Forces of history: American-Iranian diplomacy 1949-1953

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THE FORCES OF HISTORY:
AMERICAN-IRANIAN DIPLOMACY, 1949-1953

by

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presented in partial fulfillment of the requirements

for the degree of

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Date
Some scholars who have studied the Iranian Oil Nationalization Crisis of 1949-1953 have lamented the outcome and consequences of this crisis. During this period, some analysts assert that the U.S. government should have followed a different course of action. They claim that, despite British objections, Iran’s Musaddiq government should have been supported in order to hasten a new oil agreement and attain a more democratic régime for Iran. This part of the revisionist school also claims that Western ignorance and prejudice was a key sculptor of the outcome of the crisis, and a direct contributor to the subsequent 30 years of authoritarian rule under Mohammad Reza Shah.

However, this study will examine other, more pertinent causes of the courses and consequences of the crisis. It is true that Western officials, particularly British, frequently exhibited ignorance and lack of cultural sensitivity before, during, and after the crisis. Yet these cultural causes were not the preeminent factors that shaped the outcome. Rather, there were other, more significant sculptors of the crisis’ outcome.

First, the internal political situation inside Iran, coupled with Musaddiq’s intransigence, combined to create a recalcitrant Iranian stance during oil negotiations. Second, the British government and public were resistant to an oil settlement that deprived Britain of its historic economic interests in Iran. Third, the effects of Cold War dynamics were strong. The American government opposed Musaddiq and oil nationalization not due to bigotry, but due to their assessment that continued instability in Iran could hasten a Communist takeover in Tehran. Fourth, British prejudice and Iranian suspicion helped shape their intransigent postures. Fifth, Musaddiq would have fallen from power even without Anglo-American intervention, for opposition to his government was strong by 1953.

In essence, there were several factors that shaped the crisis. Though ignorance and prejudice were two of these factors, they were by no means the most influential. This study will analyze other, more powerful factors that affected American-Iranian relations during this period.
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To Lisa

For her prayers, love, strength, and encouragement
PART I: NARRATIVE

1. A Diplomacy of Priority

As frequently occurs in the conduct of foreign relations, we tend to see the full scope of our mistakes, misunderstandings, and miscalculations after the negative consequences of our actions are revealed. In the case of American-Iranian relations, the Revolution of 1979-1980 indeed has been viewed as a direct, negative consequence of misdirected U.S. foreign policy. For 30 years previous to the ascension of Iran's religious right, the American government gave economic, military and political support to the increasingly authoritarian Mohammad Reza Shah. This policy was adopted due to the Shah's virulent anti-communism, and to the perceived lack of any viable pro-Western political alternative. Yet it was a policy fated for failure. The Shah's violent suppression of political dissent and lack of substantively successful economic and political reforms throughout the 1970s, effectively galvanized otherwise-antithetical forces within Iran against his rule. These forces eventually caused his fall.

In the past 20 years, several histories have sought to reevaluate American-Iranian diplomatic relations using the clarity provided by the Iranian Revolution. This revolution was a severe shock to the Carter Administration, as well as to the American public. The deposing of a loyal monarch-ally, the seizing of American hostages, the burning of American flags, and infuriated students chanting of "Death to America!" were a bewildering spectacle to a constituency that was
mainly ignorant of the culture and politics of the Near East. It was this maelstrom that prompted the self-evident question, “What went wrong in U.S.-Iranian relations?” The authors of such histories have reminded us that in the first half of the 20th century, the United States actually enjoyed the favor of the majority of Iranians. They have searched for mistakes, misunderstandings and miscalculations in policy during the reign of that staunch U.S. ally, Mohammad Reza Shah.

The Revisionist School

In these evaluations of American-Iranian diplomacy, the Oil Nationalization Crisis of 1949-1953 is often cited as the critical turning point in relations between the two countries. This is a correct assessment. Previous to this time, the U.S. enjoyed the favor of the Iranian majority due mainly to America’s lack of geopolitical interest and subsequent interference in Iranian affairs. Traditionally, it had been the British who had protected Western interests. The United States thus was content to remain an aloof neutral in the region, supplying Iran with only small-scale technical, economic, and military assistance programs in the 1920s and 1930s. America’s military presence during the Second World War, though substantial in comparison to previous interventions, was nonetheless limited. The U.S. Army stationed some 30,000 personnel in Iran, and this only to lend technical assistance for the shipment of lend-lease matériel to Soviet Russia. Therefore, given the previous warmth of U.S.-Iranian relations, revisionists claim that misguided American demeanor and actions during the Oil Nationalization
Crisis embittered anti-Shah factions in Iran, and sowing the seeds for revolution three decades later. These revisionists, if that is a just label, claim that the U.S. Department of State, during the pivotal year 1953, should have supported nationalist Prime Minister Dr. Mohammad Musaddiq as a more favorable alternative to the pro-western, authoritarian monarch Reza Shah. Further, this line of argument contends the following:

1. Musaddiq and other champions of oil nationalization had legitimate grievances regarding past and extant agreements vis-à-vis the Anglo-Iranian Oil Company (AIOC).

2. American diplomats exhibited little knowledge of Iran's complex social, political, and economic landscape. Their understanding of Iran was limited mainly to the Shah's inner circle. Little was known about the sufferings, aspirations, and needs of Iran's poor majority.

3. Further, British and American ignorance and cultural bias, combined with Musaddiq's own eccentricities, led to strong personal prejudices against the Iranian prime minister. These biases prevented them from seeing Musaddiq's favorable qualities, such as his goals of land reform and the installation of a constitutional monarchy, based on the British model, that would limit the Shah's powers.

4. The Truman and Eisenhower Administrations should have been more forceful in replacing Britain as guardian of Western interests
in Iran. This criticism holds that the Americans were slow to act, and so squandered valuable time and opportunities to solve the British-Iranian impasse.

5. American officials overestimated the severity of the Soviet threat, mistakenly believing that Musaddiq's premiership could be hijacked by the leftist Tudeh Party. By the summer of 1953, American officials were eager to embrace Reza Shah as the only viable pro-western alternative to Musaddiq. Yet the State Department consistently overlooked Musaddiq's qualities, and instead supported Reza Shah, a virulently anti-Communist leader.

6. The U.S. government should have exchanged short-term for long-term goals. The Soviet-American rivalry served as an influence on U.S. policy, one that was not commensurate with the realities of Soviet intentions and actions. Rather, the long-term economic, political, and social welfare of the Iranian people should have been of paramount importance, and led to an embrace of Musaddiq's regime.¹

Before addressing the inaccurate assertions listed above, it is important, in the interests of fairness, to first concede to the revisionist school their accurate assertions. These analysts have contributed greatly to the field of American-Iranian relations. They have been willing to reevaluate the conduct of U.S.

¹ See James F. Goode, *The United States and Iran, 1946-51: The Diplomacy of Neglect* (London: MacMillan, 1989), and *The United States and Iran: In the Shadow of Musaddiq* (New York: St.
foreign policy in the entire Near East, not just in Iran, and in doing so are seeking to chart a more productive American diplomacy, one less inclined toward cultural prejudice, ignorance, and ethnocentrism. Therefore, the revisionist school is correct on the first three points listed above. First, the Iranian government, in its oil agreements with AIOC, had historically received treatment and profits incongruous with the resources being provided to Britain. Second, the majority of American officials in Washington and Teheran had scant knowledge of Iran. Third, British and American cultural and personal prejudices clouded their assessments of Musaddiq, leading directly to their covert support of the Shah during the 1953 coup.

However, contentions four to six are not entirely accurate. These points will be addressed in the order they appear above. Regarding point four, criticism has been levied against American officials and diplomats for what has been viewed as a lethargic response to the crisis. This requires a more adequate interpretation. U.S. involvement in Iran was minimal in the late 19th century, and of a predominantly private nature. American missionaries and social-aid workers came to Iran during this period, so diplomatic relations were established with the purpose of representing and protecting U.S. citizens in Iran. In the first half of the 20th century, as previously mentioned, U.S. involvement expanded to include economic, military, and public works programs sponsored by the government. Yet these programs were small in relation to the aid provided for other countries. Until the Second World War the United States was a secondary player, for she maintained no significant economic or military interests in Iran. Thus, the State

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Martin's Press, 1997) for good examples of the revisionist interpretation.
Department was content to allow Great Britain a free hand in the country. Anyone, then, who criticizes the U.S. government for not getting involved earlier in the Oil Nationalization Crisis of 1949-1953 is missing the mark. The British had been active in Iran for approximately 150 years. It was understandable, then, that the Americans would be hesitant to intervene directly during the early months of the crisis. Further, contrary to revisionist thought, the United States government was not entirely without interest or expertise in Iran. Given Iran’s geopolitical, strategic, and resource value, Washington was eager to prevent the Soviets from attaining dominion over the country, and so devoted more attention to Iran in the postwar years. Iran was not being neglected. Rather, in the years immediately following the war, the United States government was undergoing a baptism by fire with regard to Iranian diplomacy.

Regarding points five and six, it has been said that American officials overestimated both the strength of the leftist faction within Iran, and the seriousness of the Soviet threat. Historian James F. Goode has been acutely critical of the U.S. government on this point, asserting that the Truman and Eisenhower Administrations were irrationally obsessed with the Soviet Union’s intentions and actions:

In the early years of the cold war, the government of the United States found its time almost consumed with concerns about the Soviet Union... such proved to be the case notably in relations with Iran, where there was some Russian activity but not nearly as much as Washington officialdom espied.²

Goode contends that the American government carried “a misguided policy born

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of ignorance and anticommunist ideology,” and that this mindset caused the State
Department to oppose Prime Minister Musaddiq out of an unjustified fear that his
nationalist movement would be co-opted by pro-Soviet elements within Iran.
Further, Goode believes that the U.S. should have possessed more foresight, and
supported Musaddiq during the Oil Nationalization Crisis, as he would have been
a more favorable long-term ruler than the oppressive Shah. “Assuming that
stability would satisfy the Iranian people,” Goode continues, “Americans
augmented royal power and as the years passed abetted the Pahlavi dictatorship,
making straight the way for the explosion to come.”

In short, Goode labels American policy in Iran in the years previous to the May, 1951 nationalization of
AIOC as a “diplomacy of neglect”:

Until the early 1950s, Britain was the principal western power at
Tehran. During those early postwar years then, as the Cold War
intensified, the Truman Administration neglected Iran, partly
because it assumed that the British, with their long experience in
the Middle East, would maintain the Western position, while
Washington concentrated on Europe and East Asia. It assumed too
much. Matters degenerated into the oil crisis of 1951, forcing the
United States to adopt a more active policy.

In stating that American policy with regard to Iran constituted a
“diplomacy of neglect,” Goode has overplayed his hand. He is correct in
asserting that U.S. support of the Pahlavi regime during and after the Musaddiq
period contributed directly to the fiery Revolution of 1979-80. Yet even an
American embrace of Musaddiq’s nationalist movement would not have altered
Iran’s course. And we must remember that Goode wrote his two major works on

the subject after Iran's Revolution. Remember also that these two works were published immediately before and after the close of the Cold War, in 1989 and 1997, respectively. Goode is writing with the added luxury of hindsight. Though Goode's suggestion of an alternative course for U.S. policy in Iran during the Oil Nationalization Crisis is commendable, he has under-emphasized the influence that the Soviet-American rivalry had upon the course of U.S. diplomacy. The bane of revisionism is its disproportionate reliance upon the assessment of the consequences of a course of action, consequences often only visible in the present. Historian John Lewis Gaddis recently touched on this inclination when he penned an article on the Cold War in *U.S. News & World Report*. Gaddis reminds us that what we see now with great clarity and wistful second-guessing, was not what we saw then:

> Our view of the past is so much clearer than our vision of the future that we tend to forget that the past once had a future, and that it was just as opaque to those who lived through it as our own future is for us today.5

The revisionist school often overlooks the uncertainties that the actors faced during the crisis. One easily criticizes the seeming slow American response; the strong influence of anticommmunist ideology; the support given to a monarch who proved to be an enemy of democracy, rather than a defender of it.

*A Diplomacy of Priority & The Forces of History*

Yet we cannot forget that U.S. officials in Washington and Tehran made decisions based upon their perceptions of Soviet intrigue. Of all the factors that
affected its outcome, the crisis was undoubtedly shaped most by the budding Cold War and its accompanying American fears, some real, some imagined of Communist machinations in Iran. There were other significant influences, of course, such as the internal factionalism that eroded Musaddiq’s power base, or the intransigence of the British and Iranian governments during oil negotiations. However, it was Musaddiq’s perceived susceptibility to Communist subversion that led the Eisenhower Administration to oppose actively the prime minister’s government, and to help supplant it with a pro-Western regime more conducive to an oil agreement. More than any other factor, the competition between the United States and the Soviet Union proved to be most critical to the outcome of Musaddiq’s drive for oil nationalization. Likewise, the positions of the British and Iranian governments were etched by enormous historical, domestic, political, and economic forces that pushed their subjects into intransigent stances during the crisis. Further, given the myriad of trouble spots in the years after the close of the war, U.S. diplomats were forced to prioritize their foreign policy goals. Events in Europe and Asia, as Goode attests, took precedence over the row in Iran, even after Musaddiq’s nationalization of oil in mid-1951. Unfortunately, Goode does not take this observation to its most logical conclusion, that Iran, though of some importance to American officials, was outranked in priority by several other issues and trouble-spots.

To summarize, the following are key rebuttals to this revisionist school, assertions that will provide a more accurate interpretation of the Oil Nationalization Crisis of 1949-1953. First, Musaddiq and other champions of oil

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nationalization had legitimate grievances regarding past and extant agreements vis-à-vis the Anglo-Iranian Oil Company (AIOC), Great Britain's sharp tool in its influence over the Iranian government. Second, although many American officials exhibited little knowledge of Iran's complex social, political, and economic landscape, the direct impact this ignorance had upon the outcome of the crisis is less than some revisionist analysts would have us believe. There were other, more significant factors that led to Iran's nationalization of AIOC in 1951, and the subsequent fall of Musaddiq in August, 1953. These factors will be discussed below. Third, although many British and American officials held prejudices against Musaddiq, these biases were not the central factor in their eventual opposition to him in mid-1953. Given the recent replacement of several world governments by leftists, the Americans were most concerned about Musaddiq's ambiguous treatment of the Tudeh party. Thus, the effects of Cold War dynamics caused American opposition to Musaddiq as the crisis reached a boiling point. And even had Musaddiq's cultural, character, and political nuances been better understood, it is unlikely that the overall outcome of the crisis would have been altered. Fourth, British prestige and power was on the decline after 1945. However, we should not assume that Britain was forced to play the part of hapless sidekick to the United States. On the contrary, a crucible of American containment doctrine was the country's need for allies in the fight against Soviet expansionism. While London no longer maintained a global empire, she was still a much-needed NATO ally, and the United States could not afford a permanent estrangement. Thus, Washington opted to tread lightly in the early stages of the
crisis, for while the United States desired to gain influence in Iran, this desire was carefully balanced with the need for continued good relations with London. The Americans were not slow to act, but cautious. Fifth, the American government did not overestimate the Soviet threat. Though some diplomats sounded the alarm and warned of a probable Soviet invasion, they were later shouted down by the CIA. During the final months of Musaddiq's premiership, the Central Intelligence Agency reached the conclusion that a Soviet invasion of Iran, though possible, was unlikely, and that the real Communist threat came from internal subversion. This interpretation of Iran's tumultuous political scene was a fateful sculptor of Eisenhower's decision to proceed with an Anglo-American covert operation to topple Musaddiq. Sixth, this type of revisionism has asserted that the U.S. government should have thrown its support to Musaddiq rather than Reza Shah. This contention is made, however, using the clarity that the 1979 Iranian Revolution provided. Cold war dynamics were too strong to have allowed this to happen. This is not to say that Musaddiq was not a qualified and able leader. In fact, Mohammad Musaddiq was a man of vision, integrity, perseverance, and sacrifice. Unfortunately, the forces of history were conspiring against him. With immense courage he faced obstacles of time and circumstance which were difficult to surmount, and for this he is to be admired. Seventh, another challenge that Musaddiq faced was the charged, fractious arena of Iranian domestic politics. Even had the United States and Great Britain vigorously supported both Musaddiq's premiership and his nationalization of AIOC, Musaddiq would have likely remained extremely vulnerable to the domestic political forces arrayed
against him. Eighth, American diplomatic conduct toward Iran during the postwar period, though faulty, does not merit the “diplomacy of neglect” label sometimes affixed to it. Rather, it is more accurate to call it a diplomacy of priority. The American government had a plethora of other hot-spots that had to be addressed during the height of the oil nationalization crisis in Iran. American officials were forced to prioritize their foreign policy goals. Though a key focus in the State Department’s recently-created Near Eastern and African Affairs Division, Iran was outranked by other, more pressing matters. This conduct, though repulsive given the vicious tyranny of Reza Shah that followed Musaddiq’s removal, is nonetheless an integral, if unfortunate, part of every country’s foreign policy process. In international diplomacy, a short-term solution usually overshadows long-term vision.

