benckendorff came to see me and I spoke to him in the above sense. He assured me that Isvolsky will be strongly opposed to any such step and that he is not pleased with Hartwig's proceedings at Tehran. He begged me to send a tel[egram] to St. P[etersburgh] but not to mention that he had advised it. I am going to do so as soon as I have a moment to turn round in.

Since beginning this letter I have settled with the I[ndia] O[ffice] the Afghan instr[uctio]ns<sup>(4)</sup> which I enclose for your conf[identia]l information but which have not yet been approved by Sir E. Grey, so please sit on them in the meanwhile.

The advantage in sending them to you now is that I can tel[egram] to you any alterations which Sir E. Grey may wish to make before you act on them.

In great haste,

Y[ou]rs ever,

CHARLES HARDINGE.

<sup>(1)</sup> [Carnock MSS.]

<sup>(2)</sup> [The opening sentences of this letter are purely personal in character.]

<sup>(3)</sup> [v. *supra*, pp. 385-6, No. 335.]

<sup>(4)</sup> [These are printed, *infra*, p. 526, No. 472, *encl.* There is no copy of them attached to this letter in the Carnock MSS.]

No. 840.

*Sir A. Nicolson to Sir Edward Grey.*

F.O. 871/169.

(No. 588.)

Sir,

*St. Petersburg, D. September 6, 1906.**R. September 17, 1906.*

I informed M. Isvolsky yesterday that His Majesty's Government had received some months ago an application from the Persian Government for a loan, but that the latter had been told that this request could not be entertained.<sup>(1)</sup> In respect to the recent application for an advance and a loan, I told His Excellency that my Government were of opinion that if some financial aid were really required and if the Persian Government were likely to seek it elsewhere than in England and Russia, you were prepared to send instructions to His Majesty's Chargé d'Affaires at Teheran to ascertain, in conjunction with the Russian Minister, what amount would suffice to meet urgent requirements and also what means could be taken to assure that the advance was properly applied. In respect to a loan I said that you considered that, owing to the condition of the health of the Shah and the uncertainty of the immediate political future in Persia, it would be advisable to defer, if possible, embarking on so serious a matter as a loan. Moreover as we understood that the Russian Government were in accord with us in supporting the succession of the Valiahd it would be advisable to enable His Highness to start his reign with our common financial assistance should a loan be eventually necessary. I had prefaced my remarks, as I am sure you would have wished me to do, by expressing your appreciation of the loyal and friendly communication which His Excellency had made to me, as reported in my Despatch No. 575 of the 1st instant.<sup>(2)</sup>

M. Isvolsky took note of what I had said, and stated that he would telegraph to the Russian Minister to place himself in communication with Mr. Grant Duff. He added that he presumed that the British and Russian Representatives at Teheran were not themselves to decide the amount and mode of making the advance, but merely to procure the necessary information for the subsequent decision of their respective Governments. I said that this, I was sure, was also your view.

I have, &amp;c.

A. NICOLSON.

<sup>(1)</sup> [*v. supra*, p. 378, Nos. 324-5.]<sup>(2)</sup> [*v. supra*, pp. 386-7, No. 336.]

## IV.—THE ANGLO-RUSSIAN RAPPROCHEMENT, 1906-7.

No. 841.

*Sir Edward Grey to Sir A. Nicolson.*

F.O. 871/126.

Tel. (No. 272.)

*Foreign Office, September 7, 1906.*

D. 1.15 P.M.

You are authorised to open discussion with M. Isvolsky on Afghanistan on the basis of the instructions enclosed in Sir C. Hardinge's private letter to you of the 5th inst[ant].<sup>(1)</sup>

You should also inform M. Isvolsky that if he desires to discuss Persia we shall be ready to receive any proposals put forward by him without waiting till the discussion on Afghanistan is concluded.

<sup>(1)</sup> [*v. supra*, p. 388, No. 339, and note <sup>(4)</sup>.]