Therefore, American conduct in Iran after 1945 does not constitute a “diplomacy of neglect,” but rather a very conscious diplomacy of priority. U.S. policy-makers made decisions based on their unique circumstances, domestic pressures, interests, and perceptions. Simultaneously, these officials also reacted to the other actors involved: Iran, the Soviet Union, and Great Britain. Each player in the tragedy was driven from behind by fierce internal pressures, as well as pressed from the front by equally intense external antagonisms. Given these innumerable responsibilities and the plethora of issues outside the Near East that Washington had to face, it was understandable that Iran became a lower priority during the late 1940s and early 1950s. Oil nationalization in Iran did not become a crisis due to American negligence, as the revisionist school claims. Rather, the
oil crisis became a crisis because of British and Iranian intransigence. U.S. officials made their foreign policy decisions based on calculated assessments of the global diplomatic, economic, political, and military picture. For the Americans, Iran was simply not on the short list of priorities. While the U.S. government was extremely concerned about the 'loss' of Iran and its resources to the Soviet bloc, events in Europe and Asia ranked higher on the priority list. Even had Iran been placed a higher priority, it is doubtful that American intervention earlier in the crisis would have altered its outcome. In essence, then, American policy was a diplomacy of priority.
2. Landscape

Before commencing this argument regarding the causes and consequences of Iran’s nationalization of oil in the summer of 1951, it is first necessary to provide a summary of the course of this crisis. First, a summation of AIOC’s birth and subsequent growth will be presented, for without an understanding of the troubled nature of British-Iranian relations, from which the AIOC cannot be separated, it is impossible to place the oil crisis in its proper historical context. Next, a short narrative of American involvement in Iran will be given. Discussion of British-Iranian relations in this chapter will be limited to the confrontations surrounding AIOC’s operations inside Iran, to political control of the company, and to the disagreements regarding the proper allocation of oil revenues. Other factors relevant to the Anglo-Iranian relationship will be examined in subsequent chapters.

Early American Involvement

Before official diplomatic relations were established between Iran and the United States in 1883, there had been a slight American presence in Iran for over 50 years. The first documented American incursions in Iran came in 1830, when two missionaries, Harrison O.G. Dwight and Eli Smith, traveled through northwest Iran. Without exception, America’s presence throughout the 19th century was confined to proselytism, aid, and education efforts such as these. The establishment of diplomatic relations in order to protect and represent American
citizens in Iran followed. Though limited in scope, these independent missions were viewed favorably by most Iranians, for much of this early American presence centered upon the establishment of schools and health clinics for a people plagued by illiteracy and frequent poor living conditions. While most Shi'i Muslims reacted icily to the missionaries' conversion attempts, they nonetheless appreciated the Christians' humanitarian efforts. Thus, from roughly the 1860s to the 1940s, the U.S. enjoyed a mainly favorable image in Iran due in particular to these altruistic works, and to the absence of American political interference in its internal affairs. In fact, some historians, including James Bill and Barry Rubin, have lamented the downward spiral of American-Iranian relations in the 20th century. One must remember, however, that during the 18th and 19th centuries it was these two juggernauts, and not incipient America, that vied for hegemony in Iran. The United States had no motive for such intrigue, as it held no vital strategic interests in the region, and was thus satisfied to allow Russia and Great Britain to wrangle for dominion over the ancient kingdom in their broader struggle for empire.

Oil and Anglo-Iranian Relations

Persia, as Iran was called until 1935, first granted an oil concession to the British Empire in 1901, when Australian William Knox D'Arcy received approval for the exploration of 480,000 square miles within Iran, excluding the five northern provinces. D'Arcy and his colleagues purchased the concession for £200,000, and were thus permitted to withdraw, transport, and process Persian
oil. He subsequently attained the financial backing of Burmah Oil Company, formed the Persian Petroleum Syndicate in 1908, and discovered large oil deposits in the country the same year. In 1909 this syndicate was reorganized under the name Anglo-Persian Oil Company (APOC), and drilling operations commenced shortly before the outbreak of the First World War. In 1914, that ever-persuasive First Lord of the Admiralty, Winston S. Churchill, convinced the Crown to purchase a 51% majority in APOC. Because the Royal Navy was converting from coal to oil-burning vessels, a reliable source of oil was required. In APOC, Churchill found this reliable source, sweetened the deal by his arrangement to purchase oil for the Royal Navy at a discount, and provided needed capital for an expansion of APOC operations.

In return, the Persian government received royalties at a fixed rate of 16%. Unfortunately, APOC profits proved insubstantial during the first decade of operation, netting the Persian government an average of only £250,000 annually between 1912 and 1919. In 1920 production jumped to 1,385 long tons, providing the government with royalties of £590,000. By 1926, the year after a young military officer named Reza Khan ascended to the Persian throne, oil revenues topped £1.4 million, despite a severe two-year decline in 1922-23. (See below, TABLE 2.1).

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2 Ibid.
3 Ibid., p. 93. The author has noticed some discrepancies in these figures during the research stage. For figures regarding oil production and royalties, citations come from Homa Katouzian’s The Political Economy of Modern Iran.
TABLE 2.1 – Oil Revenues, Export Values, and Export Volume, 1919-19324

<table>
<thead>
<tr>
<th>Year</th>
<th>Oil Revenues (£ million)</th>
<th>Oil Export Volume (thousand long tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1919</td>
<td>0.47</td>
<td>1,106</td>
</tr>
<tr>
<td>1920</td>
<td>0.59</td>
<td>1,385</td>
</tr>
<tr>
<td>1921</td>
<td>0.59</td>
<td>1,743</td>
</tr>
<tr>
<td>1922</td>
<td>0.53</td>
<td>2,327</td>
</tr>
<tr>
<td>1923</td>
<td>0.41</td>
<td>2,959</td>
</tr>
<tr>
<td>1924</td>
<td>0.83</td>
<td>3,714</td>
</tr>
<tr>
<td>1925</td>
<td>1.05</td>
<td>4,334</td>
</tr>
<tr>
<td>1926</td>
<td>1.40</td>
<td>4,556</td>
</tr>
<tr>
<td>1927</td>
<td>0.50</td>
<td>4,832</td>
</tr>
<tr>
<td>1928</td>
<td>0.53</td>
<td>5,358</td>
</tr>
<tr>
<td>1929</td>
<td>1.44</td>
<td>5,461</td>
</tr>
<tr>
<td>1930</td>
<td>1.29</td>
<td>5,929</td>
</tr>
<tr>
<td>1931</td>
<td>0.31</td>
<td>5,750</td>
</tr>
<tr>
<td>1932</td>
<td>1.53</td>
<td>6,446</td>
</tr>
</tbody>
</table>

What is astonishing about the figures in column B is the degree of profit fluctuation for the Iranian government from year to year, despite the relatively consistent, if gradual, growth in oil export volume (column C). If it is astonishing for us, it was a source of great exasperation for Teheran, as fluctuations in the market price of oil, bookkeeping mistakes, and creative accounting caused irregular variations in the revenues paid to Persia.5 Unfortunately, the government relied increasingly upon oil profits as a source of revenue, this during a period of decidedly undependable profits. It was this last variable, the very real possibility of fraud, that most infuriated the government. Yet because the 1919

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5 Ibid., p. 94.
oil agreement did not permit Teheran access to the books, the government had no evidence with which to prove the negligence or illegality of APOC’s bookkeeping practices. Hence, the demand for access to the company’s ledgers soon became an integral demand during subsequent Anglo-Persian oil negotiations from the 1920s onward.

Another irritant to Teheran was the company’s unreasonable refusal to provide the government royalties on APOC operations outside the country, despite the fact that Persian oil was being used in such enterprises, and at a substantial profit to the company. It was inevitable, then, that the Iranians would demand a more just oil agreement with APOC. In 1920 the British relented slightly by way of the Armitage-Smith Agreement, by which APOC grudgingly consented to pay royalties on the company’s non-Persian operations. However, there was a significant divergence of opinion as to the fairness and permanence of this 1920 compact, as Mary Ann Heiss observes:

This agreement met most of Persia’s demands, notably its call for the inclusion of the company’s non-Persian operations in the calculation of royalty payments. In British eyes the agreement constituted a permanent solution to Persia’s discontent with APOC. To the Persians, however, it was merely a stopgap until more advantageous terms could be arranged.6

Consequently, after he consummated his usurpation of the Qajar Dynasty in 1926, Reza Shah attempted to attain a better oil arrangement. He realized that Persia’s drive toward modernization required immense financial resources, and that the country’s oil profits were an important revenue source. In 1928 he commenced a new round of negotiations with the British, negotiations that were soon
complicated by the worldwide economic depression. Oil production and profits dropped drastically, with 1931’s profit for Teheran tallying a paltry £310,000!\(^7\)

This catastrophic decline came at the worst possible time, for the Shah’s government had just initiated an ambitious seven-year economic plan, one that relied heavily upon oil revenues for funding. Out of frustration with this crippling drop in revenues, Reza Shah unilaterally cancelled the oil concession in November, 1932, a move that forced the British to take Persia’s demands more seriously. The British government soon referred the matter to the inchoate League of Nations, and accused the Persians of an illegal cancellation of the oil concession. The Persians countered by accusing the British of meddling in what they considered to be an internal affair, and then reminded the British that the Armitage-Smith Agreement of 1920 had not been formally ratified by the Majlis, Persia’s parliamentary body. The League of Nations, serving as mediator, helped the two sides reach an oil agreement in 1933.

Once again, there were divergent opinions inside Persia regarding the fairness of this latest oil concession. The compact did satisfy some of Reza Shah’s key demands. It reduced APOC’s concession area of nearly one-half million square miles by 80%; it permitted the hiring of only Persians for the company’s unskilled jobs; and it mandated the hiring of more, qualified Persians for APOC’s skilled positions. However, it was on the subject of profits that Reza

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\(^6\) Heiss, p. 6.

\(^7\) Again, some discrepancies exist among the extant sources on economic figures. Heiss puts 1931’s profit figure at £307,000, while Katouzian and Bharier have £310,000 listed. Often, figures have been rounded up, which accounts for most discrepancies. However, as Katouzian reminds us, finding reliable sources of financial data regarding APOC (AIOC) is difficult—particularly during the company’s first 10-15 years of operation. In addition, finding reliable
Shah was publicly and privately criticized for this submission to his British masters. The 1933 Agreement did not appreciably increase Persia’s oil profits, but did guarantee Teheran a minimum annual payment of £975,000, a part of the agreement no doubt designed to provide the government with reliable income during times of economic depression or reduced market price for oil. Yet some of Reza Shah’s opponents, both in 1933 and, increasingly, in years to come, criticized this portion of the oil concession as an assent to British imperialism and economic exploitation, and charged him with conspiring with Great Britain in order to bolster his power-bloc within Persia. They claimed, with good evidence, that the country was not getting an equitable profit for its most valuable natural resource.

Another component of the arrangement that irked the court’s growing number of opponents, and a component that was of great benefit to APOC, was the extension of the oil concession by 30 years, from 1960 to 1990. Eventually, Persians in virtually every category condemned this extension: leftists, religious clerics, academics, traditional merchants, constitutionalists, and members of the moderate middle class. They viewed it as a blank check with which the British could purchase hegemony in Persia until nearly the end of the century. The battle lines for future conflict with Great Britain were drawn with each passing day. As Mary Ann Heiss pointed out, this oil dispute of 1932-33 “foreshadowed in many ways the crisis of the 1950s.”

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economic information for the Persian government during the early 20th century has been an equally daunting task.

8 Heiss, p. 7. 
Interestingly, the period between the 1933 Oil Agreement and the outbreak of the Second World War was a relatively calm one for Persia. There were several reasons for this seemingly odd lull in internal tensions with regard to the latest oil concession. First, the oil agreement itself contained enough redeeming points that the full scope of its incongruities were not to be realized until after the war. Indeed, the guarantee of a minimum annual payment to Teheran was, at least initially, a source of relief due to the fresh memory of the depression-driven decline in oil revenue in 1931. Second, Reza Shah was an ambitious, determined, and formidable politician. During the years after his 1925 ascension to the Peacock Throne, he fortified his position as king and expanded his power-base inside Persia, or Iran, as she became known in 1935.\(^9\) It therefore became increasingly dangerous to malign publicly Reza Shah or to criticize overtly his programs. Although it appeared that the 1933 agreement placated his opposition and provided Teheran with an equitable oil agreement, dissenters still murmured epithets against Reza Shah, and pined for the opportunity to give full voice to their grievances and aspirations. This opportunity came in the form of a second, greater war.

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\(^9\) In 1935 the shah resurrected Persia’s true name, Iran. The name \textit{Iran} is derived from two old Persian words; \textit{ir-} (meaning “pure” or “noble”), and \textit{–an} (meaning “land of”). The name \textit{Iran} thus means, literally, “land of the pure”, and finds an Indo-European cousin in the moniker \textit{Ireland}. The name \textit{Persia} is derived from the Greek word \textit{persis}, an appellation given after the Fars region’s aggrandizement of power ca. 550 B.C. Future European labels for the country were thus derived from this Greek designation.
3. Prelude to Crisis: 1941-1949

As in other parts of the world, the Second World War drastically altered Iran's socio-economic fabric and political institutions. Without an understanding of the effects of four years of Allied occupation on the country, it is impossible to discern the immediate causes of Iran's drive toward nationalization after the war.

Iran during the Second World War

Contrary to opposition accusations with regard to the 1933 Oil Agreement, Reza Shah did not entertain strong pro-British sympathies. While he required oil revenues to fund his economic exploits, Reza Shah resented his own reliance on AIOC and was an averse ally of London during the inter-war years. In reality, he viewed the oil concession with the renamed Anglo-Iranian Oil Company as a necessary evil. Indeed, he had been courted by several American oil companies in the 1920s and 1930s, and even desired a concession with the United States to counter AIOC’s dominance inside Iran. Unfortunately, the British held the high ground in Iran, and American attempts to gain oil concessions in Iran proved futile due chiefly to AIOC lobbying and threats. Reza Shah likewise held strong antipathy toward Russia. In a series of humiliating political and military defeats, the Iranians had seen their territory whittled away by expansion-minded Moscow, with its most significant loss coming during the Russo-Persian War of 1825-
Though Russian expansionism briefly halted in the years after the rise of the Bolsheviks, in the late 1920s Soviet Russia resumed her aggrandizement drive, one accompanied by a more complex ideology than that ever provided by Tsarist Russia.

It was, therefore, Reza Shah’s resentment of British and Russian imperialism that inevitably led to his unofficial complicity with the Axis Powers during the Second World War. With the monarch’s tacit approval, Nazi German agents operated in Iran during the early years of the conflict, a situation rather unsettling to the British and Soviets. Allied consternation with regard to the Reza Shah’s belligerence centered upon Iran’s geo-strategic value as a transportation route for Lend-Lease supplies entering the Soviet Union. During the war, military equipment and foodstuffs were transported to the Soviet Union via five main routes. The Persian Corridor became a precious asset to the Allies, as it was less vulnerable to Axis air and sea attacks, and was the only transportation route open all four seasons of the year. From 1941 to 1945, approximately 17.5 million long tons of war materiel were shipped to the Soviets. Of this amount, 7.9 million long tons arrived via the Persian Corridor, thus illustrating Iran’s strategic worth to the Allied cause.

When threats from the Russians and British did not sway the Iranian leader from his pro-German stance, the two countries invaded Iran on August 25, 1941, and then deposed Reza Shah the following month, replacing him with his

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1 The troubled Russo-Iranian relationship will be more thoroughly discussed below. Heavy-handed Russian and British treatment of Iran led inevitably to deep animosity on the part of most Iranians.
son, Mohammed Reza Shah (b. 1919). The elder Pahlavi died while in exile in 1944. The two allies forced Tehran to sign the Tripartite Agreement in January, 1942, which allowed the Allies the “unrestricted right to use... all means of communications” inside Iran. Soviet troops subsequently occupied the five northern provinces: Azerbaijan, Gilan, Mazandaran, Astarabad, and Khorasan; while British forces moved into the southern region, this being the area already under heavy British influence due to AIOC operations.

In the occupation’s wake, various political organizations quickly surfaced or reemerged following the removal of the much-feared Reza Shah from power, and his replacement by his 22-year-old son. Of course, Mohammad Reza Shah was a son entirely reliant upon the good graces of the British and Soviets for his new position. James A. Bill elaborated on this phenomenon:

Iran in the 1940s was an exploding cauldron of political forces and issues. After sixteen years of repressive control, the country erupted when the Allies removed the lid of Reza Shah. Political parties and publications representing all shades of the ideological spectrum proliferated, spreading their social ideas and political messages. A large and vociferous group of extreme nationalists decried external imperial intervention in the affairs of their country. Within this coalition were committed groups who demanded the destruction of the old aristocracy and an end to internal corruption and exploitation. On the other hand, strongly entrenched landed and bazaar [merchant] interests sought to protect their power and privilege. Some of these forces were willing to cooperate with external forces [British, Russian,

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3 As cited in Sheehan, p. 6. By “communications,” the Allies meant all roads, waterways, airports, and railways, including the 865-mile Trans-Iranian Railway. This railroad ran from Bandar Shah, on the Caspian Sea, through Tehran, and ended at Ahvaz near the Persian Gulf. The excerpt quoted is from Article 3ii(b) of the agreement.
American, German] in order to protect the domestic status quo in which they thrived.4

It was this occupation by Allied forces for the duration of the war that gave rival political groups breathing room. It also helped divide the country into spheres of influence, if not spheres of hegemony, for the two occupying powers. In the north, a variety of nationalist and leftist groups sprang up under the protection and tutelage of the Soviet Union. In the south, a hodge-podge of religious, traditional parties likewise flourished under the auspices of the British government. Although the Tripartite Agreement decreed against it, both countries gained virtual autonomy in their respective sectors, with the new, young Mohammad Reza Shah unable to contravene the two domineering powers.

**Increase in American Involvement**

However, cracks soon appeared in Great Britain’s armor, and it was this waning of British hegemony that placed the United States in a position to increase its heretofore scant presence in Iran. Because British forces were already thinly spread between the European, North African, and Asian theaters, the Crown requested that Franklin D. Roosevelt send U.S. troops to Iran to maintain the Persian Corridor for Lend-Lease traffic to the Soviet Union. In December, 1943, aid arrived in Iran in the form of the Persian Gulf Service Command (PGSC) under the initial leadership of U.S. Army Colonel Raymond Wheeler. The PGSC eventually numbered some 30,000 troops, and was charged with the maintenance

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of transportation and communication routes used to convey supplies to Soviet Russia.\textsuperscript{5} Further, because the American mission was of a purely technical nature, neither Mohammad Reza Shah's government nor the people had reason to resent this foreign intrusion. In fact, many Iranians hoped that the ascendant American Republic would serve as a counterweight to Britain and Russia in the future, and so enable the country to chart a more independent course.

This period likewise witnessed deeper American involvement in Iran's financial and criminal institutions. There were several economic missions in Iran during the first half of the 20\textsuperscript{th} century, though only three of key merit will be mentioned here. The first large-scale, government-sponsored economic advisory mission, that of lawyer and financial advisor W. Morgan Shuster, came to Iran in 1910 to update the country's chaotic public finance infrastructure. Unfortunately, Shuster's mission was beset by problems of every variety. His mission first encountered stiff resistance from Iran's traditionalist, entrenched government officials, those men who habitually helped themselves to the money allotted to their respective departments. As if an early fulfillment of de Tocqueville's prophecy, the Americans next encountered stiff resistance from future arch-rival Russia, who viewed Shuster's mission as a penetration into that country's sphere of influence.\textsuperscript{6} In December, 1911, despite fierce opposition from the Majlis, the cabinet and acting regent Naser al-Molk effectively terminated what was intended

to be a three-year assignment due to withering pressure from the two aforementioned parties. Shuster returned to the United States in disgust.

The second pertinent economic mission, that of Arthur Millspaugh, had two parts. The first worked in Iran from 1922 to 1927, and the second was in the country during the Second World War. As in the case of Shuster, the two Millspaugh missions encountered opposition. The two main objectives of the first mission were to improve the proficiency and revenue of tax collection through greater use of the army in collection duties, and to increase foreign investment. Millspaugh dueled with well-fortified forces within Iran: wealthy landlords, merchants (bazaaris), military officers, government bureaucrats, and members of the court. These elements were hostile toward Millspaugh's reform attempts, and possessed the political and economic power necessary to defend their positions.

Yet there were other reasons for Millspaugh's difficulties. First, Millspaugh's reforms included taxes upon matches and tobacco, as well as government control of tea and sugar. While his mission did improve the overall efficacy of tax collection, these taxable commodities were mass-consumption items. Consequently, Iran's poor majority was hit especially hard by these added tax burdens, causing widespread popular resentment toward the American

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7 Ibid.

8 Ibid. There was also an earlier failed attempt in 1921. Iranian diplomat Husain Ala was sent to the United States that summer to open talks for an oil concession and for an economic advisory mission. Though hesitant at first, Washington eventually commenced discussions and a concession agreement was reached between Tehran and Standard Oil Company of New Jersey. However, British and Russian officials quickly derailed the arrangement, claiming the agreement was in violation of the 1907 Treaty-to which Iran was a non-signatory. Though approved by Iran's Majlis (National Assembly), the concession soon lapsed due to vehement British and
advisory group. Second, the American economic mission’s search for new foreign capital investment led logically to the United States. It naturally followed that Great Britain took exception to the potential intrusion of a new competitor in its imperial playground, and the Empire exerted persistent diplomatic pressure upon the American State Department to end any commercial designs for Iran. In fact, an American company almost gained a major oil concession in the north when, in 1923, Sinclair Consolidated Oil Corporation successfully completed negotiations for an oil agreement that would be sweetened by a $10 million loan to the Iranian government. However, strong British and Russian diplomatic protests, together with tense U.S.-Iranian relations due to the recent murder of an American vice-consul by an infuriated mob in Tehran, effectively terminated Sinclair’s gains. The last two nails in the mission’s coffin were the decline of Russo-Iranian trade and growing hostility from Reza Khan, hostility due in part to Millspaugh’s acute political influence. The decline in trade with Russia came as a result of Millspaugh’s refusal to come to terms with that country on the fate of Caspian Sea fisheries, for the former State Department oil advisor believed that Iran held an exclusive claim to these fisheries. In 1927 Millspaugh finally, and resentfully, resigned his position and returned to the United States.

Arthur Millspaugh’s next foray into Iranian economics and politics came in November, 1942, when he was contracted as administrator general of finances after Iran’s occupation by Russian and British forces during the Second World War. This time, the American mission met with less success than Millspaugh’s Russian protests. With regard to the killing of the vice-consul, it was apparently a case of mistaken-identity.
previous attempt. During the war the Iranian economy was in dire straits due to a variety of financial, agricultural, political, and social causes. There was a poor harvest in 1942, which led to grain shortages and food hoarding by greedy speculators. The monopolization of transportation routes by the Allies hindered the conveyance of the scant food supply Iranians did have. To keep their troops amply supplied the Allies devalued the rial, Iran’s monetary unit, by forcibly increasing the money supply and thereby enhancing Allied purchasing power. The removal of Reza Khan from power in September, 1941 allowed sundry tribal groups, such as the Kurds and Azerbaijanis in the north and the Bakhtiaris and Baluchis in the south, to regain their autonomy, further weakening the authority of an already struggling central government. Because lesser civil servants lived on fixed incomes during a period of increased inflation, the demand for bribes to augment their small salaries increased significantly. All in all, conditions in Iran were miserable for the country’s impoverished rural majority, while the landed aristocracy, urban bazaaris, and embedded traditional elite continued to live in relative prosperity.

To deal with the plethora of obstacles facing him, Millspaugh successfully lobbied for sweeping powers with which to enact reforms. In May, 1943 the Full Powers Law granted his advisory group authority over virtually all aspects of the government’s economic programs. As Nikki Keddie stated, this authority covered everything: “finances, banking, government industry, commerce, and emergency wartime controls.” “Americans,” Keddie summarized, “were put in charge of all

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9 Keddie, p. 115.
key economic departments." In putting this power to use, Millspaugh did achieve some limited successes. He was able to improve the efficiency of the government’s grain-storage apparatus, and lobbied vigorously to end its monopolization of industry. However, most of the mission’s reform efforts failed, due in part to his refusal to assimilate Iranian experts into his American mission team, and to opposition from a wide range of Iranian officials. The final blow to the mission came in 1944, when Millspaugh tried unsuccessfully to serve the leader of the National Bank of Iran termination papers! It was this abuse of his advisory position that unified traditionalists and reformers in opposition against him, for they viewed his attempt to fire an Iranian government official as an arrogant interference into their domestic realm. Shortly thereafter, the American group resigned and returned to the United States.

The third pertinent American economic mission, that of Overseas Consultants, Inc. (OCI), worked under contract with Tehran to develop the Shah’s ambitious Seven-Year Plan for modernization and economic growth. Before summarizing OCI’s work in Iran, the close of the war and immediate postwar Soviet involvement must be discussed.

**Soviet Machinations in Postwar Iran**

As stated above, Iran was invaded by British and Soviet forces in August, 1941, ostensibly to secure a transportation corridor that would be open year-round.

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10 Ibid., p. 116.

11 Technically, OCI was a consortium, as it included a mixture of private firms. However, the majority of companies were American.
and safe from Axis attack. In January, 1942, the Soviet Union, the United States, and Great Britain signed the Tripartite Agreement, by which the three countries generously granted themselves the right to monopolize "all means of communications" inside Iran in order to transport Lend-Lease supplies to the Soviets. Another provision of this agreement stated that all Allied personnel had to be evacuated from Iran within six months of the war's end.

During the war, the two main occupation zones became havens for resurgent political parties. The zones also became reflections of the political ideologies of their respective occupying powers. (However, it must be noted that the British and Soviets were not wholly dominant in their zones. Indeed, leftists did make inroads in Britain's southern sphere, as shown by several Communist-inspired strikes in the southern oil fields). In the south, the British found willing allies in the various tribal coalitions and political groups that were mainly traditional in ideology. Because of the complexity and variety of their political agendas, these parties will be more closely examined below, chapter five. For our purposes, a brief synopsis of the political landscape in the north is necessary.

In the five northern provinces that constituted their zone, the Soviets obviously favored leftist political groups and trade unions, and were active in the lending of monetary, military, and political aid to them. James A. Bill provided a concise description of the foremost leftist party, Tudeh, in his book The Eagle and the Lion: The Tragedy of American-Iranian Relations. Bill points out that the Tudeh party was relatively popular in the north, particularly in industrial areas.
such as the city of Isfahan. After its formation in 1941, the party's membership and popularity gradually increased, reaching the height of its influence in the summer of 1953, when its roster hit 25,000 and it boasted some 300,000 sympathizers. Soviet influence was also felt in eastern Azerbaijan, where, on December 12, 1945, Tudeh rebels backed the establishment of a new government under the leadership of Ja'far Pishevari. The coalition that organized the revolt, the Democrats, was a mixture of various political groups with a common goal of self-government, and received its most substantial backing from both the Tudeh party and Soviet occupation forces. Another breakaway government, the Kurdish National Republic, was established on December 15 at Mahabad using a similar political formula.

Given the success of leftist political groups in their zone and their dependence on their northern neighbor, it came as no surprise that the Soviets were reluctant to withdraw their troops in accordance with the Tripartite Agreement of 1942. The recognized date for the final withdrawal of Allied troops from Iran was March 2, 1946, six months after the cessation of hostilities. The last American troops evacuated Iran on December 31, 1945, and British forces likewise exited Iran in compliance with the March 2 deadline. Moscow did not reciprocate. The Soviets were undoubtedly concerned that the two new autonomous governments in northern Iran, both friendly to Moscow, would be unable to withstand the inevitable assault from the Iranian army should Red Army troops withdraw. For the next three months, the situation in Iran became

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12 Bill, p. 67.
increasingly tense, as the two Western powers viewed Moscow’s decision to stay in Iran as a potentially damaging loss of north Iranian oil reserves to the Eastern Bloc. London and Washington barraged Moscow with diplomatic notes that protested the Soviet Union’s violation of the Tripartite Agreement. Tehran filed a grievance with the United Nations.

Then, on March 24, 1946, the Soviet Union unexpectedly pledged that Red Army troops would be removed from Iran within six weeks if the two countries reached an agreement the following month. Given the threats employed by Stalin, Iranian Prime Minister Ahmad Qavam was forced to make several sweeping compromises to the Soviets, as described here by Mohammad Reza Shah in *Mission for My Country*:

He agreed to recommend to Parliament the establishment of a joint Russian-Iranian oil company (the Soviets to hold 51 per cent of the stock) to exploit the oil resources of northern Iran; to grant three cabinet posts to Tudeh party members; to recognize the rebel Azerbaijan Government; and, finally, to withdraw Iran’s complaint against Russia before the United Nations.

This agreement, signed on April 4, 1946, declared that Soviet troops would be withdrawn from Iran on or before May 6 of the same year, and that within seven months of the April compact Qavam was to place a proposal for the establishment

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of a Russo-Iranian oil company before the Majlis. For six months Qavam stalled and feinted, but was finally and forcefully reminded by Moscow that the Majlis needed to approve that portion of the April agreement. However, Qavam still maintained some leverage vis-à-vis the Soviet Union. A stipulation of the agreement called for tacit recognition by Tehran of the rightful autonomy of Iran's two breakaway provinces, Kurdistan and Azerbaijan. Yet Qavam was also aware that Moscow was eager for Iranian oil, and that Stalin and Molotov were not willing to risk a diplomatic rift should the Shah opt to march the Iranian army into the two rebellious states. The move worked. In December, 1946, the Shah ordered three Iranian army columns to march on Azerbaijan and Kurdistan, with no substantive resistance encountered by the rebels, and with barely a whimper heard from the Soviet embassy.16 Finally, on October 22, 1947, Qavam brought the proffer before the recently-elected Fifteenth Majlis, where, due to the passing of the threat of Soviet intervention, it promptly failed by a vote of 120-2.17 After the failure of the oil concession to pass the Majlis, the Soviets angrily railed against the Iranians, but to no avail. American coercive diplomacy and Iranian obstinacy combined to defeat Soviet designs. One storm had seemingly passed. Another storm was still looming.

16 General Hassan Arfa, Under Five Shahs (New York: William Morrow & Co., 1965), p. 377. General Arfa also pointed out that, for Qavam and Mohammad Reza Shah, the move could be justified as an act of compliance with the April, 1946 agreement. Elections were necessary throughout the country so that a new Majlis could be elected and the oil concession approved. Arfa stated the following: "On the 3rd December Qavam issued a declaration, stating that in order to implement the holding of elections in all the provinces of Iran the Imperial Army had received orders to occupy all the regions where the elections would be held, including Azerbaijan."

17 Kazemzadeh, p. 65. See also Arfa, p. 386. The Majlis also passed a new law in November, aided by the spirited support of Dr. Musaddiq, that 1) forebade all concessions to a foreign entity without Majlis' approval, and 2) instructed the central government to negotiate a new, more favorable agreement with AIOC.
It was evident to American officials during the war that U.S. involvement in Iran would substantially increase after the war's close, though the scope and circumstances of this involvement were yet to be determined. In the immediate postwar years, American interest in Iran escalated due to four main reasons. Two reasons can be categorized as initiatives taken by the American government or by private commercial interests. Two reasons can be categorized as reactions by the U.S. government to Iranian governmental policies or to the overarching effects of Soviet-American rivalry.

First, the traditional vanguards of Westernism in the Near East, Britain and France, had been severely decimated by the two long wars of the century. In the waning months of the war and amid the first unnerving signs of the impending Soviet-American rivalry, U.S. analysts realized that although Britain and France were still needed as part of a strong anti-Communist treaty organization, the United States would increasingly serve as the anchor in the East-West tug-of-war. Given the weakened state of British military, material, and economic resources, as well as the rising flame of anti-colonial sentiments worldwide, the Americans realized that the United States would need to shoulder increased responsibilities in Iran after the war.

Second, and contrary to later assertions by U.S. State Department officials, Washington had for some time maintained commercial designs for Iran, with the entrenched AIOC serving as a significant barrier to the signing of multiple oil concessions throughout the first half of the 20th century. Though relative
newcomers to the Near East, Americans had made inroads in Saudi Arabia in the 1930s, and were eager to expand oil extraction operations to Iran. Thus, the two previous reasons provided for increased U.S. entanglement in Iran constitute divergences in policy. These two divergences can be labeled as initiatives launched by the American government and by private commercial interests. (However, one could argue that American usurpation of traditional British domination in the Near East after the war was a reaction to the decline of British power in the area.)

Third, the United States government became increasingly entangled in Iran’s affairs as a reaction to Soviet machinations in Iran during 1945 and 1946. It was the Soviet occupation of northern Iran, a violation of the Tripartite Agreement, which heightened simmering tensions between the U.S.S.R. and the United States. In this way, American involvement in Iran was hastened by the dynamics of the Cold War, a phenomenon that will be described more completely in subsequent chapters. The obverse is also true. The Cold War was accelerated on its course through the Soviet-American confrontation in Iran regarding the delayed Russian withdrawal from Azerbaijan.

Fourth, the American government became increasingly involved in Iran’s affairs as a reaction to invitations made by elements within that country’s central government. Certain members of the Shah’s government, including General Ali Razmara, believed that a policy dubbed “positive equilibrium” best served Iranian interests. This policy sought to grant economic and resource concessions to all foreign parties so that Iran could maintain favorable relations with both sides of
the ideological-political rivalry. Iran's invitations for military, humanitarian, education, and economic missions from the United States increased noticeably in the 1920s and 1930s, which was also, not coincidentally, a period of increased expansionist rhetoric from incipient Communist Russia. These last two reasons for increased American involvement in postwar Iran are, in reality, reactions to policies pursued by elements within Iran's ever-changing central government.

As previously mentioned, the final important American economic mission to Iran was that of Overseas Consultants, Inc. (OCI), under the leadership of Max W. Thornburg. Working at the behest of the Shah, OCI developed an ambitious, $650 million investment plan to improve the nation's agricultural, transportation, industrial, military, and economic infrastructure. It was an attempt by the young Shah to launch a new Seven Year Plan in Iran. Given the economic plan's immense cost, the American advisory group suggested that the plan be financed through a combination of loans via the World Bank, financial aid from the U.S. government, and AIOC oil profits. Unfortunately, the Iranian central government was in dire straits after the war, and Tehran could not raise the minimum $25 million start-up cost forecasted by OCI. The U.S. government, when

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19 Heiss, p. 16.

20 Mohammad Reza Pahlavi, *Answer to History* (New York: Stein and Day Publishers), p. 81. Mohammad Reza Shah places the plan's total at $656 million. OCI received $3 million for the contract. He also provided a breakdown for how the funds were to be allocated:

- For the general improvement of social conditions: 28.6%
- Agriculture: 25.0%
- Transport: 23.7%
- Industry and mining: 14.3%
- Petroleum plants: 4.8%
approached by Mohammad Reza Shah about the availability of American loan money, offered only token assistance. The aid offer was not enough to finance the ostentatious development plan. On March 15, 1951, the Majlis passed the bill nationalizing AIOC, and soon after Iran lost access to needed oil revenues due to British naval and legal blockades. It was the nationalization of AIOC and subsequent derailment of the new Seven Year Plan that, in part, prompted the Shah's opposition to Musaddiq.

The Rejection of the 1949 Supplemental Oil Agreement

Events moved quickly in Iran after the failure of the Soviet oil concession to pass the Majlis. It is important that we view the oil nationalization period of 1951-1953 as being directly linked to developments in Iran during and immediately after the Second World War. Resentment toward foreign domination had been present in Iran for centuries. Yet the wartime invasion of the country by British and Soviet forces deepened already embedded hostility toward the two countries. It must be pointed out that this was not some nebulous, unfounded, unwarranted xenophobia, but a heated defensive reaction toward real violations of Iranian sovereignty. The forced entry into Iran, the Allied monopolization of the country's goods and services, the devaluation of the rial, the machinations of Soviet and British agents in Iran, and the long stay by Red Army troops in the

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21 The upper house of parliament, the more conservative Senate, was provided for in the 1906 Constitution, but not officially formed until 1949. The Senate ratified the nationalization bill on March 20, 1951. The Parliament (the Majlis, or lower house; and the Senate, or upper house) urged Mohammad Reza Shah to appoint Majlis chairman Dr. Mohammad Musaddiq as prime minister. The monarch, unable to quiet Musaddiq's cries for nationalization, reluctantly
north all served to drastically increase popular resentment toward the Allies. This animosity was particularly acute with regard to Britain’s Iranian bedrock, the Anglo-Iranian Oil Company. In 1979, three decades of internal oppression galvanized once-disparate political elements against the Shah. In the same way, nearly two centuries of British domination galvanized antithetical forces in Iran against the AIOC, and these forces coalesced in postwar Iran to nationalize the country’s oil resources in 1951.

An important landmark in the run toward nationalization was the November, 1947 passing of a new law prohibiting concessions to any foreign power without the approval of the Majlis. The key proponent of this new law was, not surprisingly, Dr. Mohammad Musaddiq, a veteran politician who had spent the better part of his storied career fighting internal corruption and external domination. At the same time, Musaddiq demanded that the 1933 Agreement with AIOC be renegotiated, as it unfairly deprived Iran of deserved oil profits. Soon thereafter, a special committee was appointed by the Majlis to review the government’s 1933 concession, draft recommendations for new government demands, and open negotiations with AIOC. Over the next two years the central government met with AIOC officials, and the two sides finally signed a compact consented, and Musaddiq’s premiership was approved by the Majlis on April 30, 1951. Musaddiq formally executed the nationalization on May 1, 1951.  

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22 See Heiss, pp. 8-9: “If Qavam thus sought to close the door to a Soviet concession, it was locked forever by a new law sponsored by future prime minister Mohammad Mossadegh and passed by the Majlis in November, 1947. The law was both a direct descendant of the 1932 cancellation of APOC’s concession and a lineal ancestor of the 1951 nationalization laws...In a single stroke the 1947 law thus delivered a deathblow to Soviet designs in northern Iran and set the stage for the Anglo-Iranian dispute of the 1950s.”
on July 17, 1949, known alternately as the Gass-Golyashan, Sa’ed-Gass, or Supplemental Oil Agreement.23

However, the Supplemental Oil Agreement was a source of intense controversy before the ink was dry. The agreement had been forcefully supported by Prime Minister Mohammad Sa’id, whom many hostile critics charged was a British stooge. The Shah favored the agreement, as it would have successfully closed the long and labored negotiations and provided firm financial support for his forthcoming Seven Year Plan. In fact, the Shah anticipated easy passage for the agreement through the Majlis as that body, as well as the newly-formed Senate, were dominated by pro-Shah elements he had helped place in power during the last election.24

Yet opposition to the compact increased rapidly in late 1949, led noticeably by Musaddiq. At the outset of the negotiations in 1948, the Iranian government delivered a list of 25 “points,” or demands, to AIOC. Among the grievances listed by the oil committee, there were a number of points regarding control of the company, not just the unequal profits made by the Iranian government.25 The Iranians pointed out that, though part of the 1933 Agreement, AIOC had made few concrete attempts to assimilate Iranian workers into its lower ranks and management staff. Instead, the British had remained true to the practice of hiring unskilled Indian workers for lower positions and overlooking Iranians the hiring for administrative and technical positions. Tehran objected to the

23 Ibid., p. 13.
25 Heiss, p. 12. Company profits in the years 1945-50 were £250 million. Iran’s share for the same period was a scant £90 million.
selling of Iranian oil at a substantial discount to the Royal Navy while oil prices in Iran remained high. The Iranian list also cited the unfairness of the former agreement’s concession length, 60 years, and demanded periodic re-negotiation of any oil agreement so as to provide Tehran with flexibility and to blunt decades-old British political domination of the country’s southern region. What the AIOC had difficulty understanding was the decidedly political nature of these Iranian protests. While they demanded a 50-50 profit-sharing agreement similar to that recently reached between Venezuela and an American oil consortium, the Iranians were also after increased control over AIOC operations. They wanted Iranians seated on the company’s board of directors, an increase in the country’s 20% ownership share, complete access to the company’s ledgers, and influence over the daily operations and future projects of the company.26

What the opponents of the compact desired and what the Supplemental Oil Agreement actually promised were very different. First, AIOC remained intransigent on the issue of profit-sharing, and consistently refused during the two-year negotiations to agree to a 50-50 division based on the U.S.-Venezuela model. Instead, the agreement signed with AIOC’s Neville A. Gass provided for only a slight increase in Iran’s per-barrel-profit (from 22 to 33 cents), and a guaranteed minimum annual payment of £4 million.27 U.S. Policy Planning Director Paul Nitze later observed that Iran’s proposed share fell far short of Venezuela’s per-barrel-profit of 80 cents, though at the time London believed the

offer the best oil-profit deal extant in the Near East! Second, the political aspects of the Twenty-Five Point Protest went mostly unresolved, and so drew the ire of critics from very disparate political corners of Iran. Although the Majlis was at that time dominated by pro-agreement and/or pro-Shah deputies, the opponents of the agreement launched a well-coordinated filibuster on the floor, and successfully tabled the issue for the remainder of the Fifteenth Majlis. The session expired July 28, 1949, and thereby forced the agreement to be taken up by the Sixteenth Majlis- to be elected and convened in early 1950. The agreement's opponents had bought themselves valuable time.

28 Ibid., p. 129.

Between the close of the Fifteenth Majlis and the 1950 elections for the Sixteenth Majlis, a very broad coalition opposed to the Supplemental Oil Agreement was organized behind the inspired leadership of, among others, Dr. Mohammad Musaddiq. The life of this towering figure and the fight for oil nationalization are intertwined, so much so that they are inseparable and make a brief sketch of the man necessary.

Mohammad Musaddiq, the National Front & the Oil Nationalization Banner

Musaddiq was an intelligent, devoted, passionate, and honest political leader with a long history of fighting foreign interference in Iran and resisting the country’s despotic elements. Musaddiq was born Mirza Mohammad Khan in 1882 to well-to-do family with ties to the ruling Qajar Dynasty. His mother, Najm al-Saltaneh, was a woman of prominence, a grand-daughter of Prince Regent Abbas Mirza.1 Musaddiq’s attachment to his mother was strong due to her loss of three husbands to the grave, including his father Mirza Hedayatullah.2 Her dictum, “The weight of an individual in society is determined by the amount of hardship he endures for the sake of the people,” remained Musaddiq’s adopted

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2 Ibid., p. 133n. Najm al-Saltaneh outlived three husbands, the second of whom fathered Musaddiq. Starting with the first marriage her husbands were: Murtiza Quli Khan Vakil al-Mulk Kirmani (d. 1879); Mirza Hedayatullah Vazir-Daftar (d. 1892); Mirza Fazlullah Khan Vakil al-Mulk (no date of death given).
maxim for his entire life, and greatly influenced his attitude toward civil service. At age 14 he commenced his career as a state treasury officer in Khurasan upon the death of his father, and was quickly recognized as holding promise as a public servant. At age 19 he married Zia' al-Saltaneh, with whom he would have five children. During the Constitutional Revolution of 1906-11, the young Musaddiq was involved in two reform organizations, an early sign of his activist political views. In 1911 he went to Neuchâtel University in Switzerland, where he graduated with a doctorate in law in 1914 at age 32.

Upon his return to Iran after his graduation from Neuchâtel, Musaddiq continued his illustrious career. He taught briefly at the School of Law and Political Science in Tehran, authored several works on legal and political issues, and served as governor-general of Fars Province during the years 1921 and 1922. He went on to serve in the Fifth, Sixth, Fourteenth, and Sixteenth Majlises, with gaps between these stints usually caused by imprisonment by the Pahlavi régime or temporary retirement from public life. He was an ever-present thorn in the side of Reza Shah, founder of the Pahlavi dynasty, and vigorously opposed his attempts to strengthen the monarchy. Musaddiq was dedicated to increasing the vitality and durability of representative government in Iran and never entered the Pahlavi camp, though Reza Shah and his son tried repeatedly to make him their ally. Indeed, it was Musaddiq's uncompromising stance toward despotism, corruption, and foreign influence that would make him a myriad of lifelong enemies, both inside and outside Iran.

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3 Ibid., p. 3.
4 Ibid.
During the fall and early winter of 1949-1950, opposition to the 1949 Supplemental Oil Agreement gathered itself around the ebullient personage of Dr. Musaddiq, and named itself the National Front (NF), or Popular Movement of Iran. The NF has sometimes been called a nationalist political party, though this is a misnomer. In reality, the National front was an umbrella group that represented manifold political organizations with often contradictory views, yet who were united on the issues of opposition to the agreement and, later, oil nationalization. General Hassan Arfa, formerly the chief-of-staff during the Iranian army’s reoccupation of Azerbaijan and Kurdistan, and a strong ally of the Shah, later summarized the National Front’s organization:

...the progressive deputies of the 16th Majles joined in a ‘National Front’ Organisation, at the head of which were Dr. Mosaddeq and Kashani, each controlling a separate and politically widely differing group temporarily allied for the struggle against the A.I.O.C. issue, the group of Mosaddeq chiefly comprising intellectuals, students and university professors, and that of Kashani bazar merchants, artisans, small shopkeepers and workers.6

Thus, the Front was, in essence, a coalition with a leadership comprised of the prominent members of several distinct political parties, as well as many “non-partisan figures.”7 It was only their contempt for the Supplemental Oil Agreement that brought them together in this forced marriage, and it is exactly this superficial relationship that made NF’s splintering inevitable when pressures mounted. For the moment, the well-educated Musaddiq served as the National Front’s recognized leader in the Majlis, independent Shi’i cleric Ayatullah Sayyed

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5 Ibid., pp. 209-227.
6 Arfa, p. 392.
Abulqasim Kashani drew support for the Front from the country's more traditional citizenry, such as merchants, artisans, and laborers. The Iran and Pan-Iranist parties provided further help in rallying the country against the new contract with AIOC.

Further, the National Front was not a nationalist party in the European sense of the word. During the Cold War that term was used rather flippantly to describe every possible non-European political movement with anti-imperialist and/or anti-Western sentiments. European nationalism was born in the wake of the French Revolution, and spawned a flurry of political disintegration and amalgamation in Europe during the 19th and early 20th centuries. In reality, European nationalism was, in part, a reaction to Ottoman incursions in the Balkans. European socio-political theorists and statesmen, in order to reverse centuries of Ottoman political dominance in southeast Europe, encouraged the identification of the Balkan peoples by ethnicity, culture, language, and religion. They emphasized that Serbs, Croats, Bulgarians, etc. were Europeans and Christians, and so should not be subject to an empire with a decidedly Islamic flavor. This form of nationalism sought separation and autonomy. Homa Katouzian observed that Iranian nationalism “has been the ideology of despotism: the ideology of Reza Shah, his son, and their clientele.” The term should be used with more discretion. To say that the National Front was a nationalist party is nebulous and does not paint an accurate portrait of its organization and unifying causes. Also, one cannot even label the Front a party per se, as a true political

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8 Katouzian, p. 171.
party must possess a unifying platform, or an ideology. The National Front was a coalition with a small number of common goals, and in this way was similar to the Progressive Movements in America of the early 20th century. Both movements had rather short lists of common objectives. Beneath the surface lurked disunity due to contradictory ideologies, personal rivalries, and cross-purposes among the members.

Despite the Shah’s attempts to rig the elections, Musaddiq and six other National Front deputies were seated in the Sixteenth Majlis on February 9, 1950.9 The showdown between the Shah’s circle and the agreement’s opponents was set. Although the coalition only had seven deputies in the Majlis, they had the asset of an aroused public. It soon became obvious to the Shah’s bloc that it was futile to resist the rising tide of anti-agreement feeling, and Prime Minister Mohammad Sa’id, after receiving sharp criticism for his role in the Supplemental Oil Agreement, was fired from his post by the Shah the following month and replaced by Ali Mansur. By June it was obvious that Mansur would be an ineffective block to the opposition, and the Shah, under pressure from the British and Americans, appointed General Ali Razmara as his replacement on June 26. It was common knowledge that former chief-of-staff Razmara had lofty political ambitions. However, the Shah was also aware that Razmara was more conducive to an agreement with AIOC, and possessed the political determination to hammer the compact through National Front opposition.

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9 Ibid., p. 28. The other six deputies were Sayyed Abulhassan Hayerizadeh, Husain Makki, Muzaffar Bâqa’i, Abdulqadir Azad, Mahmud Nariman, and Ali Shaigan.
The reasons for Razmara's willingness to deal with AIOC are worthy of discussion. Both Razmara and the Shah, though otherwise heated political rivals, agreed to oppose the National Front's cries for nationalization for practical reasons. Both had reservations about nationalizing AIOC because they did not believe Iran possessed the transportation infrastructure, communications, marketing organs, and trained personnel necessary to operate the monstrous company. In an interview with the Shah in early 1951, journalist Mohammad Heikal noticed the consternation with which the monarch viewed nationalization:

I had my first meeting with the Shah in the early spring of 1951... he did not hide his misgivings about nationalization. He pointed out that the AIOC had 53,000 employees. How were their salaries going to be paid if nationalization went through? Where could Iran get the money needed to pay compensation? If this was borrowed it would take as long as the repudiated concession would have lasted (to 1993) to pay off the debt. And how was Iran going to be able to transport and market the oil, even if it could go on producing it? Many of these were quite legitimate questions to ask, as events were to show.  

Although the Shah and Razmara agreed on these fiscal reasons for the support of the Supplemental Oil Agreement, they disagreed on the diplomatic motives for its approval. Though the Shah supported the passage of the agreement through the Majlis, and had tried to stymie the National Front's efforts, he did not do so because of fond feelings for the British. True, the fate of the Qajar and Pahlavi Dynasties had historically been tied directly to British support, but this does not mean the Shah was an eager, or even willing, English dependent. Both the Shah and his father were extremely resentful of British interference in Iran, and the

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younger Shah may have supported nationalization had Iran's geopolitical, economic, technical, and military position been stronger.

Positive Equilibrium vs. Passive Balance

In contrast, Razmara had further, diplomatic reasons for his support of the Supplemental Oil Agreement. Unlike the Shah, Razmara favored passage of the AIOC compact in addition to new trade concessions with the Soviet Union. This policy, often called "positive equilibrium" or "positive balance," involved the granting of equal concessions to all the prominent foreign powers in order to pit the powers against themselves, and so retain some freedom of movement. M. Reza Ghods interviewed the prime minister's deputy, Dr. Ali Akhbar Mohtadi, and questioned him about this policy and about Razmara's attempts to reach a trade agreement with the U.S.S.R. in the summer of 1950:

...Razmara thought, after the events in Azerbaijan, Iran's traditional policy of equilibrium [between Britain and Russia] had become dangerously one-sided. As Commander-in-Chief of the Iranian Army during the Azerbaijan crisis, he had realized that if the Soviets had wanted to use force, the Iranian army would never have been able to recover Azerbaijan... In the dangerous era of the Korean War and the Cold War, it was vital for Iran to maintain equilibrium between all three powers [the United States, Great Britain, and the Soviet Union]. He believed that positive equilibrium was the only way for Iran to maintain its independence. This was the real motive behind the trade agreement.11

Razmara viewed an agreement with AIOC and new concessions to the Soviets as the means of balancing the imperialist powers against each other, and reasserting Iranian independence. Mohammad Reza Shah was a vigilant anti-Communist,
and was not amused by Razmara’s cozy attitude toward the Soviets. However, he dared not opposed Razmara, as the prime minister was integral to his crusade to have the oil compact approved, and the Shah could ill afford the loss of his Seven Year Plan, a plan that partially depended on oil profits for its start.

It was this positive equilibrium policy that inevitably brought Razmara into a confrontation with the chief proponent of nationalization, Dr. Mohammad Musaddiq. Musaddiq was a champion of a policy that has become popularly known as “negative equilibrium,” or the refusal to grant major concessions to any foreign power. However, as Homa Katouzian noted in his introduction to Musaddiq’s Memoirs, this English translation is incomplete. The Persian term for this policy, Siyasat-i muvazeneh-yi manfi, is better translated “passive balance,” and was a foreign policy articulated, if not invented, by Musaddiq.\(^\text{12}\) Simply put, this policy declared that Iranian internal affairs had been dominated for nearly two centuries due to the government’s bad habit of giving favorable trade concessions to the Russians and British. So long as the AIOC remained entrenched in the south, and if the Soviets were given new concessions in the north, Iran’s subservience would be perpetuated indefinitely. Musaddiq’s first formal evocation of this policy came after Qavam’s agreement with Moscow in April, 1946. During subsequent deliberations in the Fourteenth Majlis, Musaddiq declared himself willing to ink a deal with the Soviets if Iran sold oil to them. But he was opposed to a joint Russo-Iranian oil company because Tehran would be the minority shareholder (49%), and because this arrangement was guaranteed for

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\(^{11}\) Excerpted from Ghods, “The Rise and Fall of General Razmara”, p. 28.

\(^{12}\) Musaddiq, p. 19; 19n.
the first 25 years of the concession. If Iran signed the agreement, Musaddiq argued, Soviet domination of northern Iran and profound influence over the central government would be guaranteed.

*The Destruction of Ali Razmara*

After the Supplemental Oil Agreement floundered in the Majlis during the summer of 1950, the National Front was able to steal momentum from the agreement's supporters, and Musaddiq's "passive balance" slogan ignited an already smoldering public. On November 25, the eighteen-member Majlis oil commission recommended the agreement's rejection. The following month Arabian-American Oil Company (ARAMCO) announced a new agreement reached with the Saudi Arabian government, one that divided profits 50-50. This was a severe blow to the Supplemental Oil Agreement, as any economic measure of an AIOC concession was bound to employ the American example as its standard. To U.S. Secretary of State Dean Acheson, the ARAMCO profit-sharing stipulation made Iran's Supplemental Oil Agreement "obsolete."13 The Majlis maintained similar sentiments, and formally rejected the deal, in its current form, on January 11, 1951. The Majlis was still willing to consider an oil compact with AIOC, but not until more concessions were proffered by the British. In February, the oil commission asked the government to study the feasibility of nationalization. This marked a crucial turning point in the oil discussions, as

nationalization was now considered a viable option in the ongoing confrontation with AIOC.

Razmara, however, was not finished. The durable prime minister still believed that an arrangement with the company was possible if the British attached certain compromises to a new offer. In early 1951 he pressured the British to provide loan money for his ailing government, which was running a monthly deficit of £1.5 million. Razmara claimed that if the economic situation in Iran were allowed to deteriorate, nationalization of the oil industry would be inevitable. On the other hand, if AIOC could guarantee loan money, or provide advances on oil reserves to be sold later, Razmara could gain the time necessary to defeat the nationalization drive. At the same time Razmara informed AIOC that, unless more compromises were made by them in a new offer, he could not guarantee the passage of a new oil agreement. On February 8, the AIOC consented to Razmara's request, and a secret advance of £5 million was transferred to the Iranian government. On February 10, the AIOC made Razmara a counteroffer that included profit-sharing using a formula similar to ARAMCO's 50-50 arrangement. Although this new offer did not address Iran's political grievances, such as increased Iranianization of the workforce and accessibility to AIOC's ledgers, it did include a concession on a previously contentious financial issue. If the offer could be brought to the oil commission, maybe a counteroffer could be made and, over time, a mutually-beneficial agreement reached. Unfortunately, Razmara kept the offer a secret. Some analysts have surmised that the prime minister's government wanted to keep negotiations out of the public eye.
until a better offer could be announced. Others asserted that Razmara had more selfish designs, and hoped to pull out a new offer in a publicized stunt that would crush his opposition and bolster his own political stock. Regardless, he would never get an opportunity to play his last card.

In late February, the prime minister went on the offensive. General Hassan Arfa stated that

General Razmara ordered his Finance Minister, Gholam Hoseyn Fruhar, to read in the Majles a declaration purporting to show in great detail that the nationalisation of the oil industry was not in the interests of Iran. The technical arguments and the style of this declaration, although written in Persian, led to a belief that it had been prepared by the AIOC and translated from English. It was refuted point by point by the National Front deputies, and attacked in the progressive press, which had got completely out of hand, accusing the ministers of being traitors, sold to foreigners, etc. It was afterwards said that for the purpose of bargaining the Government had not made them public.¹⁵

Though a source of hope for the British, the speech by Fruhar was met with hostility from the NF and the public. As expected, Razmara was harangued in the populist press, accused of complicity with the English by the Front’s deputies, and harshly criticized by Musaddiq ally Ayatullah Kashani and other members of the religious right.

On March 7 Razmara was assassinated at a religious ceremony outside Shah Mosque. Only three days before, he had delivered a message to the oil commission emphasizing British opposition to nationalization, and simultaneous eagerness on AIOC’s part to find an equitable solution. The assassin was alleged to be Khalil Tahmasibi, a member of the rightist group Fada’iyan-i Islam

¹⁴ Heiss, p. 49.
Devotees of Islam) who was infuriated by the prime minister’s complicity with foreign elements. It has since been asserted, with only slight evidence, that an Iranian army officer fired the fatal shots that killed Razmara. In fact, the non-commissioned officer in question was a personal guard for Asadullah Alam, a longtime ally of the Shah.\footnote{Arfa, p. 392-393.} It is possible that the Shah was aware of the plot, if not directly involved in its development, and that Alam conspired to assassinate Razmara to mute his political ambitions. In this scenario, Tahmasibi was the assassination’s public scapegoat, but the Shah’s forces actually pulled the trigger.

This line of reasoning is questionable. Razmara seemed the only man in Iran brave enough to argue publicly against nationalization, and the Shah, though opposed to the premier’s political designs, may have wanted to keep Razmara as a battering ram against the National Front. Another interpretation holds that Razmara was assassinated with the Shah’s consent to clear the path for a more loyal prime minister, one who would continue the anti-nationalization campaign and maintain a close alliance with the Shah. Unfortunately, we may never know the answers to these questions.

Upon the death of Razmara, the Shah appointed longtime family friend Hosain Ala to the premiership on March 11. The outcome of his short tenure was predictable. A favorite of the British, Ala had spent years in Iran’s diplomatic service, and had worked both in Europe and the United States. Though deeply opposed to nationalization, particularly for practical reasons, he sought to use the threat of nationalization to force AIOC to negotiate a more favorable contract.

\footnote{Musaddiq, p. 30.}
After the loss of Razmara, the British became more eager to strike a deal with his replacement. But Ala’s fight was a futile one. On March 15, the Majlis voted unanimously to approve the oil commission’s document supporting, if only in principle, nationalization. (The Senate ratified the legislation five days later). The Majlis also granted the commission 60 days to assemble a written plan detailing nationalization’s actual implementation.

The British were alarmed, and after a flurry of threatening diplomatic notes, finally approached Ala on April 26 in an attempt to reopen negotiations. By this time, however, it was too late. Musaddiq had been serving on the eighteen-member oil commission, and the commission had been working on the resolution, known as the Nine-Point Bill, that would implement nationalization of AIOC. Seeing that nationalization was now inevitable given the oil commission’s continued recalcitrance, Ala resigned his post on April 28, 1951.

Musaddiq Ascends

After accepting Ala’s resignation, the Shah hoped to install Sayyed Zia al-Din as prime minister in the hope that he would dissolve the Majlis and broker a new agreement with AIOC. (Mohammad Reza Shah and the Majlis had to agree on the choice). However, on the day of Ala’s resignation the Majlis clamored for Musaddiq’s appointment to the premiership, believing that possession of the position would tip the scales in favor of nationalization. The Shah’s forces seem to have been taken off guard, for they unwittingly offered Musaddiq the job during an ensuing Majlis session. They thought that, as on previous occasions,
Musaddiq would angrily decline to work with his loathed enemy. His Memoirs will be quoted here at length:

On Saturday, 28 April, 1951, I was asked to go to the Majlis, although this was not a regular business day. Most of the other deputies were also present to hold discussions in a closed session, and duly convey to the shah-in-shah the deputies’ broad consensus on their nominee for premiership. I was surprised to learn about Mr Husain Ala’s resignation from premiership...

Most deputies believed that, as in the 1921 coup [by Reza Khan, the Shah’s father], Sayyed Zia al-Din’s premiership would result in wholesale arrests and persecutions. But they neither dared to put someone else up, nor did the circumstances permit the nomination of the candidate of foreign powers...

The discussion got under way, and the exchange of views went on for quite some time. Then, in order to speed up matters [in Sayyed’s favor], a deputy [Jamal Imami] who- a few days before the assassination of former premier Razmara- had met me at my house to bring me the shah’s offer of premiership, suggested my name, being certain that I would turn it down. I agreed instantly. This relieved the deputies from their predicament, and they all clapped and congratulated me.

I agreed to serve so that the bill for the repossession of the oil industry would not be lost, but would be passed by the Majlis and become law. If Sayyed Zia al-Din had become prime minister there would have been no Majlis left for me to be able to pursue the matter. He would have had me arrested or sent into exile along with others, and, in one word, fenced up the country so there would not be the slightest noise from anyone or anywhere to distract him from finishing his task.17

The Shah’s camp, in offering the premiership to Musaddiq, had hoped to silence those who were calling for the wily deputy’s nomination, and fully expected the fiery NF kingpin to decline the offer. Yet Musaddiq, an experienced and formidable politician, correctly gauged the dangers of refusing the offer. Given al-Din’s political allegiance and the position’s usefulness as a means of realizing

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17 Ibid., pp. 264-265.
nationalization, Musaddiq quickly consented. Upon his acceptance of the nomination, 79 of 100 votes cast in the Majlis favored Musaddiq.\textsuperscript{18}

\textit{Nationalization Realized}

On April 30, 1951, the Nine-Point Bill was passed by the Majlis.\textsuperscript{19} The Anglo-Iranian Oil Company was to be nationalized by the Iranian government. Musaddiq, however, had still not received official confirmation from the Shah. Musaddiq feared that if the Shah issued the notice (farman) formalizing his premiership, the Shah’s forces would filibuster during confirmations for Musaddiq’s cabinet and shelve discussion of the Nine-Point Bill indefinitely.\textsuperscript{20} The appointee forced the Shah to delay his investiture until after the Nine-Point Bill was passed by the Majlis in order to avoid opposition roadblocks to his cabinet appointments and nationalization legislation. The next day, May 1, Musaddiq was officially declared prime minister by the irritated Shah, and the former named his cabinet on May 2. On June 19, AIOC operations and installations were formally taken over by the Iranian government. The National Front’s dream of nationalization had been realized. Whether or not nationalization could endure withering British pressure remained unclear.

\footnotesize{\textsuperscript{18} Heiss, p. 62.  
\textsuperscript{19} Again, for the text of this law see below, APPENDIX A.  
\textsuperscript{20} Musaddiq, pp. 266-267.}
5. Musaddiq’s Fall: 1951-1953

Nationalization of the oil industry was, at best, only a temporary unifier of disparate political forces in Iran. On other issues, it would soon be revealed that most members of the National Front were nothing more than political transients, and had little in common save a thirst for what Musaddiq called “repossession of the oil industry.”¹ This internal disunity, opposition from the Shah, and Anglo-American covert operations later converged to topple the Musaddiq government and bring an abrupt end to nationalization.

Motives for Iran’s Nationalization

Although the Nine-Point Bill had been passed, and AIOC operations were to be ceded to Iran, Musaddiq was aware that treacherous ground lay ahead. The company’s British employees were less than enthusiastic about working under Iranian supervision, and so resisted the nationalization. AIOC officials were anxious about the prospect of losing expensive equipment and installations, potentially without compensation. Granted, Musaddiq had promised that nationalization would be accompanied by compensation payments to AIOC, vowing to “set aside” 25% of net oil profits “to meet all the legitimate claims of the country.”² Yet Musaddiq, like many of his compatriots, viewed Iran’s

¹ Musaddiq, p. 265.
nationalization as a right, not as a crime. As the crisis slipped into August, it also became uncertain whether or not AIOC would receive compensation for lost revenues, both present and future, should Britain be forced to acknowledge nationalization. Some supporters of nationalization argued that, given Great Britain's historic machinations in the country's internal affairs, the move was justified, and no compensation was due AIOC save for lost materials. For them, nationalization constituted the attempt of a sovereign nation to reassert its independence of movement by the removal of an instrument of foreign influence, namely, the Anglo-Iranian Oil Company.

Moreover, Iranian pro-nationalization elements were not motivated primarily by fiscal concerns, though the British often believed so. True, the 50-50 agreement between ARAMCO and the Saudi government in late 1950 did serve as the new standard for any settlement short of nationalization. In reality, the desire for increased and equitable income was not the overriding impetus for the nationalization drive, as Musaddiq testified during the early stages of the push:

I believe more in the moral than economic aspect of nationalization of the oil industry. Assuming that we could not extract and sell as much oil as the company, we should be able under any circumstances to satisfy domestic consumption and secure the equivalent of the current revenues received from the company; the remaining oil should stay in the ground until the future generation could better benefit from it.\(^3\)

Many analysts have argued that Western officials, particularly the British, often had difficulty discerning the moral and political underpinnings of the Popular

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mentioned was from Article 2 of the Oil Nationalization Act. For the text of the Nine-Point Bill [Oil Nationalization Act], which included this provision, see below APPENDIX A.
Movement's nationalization agenda. This is a correct interpretation. Sheer profit was not the National Front's cornerstone, though a fair division of revenue was important to Musaddiq. Rather, pro-nationalization forces viewed the "repossession" of the oil industry as a means of both assuaging past grievances and guaranteeing the country sovereignty over its own destiny in the future. The nationalization drive was a struggle for control over Iran's future, a future not to be left to the tender mercies of British dominion.

Further, many National Front members considered Iran's seized assets as a deposit guaranteeing stability to later generations. Musaddiq viewed oil profits generated by the new National Iranian Oil Company as a resource that would fund improvements in the social, economic, medical, and educational conditions within the country. In June, 1951, Musaddiq justified nationalization in a response to British condemnations of the act:

Our long years of negotiations with foreign countries concerning the legitimacy of our claims to ownership of the industry, which no power in the world can deny us, have yielded no results this far. With the oil revenues we could meet our entire budget and combat poverty, disease, and backwardness among our people. Another important consideration is that by the elimination of the power of the British company [AIOC], we would also eliminate corruption and intrigue, by means of which the internal affairs of our company have been influenced. Once this tutelage has ceased, Iran will have achieved its economic and political independence...4

Nowhere are the moral and political dimensions of Musaddiq's thought more evident than in his address to the International Court at The Hague in June,

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4 Saikal, p. 39. Again, this is a Musaddiq quote.
1952. Great Britain, as in the case of Reza Khan's 1932 unilateral abrogation of the Anglo-Iranian oil concession, had appealed to the Court in May after nationalization was implemented. Musaddiq quoted extensively from this address in his *Memoirs*, and the following is an excerpt from his address at The Hague:

The history of Anglo-Iranian relations is much too long for me to try and present it here in full detail. Suffice it to say that in the nineteenth century Iran was a scene of rivalry between the imperialist policies of Britain and Russia... Being a victor of the First World War and virtually without a rival in the Middle East, Britain then seized the opportunity to conclude the 1919 [Oil] Agreement which, by putting the Iranian civil and military administration in the hands of British officers and civil servants, would have brought Iran exclusively under Britain's political and economic domination. When the agreement was met with the strong resistance of freedom-loving and patriotic Iranians, British diplomacy decided to impose its strategy via a different route, and imposed the dictatorial régime [of Reza Shah], which it continued to support for twenty years. The main purpose behind this strategy was Britain's exclusive monopolistic appropriation of our oil resources. Therefore, that which was supposed to enhance and increase our national wealth became the source of our insufferable ills and misfortunes. This dominion was achieved by using the concessionaire company [AIOC]...

These ethical and political motives for nationalization were also evident in Articles 1, 4, and 6 of the Nine-Point Bill (dated April 30), which provided a schedule for implementation:

**Article 1.** With a view to arranging the enforcement of the Law of 24 and 29 Isfand 1329 (15th and 20th March, 1951) concerning the nationalisation of the oil industry throughout Persia, a mixed Board composed of five Senators and five Deputies [of the Majlis] elected by each of the two Houses and of the Minister of Finance or his Deputy shall be formed...

**Article 4.** Whereas, with effect from 29th Isfand 1329 (20th March, 1951), when nationalisation of the oil industry was sanctioned also by the Senate, the entire revenue derived from oil and its products is indisputably due to the Persian nation, the

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5 Musaddiq, pp. 323-324.
Government is bound to audit the Company’s accounts under the supervision of the mixed Board which must also closely supervise exploitation as from the date of the implementation of this law until the appointment of an executive body...

Article 6. For the gradual replacement of foreign experts by Persian experts the mixed Board is bound to draw up regulations for sending, after competitive examinations a number of students each year to foreign countries to undertake study in the various branches of required knowledge and gain experience in oil industries, the said regulations to be carried out by the Ministry of Education, after the approval of the Council of Ministers. The expenses connected with the study of such students shall be met out of oil revenues.  

The italicized portion of Article 1 illustrates the oil commission’s intention to wrest control of the company’s board from the British, and replace it with a new board comprised of elected Iranian officials. This was also an attempt by anti-Shah forces to check the power of the monarchy by granting jurisdiction over NIOC to the Iranian Parliament. (A successful arrangement only if the king did not manipulate elections!) Only one Board member, from the Ministry of Finance, was to be an appointee chosen by the monarch and confirmed by Parliament.

Article 4 highlighted the Iranians’ belief that they were justified in their nationalization of British property and operations. This Article also echoed pre-nationalization demands that AIOC open its books to Iranian eyes.

Article 6 emphasized the need for the integration of Iranians into all levels of NIOC. In fact, as a fulfillment of Musaddiq’s vision, oil revenues were to be used to educate talented young Iranians in all aspects of company operations.

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Unfortunately, AIOC negotiators and British Foreign Office officials frequently underestimated these moral and political motives of the nationalization movement, and instead dismissed them as examples of Persian 'emotionalism.' To the British, it seemed that the center of the dispute was a fair division of oil profits. Though this was a critical demand by the Iranians in negotiations before and after nationalization, it was, in Musaddiq's mind, superceded by the political goal of self-determination. To Musaddiq, an Iran free of foreign machinations, with its natural resources at its dispatch, was an Iran free to chart its own course.

The British Position

London was, not surprisingly, infuriated by the Iranian commercial coup. However, their objections to nationalization lacked the moral and political rationalizations common in Musaddiq's arguments. The objections posed by the British government and AIOC were predominantly legal, mechanical, and financial in nature. First, they perceived the seizure of AIOC equipment and operations as a violation of the 1933 Agreement, which specifically prohibited unilateral nationalization under Articles 21 and 26. Foreign Secretary Herbert Morrison addressed the House of Commons on May 1, 1951, the day after nationalization became law in Iran, and the same day Musaddiq was proclaimed prime minister by the Shah. In his message, Morrison decried the Iranian action as, basically, a breach of contract. The foreign secretary cited the 1933 Agreement, and asserted that the unilateral abrogation of AIOC was a violation of proper business conduct. If a conflict arose between AIOC and the Iranian
government, and the two parties could not reach a satisfactory compact, then the parties were obliged to submit the disagreement to an arbitrator:

Article 21 of this concession provides that no change may be made in the position of the Company under the concession, even by legislation, except by agreement between the Persian Government. Article 22 provides for recourse to arbitration in the event of a dispute between the Government and the Company...we cannot admit that the contractual obligations under which the Company has operated and has made this great investment in Persia can be abrogated unilaterally...the [British] Government cannot accept a situation in which one party to an agreement acts unilaterally without discussion.

In reply, the Iranians argued that the 1933 Agreement, and every agreement dating back to the D’Arcy Concession, was void because it had been signed under duress. As the Shah commented in Answer to History, British and Russian pressure on Iran in the 19th and early 20th centuries was immense. When the Iranian central government’s policies conflicted with the foreign policy objectives of the two great powers, economic, political, and military coercion were utilized in order to restrain Iranian ambitions.

Morrison also reminded his compatriots that AIOC had been engaged in negotiations with Tehran for several years before nationalization, and had put forth several offers that, to the British, were fair. During Razmara’s premiership, the Company advanced Tehran £5 million to buttress the treasury, hoping that time could be bought for the premier’s faltering anti-nationalization campaign. Perhaps, the British had speculated, Razmara could gather his forces, launch an

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7 Heiss, p. 52.
8 Parliamentary Debates, 1950-1951, May 1 1951, H.C. 487, deb. 5s, p. 1008.
9 Ibid., p. 1012.
10 Ibid., p. 1014.
assault, and push the Popular Movement back on its heels. During Ala’s short

tenure, AIOC made another offer with the Crown’s support, one that took into

account ARAMCO’s recent 50-50 profit split with Saudi Arabia.11 Morrison

pointed this out to his colleagues, and, of course, to Tehran. Unfortunately, by

early 1951 anti-British sentiment in Iran ran so high that any agreement short of

nationalization suffered a good chance of defeat in the Majlis. The National Front

and its allies had arched their backs and sunk their heels. Compromise was no

longer an option.

Moreover, Morrison contended that Iran had benefited substantially from

AIOC’s presence, and questioned the new company’s ability to operate without

British expertise and resources:

It [AIOC] has provided employment for many tens of thousands of
Persians... Its record as an employer of labour has been a good
one, and the conditions under which its employees live and work
are not only far in advance of ordinary Persian standards, but as the
International Labour Office have borne witness, compare
favourably with those existing in any part of the Middle East... It
would clearly be a matter of the greatest difficulty for the Persians,
even if they were unilaterally to take over production themselves,
to acquire the ability to operate and maintain installations.12

While it is true that living conditions for AIOC’s Iranian workers were

improved by their employment, and that, generally, their condition was better than

that of their fellow citizens, the British had shut their eyes to the Company’s

sinister side. AIOC received little direct supervision from the Crown, and so was

permitted a free hand in southern Iran. Over time, AIOC became a de facto

autonomous state within Iran’s borders. The Company bribed local tribal and

11 Ibid., p. 1012.
government officials, manipulated southern elections, applied political pressure when Tehran ran afoul of the Crown, and consistently refused to submit to Iranian rule of law. At no point during the crisis did British officials concede that their commercial bastion in Iran had been habitually employed as a tool to undermine Iranian sovereignty. Instead, AIOC had been a useful instrument for the advancement of British interests in Iran, as well as the hindrance of initiatives that contravened British policy. In fact, in Morrison’s biased view, he argued quite the opposite:

The United Kingdom has a longstanding friendship with Persia, whose political independence and territorial integrity we have consistently helped to preserve and which remain a matter of deep concern to us. Persia’s economic life is intimately linked with our own, as her Government well realise. Our only desire is to see Persia, strong, prosperous and independent, and to cooperate with her to these ends in so far as she may desire such co-operation.¹³

(After the Second World War, the shrinking British Empire was also not in a mood to cede needed resources and revenues. Further explanation of this aspect of British resistance will be provided below, chapter seven).

**The Jackson Mission**

Given the divergent, entrenched opinions held by Great Britain and Iran, it was feared that an unbreakable stalemate would soon set in. In order to keep the two sides talking, the Americans pushed AIOC to reopen negotiations with the Iranian government. The British consented, and AIOC vice-chairman Basil Jackson arrived in Tehran on June 10 to present the Musaddiq government with a

¹² Ibid., pp. 1010-1011.
new series of offers. To the dismay of the Americans, however, the talks ended in fruitlessness. The Iranian delegation first demanded that AIOC turn over its accounts and receipts, except for 25% to be retained as compensation by the company for nationalization, as per the Nine-Point Bill. Jackson, accompanied by U.S. Ambassador to Iran Henry Grady and British Ambassador Sir Francis Shepherd, immediately rejected this demand for obvious reasons. The company offered Tehran a payment of £10 million to ease Musaddiq's economic stress. Jackson also offered to form a neutral, subsidiary company, separate from AIOC and the phantom NIOC, to resume oil operations until an agreement could be reached. Once again the offers were quickly rejected, as the Iranian prime minister opposed any agreement, even a temporary stopgap to continue the flow of oil and revenue, that did not provide tacit admission of Iran's unilateral nationalization. Negotiations were also not helped when, as James F. Goode contends, Jackson violated his instructions by announcing that NIOC would be unable to find tankers willing to distribute Iranian oil due to the forthcoming British boycott.

During the meetings Shepherd, Grady, and Jackson urged Musaddiq to forge a temporary arrangement short of full-fledged nationalization that would permit British employees to continue oil production and export. If not, they warned, Iran's paper tiger, NIOC, would be logistically unable to remain in

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13 Ibid., p. 1011.
14 Heiss, p. 72.
15 Goode, In the Shadow of Musaddiq, p. 32.
operation and the company would be required to shut down. Musaddiq was recalcitrant, and the AIOC delegation soon departed Iran.

Before their departure, Musaddiq commanded that the company's installations be seized nationwide. The British were infuriated, and dispatched H.M.S. *Mauritius* to the mammoth refinery-port of Abadan on the Persian Gulf. The company's British employees threatened to withdraw entirely if the Iranian government took over operations. Many government officials, particularly in the opposition Conservative Party, demanded that AIOC's British employees remain in Iran for fear that, if they left, they would never be permitted to return. Further, some officials in London called for direct military intervention, arguing that British lives and interests were in jeopardy.

U.S. Secretary of State Dean Acheson was alarmed at the prospect of escalation, and sought to diffuse the matter by arranging a meeting between the American and British governments. On July 4, Acheson, British Ambassador Sir Oliver Franks, U.S. policy planning director Paul Nitze, Doc Matthews, and George McGhee met together on W. Averell Harriman's veranda to discuss the rising tensions. Two hours later, the participants concluded that direct British military intervention in southern Iran would be a move most unwise, as Acheson summarized:

> Armed intervention by Britain at Abadan in the would, in all probability, lead to armed intervention by the Soviet Union in Azerbaijan in support of their oil concession [the failed April, 1946 concession], which the Iranian Government had negotiated and the Majlis rejected. Even though some in London might not be shocked at a partition of Iran into spheres of influence, it would both fail to gain control of the oil fields for Britain- a more

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16 Heiss, p. 73.
difficult assignment than seizing the refinery- and create an uproar in the United Nations. In this battle it seemed inevitable that Washington, in view of its leadership of the 1946 fight to get Russian troops out of Iran, would end up at loggerheads with London. Finally, if Mosadeq or an even more extreme government invited Russian intervention in the hope of forcing withdrawal of both foreign forces, we might end up with the British out and the Russians in. In short, armed intervention offered nothing except great trouble.17

For the British, overt military action was later ruled out due both to lack of American support and fear of Soviet retaliation. During the meeting, Acheson also suggested that, should the Iranians accept, Harriman be dispatched to Tehran "not as a mediator, but, in the interest of peace and stability, to urge the resumption of direct talks" between the two intransigent parties.18

The Harriman Mission

U.S. President Harry Truman approved Acheson’s suggestion, and included the offer in a reply to a letter from Musaddiq that explained Iran’s perception of events. In Truman’s reply, dated July 8, 1951, the president played the part of neutral, and encouraged the two parties to find a transitory agreement that would maintain company operations and permit the two sides ample time to enter protracted negotiations. In his message, Truman reminded Musaddiq of the recent International Court of Justice (ICJ) ruling that suggested the two sides return the situation to its state before nationalization, this to afford time for an equitable solution:

18 Ibid., p. 508.
Recently I have come to believe that the complexity of the problems involved in a broad settlement and the shortness of the time available before the refinery [at Abadan] must shut down [due to the successful British boycott and diminished workforce]- if the present situation continues- require a simple and practicable modus vivendi under which operations can continue and under which the interests of neither side will be prejudiced... The International Court of Justice, which your Government, the British Government and our own all joined with other nations to establish as the guardian of impartial justice and equity has made a suggestion for a modus vivendi...Therefore, I earnestly commend to you a most careful consideration of its suggestion...I have discussed this matter at length with Mr. W. Averell Harriman... Should you be willing to receive him I should be happy to have him go to Tehran as my personal representative...  

Thus, early on in the oil nationalization crisis, the U.S. government hoped to remain neutral. The Truman Administration's initial response was rather restrained. Truman urged Musaddiq to submit to the Court's preliminary finding, reach a temporary solution that would keep oil flowing out of Iran, and pressed the venerable premier to accept Harriman's assistance. Both London and Tehran were initially resistant to the proposal, yet after some gentle nudging of the English by the Americans and a change of heart by Musaddiq, Harriman flew to Tehran with Britain's obligatory blessing. Harriman arrived in Tehran on July 15, bringing with him an experienced team that included William Rountree from the Department of State and oil expert Walter Levy.20

20 Goode, In the Shadow of Musaddiq, p. 37. On the day of Harriman's arrival, a Tudeh-sponsored protest against American involvement turned violent. A clash broke out between the leftists and members of the National Front coalition, which left at least 20 dead and several hundred injured. Events such as these contributed a shift in American policy toward active opposition of Musaddiq's government. The Americans, as will be discussed below, feared that prolonged upheaval in Iran increased the likelihood of a leftist coup.
After his arrival in Tehran, Harriman held a series of meetings with Musaddiq, former premier Husain Ala, and several parliamentary officials. Unfortunately, the two parties remained obstinate on several pertinent points. Harriman had suggested to the British that they reiterate their tacit recognition to the March 20 Majlis law, one which sanctioned the nationalization in principle, yet did not implement it. Harriman did so to permit an endorsement of the Iranians’ moral and political claims that nationalization was justified. Yet Harriman also hoped that, by conceding the legality of only the March 20 law, British officials could retain the domestic image that they were standing firm against Iran’s unilateral nationalization. The British agreed to Harriman’s proposition. Harriman then persuaded the Iranians to withdraw their demand that the British recognize the Nine-Point Bill of April 30, which established a timetable for nationalization’s actual execution.²¹

Unfortunately, this breakthrough was one of only two substantive advances made during the sessions, the other being his agreement to entertain yet another English delegation. On virtually every other issue there was disagreement between Harriman’s mission and the Iranian negotiators. Acheson stated later that

[The] mission succeeded in its immediate purpose of turning back Britain and Iran from the brink of hostilities. It failed in its more ambitious purpose of finding a solution to the oil dispute, though often seeming close to a breakthrough. It failed, I believe, for the same reason that the Marshall mission to China in 1946 failed, because neither party to the dispute wanted a solution; each wanted to defeat the other on a central nonnegotiable issue.²²

²¹ Heiss, p. 85.
²² Acheson, p. 508.
It was this recalcitrance on both sides of the dispute that proved fatal to all future negotiations.

**The Stokes Mission**

On July 30, as a fulfillment of its pledge to continue negotiations, the British government announced that Sir Richard Stokes would go to Iran on August 4. The Americans were less than enthusiastic about the Labour government’s choice, as Harriman had preferred Hugh Gaitskell. Stokes, as Goode observed, “was wrong for these delicate negotiations. He was a bluff, hearty, slap-on-the-back kind of fellow” with a temperament ill-suited to the often-tedious meetings with Musaddiq. Some analysts, including Goode and Heiss, have commented that the choice of Stokes was a grave miscalculation. However, one could also argue that Foreign Office officials knew what they were doing, and chose the flinty Stokes by design, believing his indelicate, uncompromising manner might rattle Musaddiq into an agreement. Further, the British had little desire to work with Musaddiq. Whitehall was already curious about other options, which emphasized closer Anglo-American opposition to Musaddiq, and cooperation with a more malleable Iranian régime after Musaddiq’s fall.

Regardless, the Stokes mission was destined for failure. First, Musaddiq made an about-face on his earlier commitment to permit new negotiations to be based on the March 20 law. Instead, Musaddiq returned to his earlier position.

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that any talks must be preceded by British recognition of the Nine-Point Bill for the implementation of nationalization. Should the Crown not make this concession, Musaddiq believed, it still did not change what he felt to be a new reality. Musaddiq later explained his stance in his *Memoirs*:

> Even if the British government had not accepted the oil nationalisation, it would not have altered the fact of its nationalisation, for every country can nationalise an industry for the sake of the public good, and realise the benefits which individuals or concessionaire companies reap from it. The difference here though is that when a powerful government or her subjects are the concessionaires, the recognition of the nationalisation would have an impact on the determination of the terms of compensation. In this case, the British acceptance of the principle of the oil nationalisation throughout Iran meant that if the dispute was referred to arbitration, that company could not demand compensation for loss of future profits, only for its property.²⁴

Again, Musaddiq returned to his earlier contention that Iran, as a sovereign state, could legally nationalize an industry within its borders.²⁵ Further, Musaddiq argued that, even if Great Britain refused to agree to the April 30 law, nationalization was a fact. Musaddiq also maintained that any compensation for nationalization did not extend to the deprivation of future profits as the British lobbied, but only to property losses.

Stokes, predictably, played the part of a street-tough. He informed Musaddiq that, contrary to the prime minister’s assessment, the West *could* afford the loss of Iranian oil. In saying this, Stokes sought to dispel Musaddiq’s false perception that Great Britain must reach a solution because the demand for Iranian oil was so high. Stokes was correct on this account, for already Western

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²⁴ Musaddiq, p. 314.
²⁵ Again, notice the ethical and political flavor of his argument.
companies were boosting oil production to cover the gap left by AIOC’s drop in exports. But Musaddiq would hear none of this, and instead believed that this was yet another British bluff designed to force Iranian concessions.

While in Tehran, Stokes also issued a proposition to Musaddiq which provided a semblance of nationalization, but preserved actual control of oil production for the British. The Eight-Point Proposal, as it became known, provided for the cession of oil accoutrements and installations to Iran, and established a new British company to run the daily operations. The Iranians were not fooled. Musaddiq could endure British control of the company’s marketing apparatus, but could not stomach the continued presence of British officials and technicians in positions of power.26 Again, Musaddiq wanted political control of the company, not a mere façade of nationalization. On August 22, Stokes temporarily suspended the talks, and departed for home the next day. Averell Harriman, who had accompanied Stokes to Tehran to assist, left on August 24. On September 25, the Iranian army entered Abadan and ordered the British citizens therein to leave the country.27 On September 6, 1951, Great Britain formally ended all negotiations with Iran, and stalemate settled over the crisis.

Anglo-Iranian Deadlock

For simplicity’s sake, the following two years of the crisis, from September, 1951 to August, 1953, will be briefly outlined here, with only developments influential to the crisis’ outcome being highlighted.

26 Heiss, p. 90.
27 Katouzian, p. 174. See also Musaddiq, p. 315.
With a general election swiftly approaching on October 25, 1951, Britain's Labour government sought new avenues that might shake Iran's will and restart negotiations. The party's leadership was well aware that the Conservatives had made Labour's soft policy in Iran an issue in the forthcoming elections. Nonetheless, it had been decided in a September 27 cabinet meeting that, given the circumstances, direct military intervention in Iran was inadvisable. Instead, Clement Attlee's government opted to appeal to the United Nations Security Council (UNSC). The Crown sought a resolution that declared the International Court of Justice (ICJ) competent to issue a verdict on the Anglo-Iranian oil dispute. The previous July, the International Court had issued a ruling that supported AIOC's claim that Iran's unilateral seizure of the company was illegal, and that the situation in Iran should be returned status quo ante.\(^\text{28}\) The Court had decided that, once AIOC resumed interim control, negotiations could proceed and a mutual agreement reached. Iran had argued, to no avail, that ICJ had no jurisdiction in the case. If UNSC passed a resolution that upheld the Court's decision, the British could further isolate Iran, and Labour's soft policy would be made firm in time for the October elections.

The move proved to be a serious blunder. The Americans had warned Whitehall that an appeal to the U.N. would only stir-up anti-Western feeling, and that Britain was unlikely to get the seven votes needed to pass the resolution. Further, Musaddiq flew to New York to defend personally Iran before the Security Council, providing Iran with free publicity for its cause. Musaddiq's two-day defense consisted mainly of impassioned denunciations of British

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\(^{28}\) Goode, *In the Shadow of Musaddiq*, p. 37.
colonialism, objections to the 1933 Agreement, and appeals to the Council’s moral sensitivities. Great Britain’s representative during the four-day discussion, Sir Gladwynn Jebb, selected a more logical approach, basing British support for the resolution on Iran’s violation of established business practices, etc. On October 18, The Iranians won the case. Musaddiq later summarized the encounter:

...[T]he council decided that its standing orders required it to leave the case in abeyance until the International Court had adjudicated on Iran’s objection to its competence to hear the British government’s complaint... Let it be said that the exposition before the council of the original as well as translations of the evidence about the corruption—resulting from Reza [Khan] Shah’s dictatorship—of the Ninth Majlis elections, which had led to the enactment of the 1933 Agreement, had a favourable impact on the council’s attitude.29

In the end, Musaddiq’s assertion that the 1933 Agreement had been signed under duress, moral arguments regarding Great Britain’s historic undermining of Iranian sovereignty, and his contention that the Security Council did not have the right to intervene in an internal Iranian affair combined to table the British proposition. Only two countries, the United States and Brazil, voted in favor of Great Britain, while four countries voted for Iran and seven abstained. On October 25, the Conservatives took control of Parliament by a count of 321 to 295 seats.30 This change in government was to have a significant influence on the direction of British policy toward Iran, for the Conservatives had been brought to office in part because of their promise to adopt a tougher line with Musaddiq than had the Labourites.

29 Musaddiq, p. 323.
Meanwhile, economic conditions in Iran declined as 1952 progressed. Oil exports were severely curtailed due to the departure of trained oil technicians, and to the success of the British-led boycott of Iranian oil. On the former point, the Iranians had difficulty managing such a gargantuan oil operation not for lack of intelligence, but for lack of experience. There were some trained Iranian workers in middle and upper level technical and administrative positions in AIOC, yet the number was slight given the enormity of the company. After AIOC formally withdrew its staff from Abadan in early October, 1951, NIOC was left to its own devices. Indeed, the oil commission exhibited its concern about the need for qualified Iranian employees by including Article 6 in the Nine-Point Bill. Article 6 called for the selection of Iranian students, a function of the Ministry of Education, for study-abroad programs specifically geared to the oil industry (See APPENDIX A). During the nationalization drive Musaddiq was aware that it could take years for a trained cadre of Iranians to supplant the new oil company’s Western employees. However, he naively clung to the hope that, in the interim, the nationalized company’s British employees would be willing to work for the Iranian government, so long as their salaries were paid. Musaddiq underestimated the loyalty and prejudice of AIOC’s British workforce, which stubbornly refused to submit to Iranian stewardship.

Regarding the latter point, the British blockade, the majority of international oil companies were supportive of the AIOC boycott. They believed that if they violated British sanctions by purchasing or transporting Iranian oil, other countries would also be encouraged to abrogate unilaterally their

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30 Heiss, p. 99.
agreements. If these oil companies honored the British sanctions and made Iran suffer for its nationalization, then other nations would be deterred from taking similar action. In addition, a major shareholder in the company, the British Crown, strictly enforced the naval blockade of Iran, which further discouraged ‘carpetbaggers’ who desired to capitalize on AIOC’s misfortunes. When a renegade company *did* try to run the blockade, as in the case of the Panamanian-registered freighter *Rose Mary*, the Royal Navy merely forced the ship in question into a British port and brought charges against those involved. For instance, the *Rose Mary* had been contracted to onload 1,000 tons of Iranian oil in mid-June, 1952 for an Italian oil firm, Ente Petrolifero Italia Medio-oriente (EPIM). If the British did not oppose the shipment, the Iranians and EPIM officials planned, the company would sign a ten-year agreement with NIOC.31 Again, Musaddiq miscalculated British resolve. Royal Navy vessels instead drove the *Rose Mary* into Aden and confiscated what it still believed to be AIOC oil.

The successful British boycott was to have dire consequences for Iran’s nationalization. Musaddiq had calculated that the large multinational companies, particularly the American cartels, would be eager to profit from Iranian oil, and so would be willing to violate the British boycott. He was wrong. EPIM’s shotgun attitude was the exception, not the rule. Most oil companies believed that the sanctity of business contracts had to be preserved, and so refused to concede Tehran’s unilateral cancellation of the 1933 Agreement. And even had a handful of bold companies ignored the British sanctions, the lack of trained personnel at

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31 Ibid., p. 130.
Abadan would have made full production and export difficult, and a failed boycott irrelevant.

As it was, oil exports from Iran dropped drastically in 1952. The last oil tanker left Iran in early July, and the Abadan refinery was only running at 12% of capacity. Musaddiq, due to a combination of poor advice and naivety, thought that the West could not do without Iranian oil, and so expected to both retain qualified employees and remain at or near full production. However, British, American, and other Western oil companies merely increased production to cover for decreased Iranian exports. The Americans had initially been nervous about the prospect of losing AIOC oil, and had estimated in a secret January, 1951 report that Europe’s “extra annual dollar charge” to attain oil elsewhere could reach $700 million. The same report, entitled National Intelligence Estimate 14 (NIE-14), stated the following:

[The] loss of Iranian oil production and of the refinery at Abadan would temporarily have an adverse effect upon Western European economic activity, and would impose severe financial losses particularly upon the British, who control all the oil production of the country. Although the effect of the loss of Iran on the volume of petroleum which could be made available to Western Europe might be overcome in a relatively short time by developing reserves and building refineries elsewhere, the financial effects would be overcome slowly, if at all.

Contrary to these bleak warnings, however, Western companies closed ranks after nationalization, and successfully compensated for the 660,000 barrels of oil Iran

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32 Ibid., p. 85.
34 Ibid.
had produced each day. While it is true that the British economy was shaken by the loss of AIOC revenues, Conservative Prime Minister Anthony Eden observed that the loss was blunted because "the oil industry closed the gap in production," and so lessened Great Britain's plight.

Britain's opponent fared worse. The Musaddiq government struggled courageously to mute the country's economic suffering due to the loss of critical oil revenues, though as the months passed economic woes and, with them, criticism, increased. The central government traditionally had received 40% of its revenue from oil revenues, so Musaddiq and his advisors increased exports in non-oil commodities to make up the difference. At the same time, they toughened regulations on imports in order to achieve a favorable balance-of-trade. To their credit, the Musaddiq government performed superbly under the harsh circumstances, and even brought non-oil exports into the positive in their final two years in office. (See below, Table 5.1). Unfortunately, the severe cutback in oil revenues, the comprehensive failure of nationalization, the lack of an alternate oil agreement, and growing internal dissatisfaction combined to cement Musaddiq's fall in mid-1953. Regardless, Musaddiq is to be commended for these valiant, if futile, efforts.

35 Heiss, p. 85.
37 The Musaddiq government increased exports of such items as textiles, sheep, tobacco, etc.
TABLE 5.1 – The non-oil balance of trade, 1948-1953 (million rials)\textsuperscript{38}

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports (excluding oil)</th>
<th>Imports</th>
<th>Balance (B)-(C)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1948</td>
<td>1867</td>
<td>5480</td>
<td>-3613</td>
</tr>
<tr>
<td>1949</td>
<td>1785</td>
<td>9320</td>
<td>-7535</td>
</tr>
<tr>
<td>1950</td>
<td>3563</td>
<td>7109</td>
<td>-3546</td>
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<tr>
<td>1951</td>
<td>4391</td>
<td>7405</td>
<td>-3014</td>
</tr>
<tr>
<td>1952</td>
<td>5832</td>
<td>5206</td>
<td>626</td>
</tr>
<tr>
<td>1953</td>
<td>8426</td>
<td>5756</td>
<td>2670</td>
</tr>
</tbody>
</table>

In early 1952 another mission visited Tehran which, though unsuccessful, was to foreshadow the agreement made with the Shah-Zahedi government in 1954 after the removal of Musaddiq from power. In late 1951, Musaddiq had discussed with the International Bank for Reconstruction and Development (IBRD) the possibility of an IBRD take-over of Iranian oil operations\textsuperscript{39}. In this formula, IBRD would run the country's oil installations until a permanent agreement could be reached between Iran and Great Britain. In the interim, profits would be divided three ways, with one-third going to Iran, one-third going to a fund for future compensation of AIOC, and one-third going to a subcontractor-agent responsible for the marketing of Iranian oil\textsuperscript{40}.

Despite lofty American hopes, however, the IBRD propositions ran aground due to a combination of British recalcitrance and Iranian idealism. The British were still contesting the legality of nationalization, and deliberately stalled

\textsuperscript{38} Katouzian, p. 184. Katouzian's table has been excerpted in its entirety. His Persian-language source comes from Iran's Ministry of the Economy.

\textsuperscript{39} This IBRD was the exception, not the rule. Given the tenuous situation in Iran, most lending institutions considered Iran a high-risk investment, and refused to cooperate.
the IBRD-Musaddiq negotiations because they believed Musaddiq's days were numbered. If they could weather the storm, the British hoped, domestic opposition to the prime minister would cause his ouster, and with a little help from London a more malleable government would replace him. If the pieces fell as Whitehall planned, British commercial interests would remain in Iran, albeit on a lesser scale. The Iranians had more complex reasons for vetoing the IBRD proffer. First, Musaddiq's oil advisor, Kazim Hasibi, objected to IBRD's stewardship because he felt it provoked questions regarding Iran's claims to its oil resources. Second, the proposal permitted the return of British technicians to Iran, something Musaddiq would not tolerate. Finally, the proposition was ambiguous about the price for which Iranian oil would be sold. Musaddiq persistently demanded $1.75 per barrel throughout the crisis, though the wholesale market allowed a maximum of approximately $1.10. Iran eventually rejected IBRD's offer, yet this same offer provided a paradigm for future Anglo-Iranian negotiations. The Americans later modified this example, replacing IBRD's subcontractor with an international oil consortium consisting of the Iranian government and British, Dutch, French, and American companies.

In early 1953, Iran's position became increasingly untenable. Again, the Musaddiq Administration fought mightily to keep the government financed by limiting imports and increasing non-oil exports. Yet at its heart, 20th century Iran was oil-driven, and without the accompanying income, the country foundered.

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40 Goode, p. 72. In addition, this subcontractor was to be responsible for daily operations and transportation.
41 Ibid.
Given the deterioration in Iran, the premier redoubled his efforts to attain both financial aid and American political pressure upon the British. In January, Musaddiq contacted President-elect Dwight D. Eisenhower while Eisenhower was still at Columbia University. Musaddiq hoped that a change of administration in Washington, coupled with an early appeal to the incoming president, would lead to an increase in much-needed American economic aid. The Iranian premier also sought to dispel any myths about the crisis that had reached the president-elect's ears, and seasoned his letter with appeals to Eisenhower's patriotism:

It is my hope that the new administration which you will head will obtain at the outset a true understanding of the significance of the vital struggle in which the Iranian people have been engaging and assist in removing the obstacles which are preventing them from realizing their aspirations for the attainment of... life as a politically and economically independent nation. For almost two years the Iranian people have suffered acute distress and much misery merely because a company inspired by covetousness and a desire for profit supported by the British government has been endeavoring to prevent them from obtaining their natural and elementary rights.\textsuperscript{43}

Musaddiq then pointed to British defiance of recent decisions in Japanese and Italian courts that "declared Iranian oil to be free and unencumbered."\textsuperscript{44} Finally, in late May, 1953, Musaddiq requested emergency economic aid and hinted strongly that if the "situation" continued on its course he would join the Soviet camp:

There can be serious consequences, from an international viewpoint as well, if this situation is permitted to continue. If

\textsuperscript{44} Ibid.
prompt and effective aid is not given this country now, any steps that might be taken tomorrow to compensate for the negligence of today might well be too late. [Italics added]

Eisenhower was not stirred. On the contrary, he laid blame for the deadlock entirely on Musaddiq’s shoulders, this despite the State Department’s conviction that British intransigence was equally to blame. In Mandate for Change, Eisenhower remarked that Musaddiq’s “troubles [were] rooted in his refusal to work out an agreement with the British.”46 In his reply, dated June 29, 1953, Eisenhower countered that

it would not be fair to the American taxpayers for the United States government to extend any considerable amount of economic aid to Iran so long as Iran could have access to funds derived from the sale of its oil and oil products if a reasonable agreement were reached with regard to compensation whereby the large-scale marketing of Iranian oil would be resumed... In case Iran should so desire, the United States government hopes to be able to continue to extend technical assistance and military aid on a basis comparable to that given during the past year.47

Any remaining hope stored in Musaddiq’s heart that the United States would serve as a counterweight to British power evaporated. While the Americans had for some time doubted Musaddiq’s leadership abilities and criticized his recalcitrance, they had not adopted Britain’s desire to oppose him. However, the change in U.S. administrations, coupled with Musaddiq’s perceived flirtation with

46 Ibid., p. 162.
47 Ibid.
leftism, led to a common Anglo-American strategy, if from different motives. The stalemate would soon be broken.

Deadlock remained throughout early 1953. The intricacies of Anglo-Iranian offers and counteroffers will not be detailed here. Rather, we will proceed to a short narrative of the developments surrounding the fall of Musaddiq’s government in late summer 1953.

August, 1953

It was during these fateful months that the National Front coalition manifested renewed signs of internal disunity. Again, it must be reiterated that the National Front was not unified political party with a set platform and mutually cooperative leadership. In reality, it was an extremely loose coalition of incongruous political groupings and individual freelancers temporarily affiliated through the nationalization drive. For instance, minister of education and NF leader Karim Sanjabi observed that “[t]he greatest flaw of the National Front was the lack of a coherent ideology and organizational structure.” As the economic conditions in Iran worsened with little prospect of adequate resolution, and as Musaddiq attempted the implementation of other portions of his own political agenda, the NF coalition fell apart. Many groups and individuals who had once carried Musaddiq’s banner sought his downfall during the summer of 1953.

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48 Eisenhower claimed that Musaddiq was courting a $20 million Soviet aid program avert bankruptcy. See Mandate for Change, p. 163. In fairness, it must be said that a reassessment of America’s oil crisis policy was initiated by Truman at the end of his term, in October, 1952. Eisenhower’s administration would complete this policy adjustment.

During the oil crisis, Musaddiq's primary support came from an odd amalgamation consisting of leftist, moderate, and extreme rightist elements. On the left, Musaddiq's NF found support mainly from Tudeh, the Soviet-sponsored Communist organization. In late 1950 and early 1951, Tudeh had actually allied itself against Musaddiq, particularly for his vehement opposition to the Soviet oil concession after the Second World War. Yet they soon shifted their support to Musaddiq as the nationalization drive gathered steam, partly out of political opportunism and partly due to flexibility derived from utilitarian Marxist-Leninist doctrine, which will be examined below. It is possible that, as the Americans claimed, these same leftist elements in Iran could have usurped Musaddiq. The outcome of an attempted leftist coup would have been in doubt, however, as the Tudeh members were outnumbered by pro-Shah forces in the army.

The second bloc that bolstered Musaddiq's government was gathered around the person of Sayyed Abulqasim Kashani, the renowned, independent, and extremely popular cleric. Initially, Kashani's traditional middle class and merchant followers rallied to the cause of anti-imperialism—due especially to this group's disdain for European-style modernization and corruptive Western influences. But as Musaddiq's political platform was unveiled, a platform that included an increase in the peasants' harvest share and support for women's rights, Kashani turned against his former colleague. In February, 1953, Kashani cited these moves as un-Islamic and pro-Soviet and withdrew from the National Front coalition. In losing the support of Kashani's bloc, Musaddiq's power base was significantly weakened. On the fringe of this traditional-rightist power-bloc
were small cells of violent fundamental Muslims, the Devotees of Islam and the Society of Muslim Warriors. Though sometimes able to influence drastically the direction of Iranian politics, as possibly in the case of Razmara's assassination, their small membership made large-scale political impact difficult. On the other hand, threats levied by these fringe elements were unnerving for Musaddiq's government during the first year of the oil crisis. No doubt, Musaddiq was pushed toward intransigence on the nationalization issue out of fear of retribution should he make one concession too many during negotiations with the British.

The third grouping of Musaddiq supporters is more difficult to label. This centrist faction, if that is an adequate moniker, included Zahmatkisheh-i Mellat-i Iran (Toiling Masses of Iran), led by ex-Tudeh leader Khalil Maleki and Dr. Muzaffar Baqa'i. The word 'centrist' applies to a limited extent because the Toiling Masses were neither of the extreme left, nor were they a liberal democratic in ideology. Katouzian observes that Maleki's portion of the party were originally Tudeh members, but broke off on a course independent from Soviet doctrinal dogma. In doing so, this group developed a leftism that was applicable to Iran's cultural, social, and economic nuances. Later, however, the ambitious Baqa'i opposed the Musaddiq government, and the Toiling Masses of Iran split into two factions, with Maleki assembling a new party called Third Force. 51

Thus, as summer progressed, Musaddiq found a large army arrayed against him. The Shah's circle, of course, had been opposed to Musaddiq since 50

50 Ibid., pp. 186-187.
51 Katouzian, p. 170.
the latter’s militant opposition to the Shah’s father, Reza Khan. The Shah pretended later that he was not intimidated by Musaddiq, calling him a “theatrical performer” and commenting on the prime minister’s “sudden changes of mood.” In reality, the Shah was terrified of Musaddiq’s impassioned, boisterous coalition, and was unwilling to depose the seasoned politician out of fear of public backlash and Tudeh violence. He had already attempted to oust the premier in July, 1952, when Musaddiq had attempted to take control of the army, which was traditionally the Shah’s bastion. The monarch succeeded in appointing Qavam to the premiership, but after heated pro-Musaddiq demonstrations and political furor the Shah was forced to restore him to his former position.\footnote{Pahlavi, p. 83.}

By August, 1953, however, circumstances had changed. Widespread discontent with Iran’s economic conditions and the ongoing deadlock over oil production prompted increased criticism of Musaddiq’s hard-bargaining ways. Further, there existed rather intense personal rivalries among leaders of the National Front and associated support groups. These rivalries helped produce mass defections from Musaddiq’s bloc. Among the defectors was Sayyed Kashani, who not only disagreed with some of Musaddiq’s modernization policies, but who was also jealous of the prime minister’s political position. In addition, external powers began actively agitating for Musaddiq’s dismissal that summer. The actions of the British and American intelligence services during the summer of 1953 have been thoroughly detailed in other works, so only a synopsis of Musaddiq’s final days will be provided.\footnote{M. Reza Ghods, p. 186.}
Great Britain had made no secret of its desire to hasten Musaddiq’s fall, but was reluctant to pursue covert operations to topple Musaddiq without American complicity. For the first 18 months of the crisis, the U.S. government, while increasingly estranged from him, still resisted London’s lobbying for direct intervention. However, as the situation in Tehran deteriorated, and fears of leftist insurrection abounded, Washington agreed to help the British orchestrate Musaddiq’s removal with the help of the Shah. The American Central Intelligence Agency (CIA) and Britain’s MI6 dubbed the project “Operation Ajax.” The CIA’s Kim Roosevelt arrived in Iran in mid-July and immediately initiated contact with the Shah and his loyal aide General Fazlullah Zahedi. The operation involved the recruitment of anti-Musaddiq elements in the army, police, religious, and political establishments, as well as the hiring of criminal types to instigate widespread riots and demonstrations against the government. The British and American agents involved found a bevy of eager Iranian cohorts, and the plan was set in motion.

At 1 a.m. on August 16, four tanks from the Shah’s summer residence encircled the premier’s house, and Colonel Nematollah Nasiri, Commander of the Imperial Guards, delivered a letter to Musaddiq informing him of his dismissal and subsequent replacement by retired General Fazlullah Zahedi. Musaddiq responded by having Nasiri arrested by a group of his loyalists, and when the Shah learned of this development, he fled to Rome. For the next three days Tehran was plunged into chaos as American and British-sponsored street-toughs strolled the streets, some demonstrating in favor of the Shah and others posing as
riotous Tudeh aggressors. In the interim, CIA agent Kim Roosevelt instructed provincial Iranian commanders to come to Tehran to support the Shah and overthrow the Musaddiq government. By the evening of August 19, several key radio stations had been occupied by pro-Shah army forces, Musaddiq was deposed, and the coup was over. A crisis that had been simmering for over two years came to an abrupt and bloody end in a matter of days.

In the wake of the coup, the new Shah-Zahedi government launched a vicious counterattack against its opposition, including Musaddiq's National Front coalition. Indeed, Musaddiq, due to his continued popularity in many circles, was one of the few officials in the government not summarily executed. On September 5, Eisenhower presented an $45 million emergency aid program to the reinstated, pro-American Shah. (This aid package had been preceded by a $900,000 'gift' from the CIA immediately after the successful coup). One month later Great Britain reestablished diplomatic relations with Iran, and a new oil agreement with Iran was signed in summer, 1954. The new agreement was patterned after earlier international consortium models, and incorporated a 50-50 division of profits between Iran and the oil companies. The British did, of course, retain some footing in the country, though not at the same level as before. This compact permitted AIOC, now British Petroleum, a 40% share of oil operations; a U.S. oil group another 40%; Royal Dutch Shell 14%; and Compagnie Française des Pétroles 6%.

The oil crisis had ended, but its legacy would linger for decades.

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54 Ibid., pp. 190-191.
55 Eisenhower, p. 165. Total U.S. aid for that year would eventually total $85 million.
At first glance, the Oil Nationalization Crisis of 1949-1953 seems to have simple, well-marked explanations. The Iranians were driven toward nationalization of AIOC as a means of attaining control over a profitable national resource. The British feared the loss of income vital to their war-devastated economic infrastructure. The Soviets, though unwilling to launch a direct invasion of the country, nevertheless pursued the goal of internal leftist subversion. The Americans intervened to block possible Communist usurpation of the central government, and to gain access to Iran’s petroleum reserves. However, as Mary Ann Heiss observed in the early stages of her own study on Iran’s nationalization push, “the oil dispute and its ultimate resolution proved to be more complex subjects” than first anticipated.¹

Iran of the 1940s and 1950s was a rare and complex landscape where a potentially confusing myriad of disparate forces met. In Iran, all conceivable political, social, religious, economic, and cultural forces were present. These forces, when mixed, violently convulsed the country’s socio-cultural fabric, political institutions, and economic fortunes.

Iran of the 1940s and 1950s was the point of impact in a collision of historical forces. Here, there were meetings between imperialism and anti-
colonialism, Western modernization and Perso-Islamic tradition, liberal-democratic reform and despotic monarchy, Westernism and Islamic conservatism, republicanism and leftism, autocracy and peasantry, and market economy and controlled economy.

Thus, the causes, courses, and consequences of the Oil Nationalization Crisis were shaped by the heat produced from the meeting of these historical forces. The study of this period of U.S.-Iranian relations is fulfilling specifically because one rarely finds so many disparate elements combining in one area at one time. The goal of this portion of the study is to examine the internal historical forces that: 1) led to oil nationalization; 2) bolstered the intransigent position adopted by Musaddiq's camp during the critical years 1951-53, and; 3) led to the erosion of Musaddiq's support and the overthrow of his government in August, 1953.

The Role of Memory

In diplomatic relations, past experiences shape the perceptions (or misperceptions), policies, initiatives, and responses of statesmen and nations alike. On an individual level, a politician's or diplomat's cultural and/or religious upbringing, environment, social class, familial upbringing, economic fortunes, past experiences, and personal idiosyncrasies directly affect his or her conduct of foreign affairs. These elements combine to form that individual's character, and that character may positively or negatively affect his or her performance during

1 Heiss, p. ix.
diplomatic negotiations. Shireen T. Hunter drew a similar conclusion regarding the
nation-state:

 Nations, like individuals, are largely a product of their past. Memories and experiences color their assessment of present reality, shape their vision of the future, and form their national ethos. Some experiences leave such a deep imprint on a nation’s psyche that they affect its behavior for generations... Iran’s history is replete with such traumatic experiences...\(^2\)

For Iran, centuries of foreign intrigue and attempts at politico-cultural domination had forged a very distinct “national ethos.” Iran had a glorious 5,000-year history before the influx of Islam in the seventh century A.D. After the renowned empires of Cyrus the Great, Darius and Xerxes, Iran suffered through several invasions from a variety of external enemies: Greeks, Romans, Turks, Mongols, and Ottomans. Beginning in the late 18th century, the once-mighty Persian Empire caught the attention of British and Russian expansionism. During the 19th century, the British desired to draw the country into its sphere of influence in order to protect its colonization of India, vis-à-vis Russia, and gain new trade opportunities in Iran. Tsarist Russia wanted Iran to serve as a buffer state between its southern flank and the encroaching English, and to use the country as a warm-weather trade and shipping route. Iran was caught in the middle of this vicious colonial tug-of-war. In a series of wars between Russia and Iran between 1804-28, the Iranians lost the Trans-Caucasus region to the Russians through the Treaties of Gulistan (1813) and Turkimanchi (1821). In 1857, Iran signed the

\(^2\) Hunter, pp. 7-8.
Treaty of Paris, ceding jurisdiction over Afghanistan to the British Crown.\(^3\) In 1907, Russia and Great Britain made a formal agreement dividing Iran into three main regions. Russia and Great Britain would maintain spheres of influence in the north and south, respectively, while Iran would be permitted to keep the country's center under its jurisdiction.

All in all, this downward spiral from prominence to subservience left permanent scars on the heart and psyche of Iranians, as Mohammad Reza Shah expressed in *Answer to History*:

> From the Treaty of Paris in 1857 until 1921 [the year Pahlavi's father, Reza Khan, came to power], our unfortunate country had no government which dared to move one soldier, grant one concession, or pass one law concerning Iranians without the agreement, tacit or otherwise, of either the British ambassador or the Russian ambassador, or of both. Our policies— if such they can be called— were developed in the two embassies... Their diplomatic communications were orders, which we carried out, and in the event of our showing any sign of recalcitrance, they became threats.\(^4\)

First, Iran's ill treatment at the hands of the West created intense feelings of resentment and anger toward the European colonial powers. Given Great Britain's activities in Iran in the 19th and 20th centuries, it was inevitable that they would bear the brunt of this anger, and nowhere are these sentiments voiced more passionately than in Persian literature of the two centuries. In Mohammad Hosain Roknzadeh-Adamiyyat's novel, *The Braves of Tangestan* (1931), the citizens of British-occupied Iran are involved in a rebellion against their occupiers during the First World War. One of the heroes, Ra'is Ali, describes his European enemies:

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In truth, the Europeans are an oppressive and despotic people. Except for having made advancements in industry and in making instruments of slaughter, they are not superior to us. It is astonishing that they consider us savages, while their own character and behavior are far worse than that of African savages. Is not all this uncalled-for bloodshed, all this meaningless slaughter, all this injustice, aggression, and cruel-heartedness evidence of their savagery and bloodthirstiness? What are all these tanks, machine guns, armored ships, and poison gases for, except to kill human beings, for quenching their [Europeans'] greed and lust, and for other materialistic uses?\(^3\)

Iranian fury was also visited upon the Russians for their infringements upon Persian sovereignty. Further, this ire was not the result of some *imagined* violation of the country's self-determination, for Russia had historically maintained designs for its southern neighbor, as the "moderate" V.N. Lamsdorff, foreign affairs minister under Nicholas II, candidly testified:\(^6\)

> The principal aim pursued by us... through various ways and means during long years of our relations with Persia can be defined in the following manner: to preserve the integrity and inviolability of the possessions of the Shah; without seeking for ourselves territorial acquisitions, without permitting the hegemony of a third power [i.e. Great Britain], gradually to subject Persia to our dominant influence, without violating, however, the external symbols of her independence of her internal regime. In other words, our task is to make Persia politically an obedient and useful, i.e. a sufficiently powerful instrument in our hands.\(^7\)

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\(^3\) Reza Shah Pahlavi, *Answer to History*, p. 45.
\(^7\) Ibid.
To the reserved Lamsdorff, though Iran was to be allowed a thin façade of sovereignty, their ultimate design was “to make Persia politically and obedient and useful...instrument in [Russia’s] hands.” Iran’s relations with other nations were destined to be adversely affected by its encounters with domineering foreign powers such as Great Britain and Russia.

Over time, Iranians became extremely suspicious of the motives, machinations, and actions of foreign diplomats, advisors, business people, and private citizens. This xenophobia, prompted by many centuries of attempts by foreign powers to dominate the country’s culture and political systems, was an aberration to Westerners, who were usually on the other side of the colonial wall. The apprehension and suspicion with which Iranian government officials approached their foreign counterparts during the twentieth century was not entirely comprehended by Western statesmen. Indeed, as the National Front’s nationalization train gathered speed in late 1950 and early 1951, Western analysts and journalists tended to label his group “nationalist,” although it would be more accurate to dub it an anti-colonial or anti-imperial, popular movement.

To American officials in particular, such Iranian suspicion was irrational. Having not been historically entangled in Anglo-Russo-Iranian infighting, Washington simply could not relate to Iran’s paranoia. Yet we must remember that Iran and the United States have had very different historical backgrounds form their respective worldviews. History is memory, and it is our memories that make long-lasting imprints on our hearts and minds, and subsequently mold our
views. Since its inception, the United States has been subjected to only one foreign invasion, this being the British infringement on U.S. territory during the War of 1812. In contrast, during its long history Iran has been subjected to more wars and invasions than can be counted. Had America’s borders been violated more often, and its politico-cultural hegemony threatened, it is likely that American and Iranian worldviews would be more similar than divergent.

The “Persian Psyche”

What, then, has Iran’s bipolar history produced? Hunter has noted that the country’s glorious past, followed by a humbling period of descent, created “contradictory tendencies” in Iran’s foreign policy:

The interaction of this dimension of Iran’s historical legacy with its more recent experience of decline has created contradictory tendencies in its external behavior. At one and the same time, Iran wants to be neutral and disengaged from great power competition and to be an influential regional and international actor, an impulse which inevitably embroils it in such rivalries.8

Jahangir Amuzegar stated that the country’s proud and tortuous past has produced rather distinct traits in the Persian character, though he issued the necessary cautions against generalizations. To Amuzegar,

[insecurity has always been an inseparable part of life in Iran- at least after the fall of the old Persian Empire in the seventh century A.D. Seven subsequent centuries of invasions by the Arabs, Turks, Mongols, and others marked a tumultuous period of unsettled sovereignty, ceaseless warfare, havoc, destruction, and bloodshed... Those long centuries of endless political feuds and

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8 Hunter, p. 10.
economic uncertainty left the Iranians with a sense of helplessness and fear.\textsuperscript{9}

Amuzegar continued, stating that “a stereotypical Persian psyche may be said to possess two dichotomous streaks, one positive and the other negative:”\textsuperscript{10}

\begin{itemize}
  \item [Positive:] national pride and patriotism, creativity, intellectual curiosity, friendliness, hospitality, tolerance, generosity, warmth, and compassion…\textsuperscript{11}
  \item [Negative:] insecurity…individualism…selfcenteredness…pessimism…egotism…distrust…\textsuperscript{12}
\end{itemize}

Amuzegar obviously did not intend this description to be an infallible racial and cultural stereotype. He was, however, making an attempt to explain the Iranian “assessment of present reality,” “vision of the future,” and “national ethos” which Heiss addressed. Still, this interpretive framework is useful in an analysis of Iranian attitudes toward external actors. It is this “Persian psyche;” fearful, untrusting, suspicious; that frequently characterized the National Front’s perceptions of British and American diplomacy. While the Iranians had cause to distrust Western officials, often this distrust passed from mere emotion to rigid stereotype and acute paranoia. This apprehension toward Iran’s external contacts caused deep animosity toward the British during the crisis. Musaddiq’s forces were flint-headed: they were determined to drive the British commercial interests from Iran forever in order that the Crown’s influence would end. Unfortunately, this intransigence also prevented Musaddiq’s government from making compromises, even of a temporal nature, which were in its best interest.

\textsuperscript{10} Ibid., p. 100.
\textsuperscript{11} Ibid.
\textsuperscript{12} Ibid., pp. 100-103.
The Foreign Office, of course, did not fully understand the true motives behind Musaddiq's recalcitrance. Eden, in particular, disparaged Musaddiq in *Full Circle* and viewed his counterpart as "the first real bit of meat to come the way of the cartoonists since the war." Eden continued his tirade against the aged Iranian premier:

Musaddiq's megalomania was described as verging on mental instability. He had never been amenable to reason, and lately it had been necessary to humour him as with a fractious child...

In a later interview [fall, 1951]... Musaddiq remarked to the United States Ambassador that the Iranians were not donkeys and could no longer be deceived by professions of friendliness.14

Any analysis of Western statements of this type regarding either Musaddiq's temperament or the stereotypical Persian character must be rendered with great caution. Historian James F. Goode astutely observes that British and American ignorance and prejudice, such as that exhibited above by Eden, influenced the conduct of Western foreign policy in Iran. However, Goode fails to accompany this assertion with needed qualifications. True, some Anglo-American officials did not possess comprehensive knowledge of Iran's cultural, political, economic, and social idiosyncrasies. Yet Mary Ann Heiss pointed out that factors influential to diplomacy's outcome can often be cancelled out or minimized by other factors. In the case of American-Iranian diplomacy during the oil nationalization crisis, other economic, political, historical forces

13 Eden, p. 219.
14 Ibid., p. 230. See also quotes from British officials in Goode, *In the Shadow of Musaddiq*, p. 15, 24, 26-27. For American Secretary of State Acheson's perceptions, see *Present at the Creation*, pp. 503-504.
15 Goode, *Diplomacy of Neglect*, p. viii, 7, 66. See also *In the Shadow of Musaddiq*, p. 12.
overshadowed racial and cultural factors. While some U.S. officials could have used extra schooling and an entry-level course in cultural sensitivity, it was Musaddiq's determination to resist British domination at whatever cost that was deemed most provocative in the eyes of Western diplomats. At nearly every stage, the prime minister was unwilling to compromise.

Further, we must understand that Musaddiq's perceived stubbornness and "megalomania" were forged both by personal quirks and intense domestic pressures. Though an unpopular stance in the eyes of cultural revisionists, it must be stated that Musaddiq, though brilliant, did suffer from medical and mental disorders which hindered his performance. Physical and mental well-being, in addition to religious and cultural values, can be vital determinants in a statesman's conduct of foreign relations. In the case of Musaddiq, his well-known nervous disorder and advanced age negatively affected his judgement, just as British foreign officers' biases hindered their decisions. In his cultural analysis, Goode seems to indicate that British and American ethnocentrism affected the crisis' outcome in equal measure. This is incorrect. Because British negotiators were Musaddiq's main counterparts, their prejudice and ignorance were more significant than that of the Americans, who actively joined in the dispute only after nationalization became law. Also, cultural prejudice was not the preeminent sculptor of the crisis' outcome, but rather economic, political, historical, and ideological forces.

In addition, Musaddiq's own fiery rhetoric and truculent supporters constrained his freedom of movement during negotiations with AIOC and the
British government. Acheson noted that Musaddiq seemed to be under intense pressure throughout the oil nationalization crisis, some of his own doing and some the result of unbending public and political coercion:

Another of Mosadeq's marked characteristics was his distrust of his own countrymen; he would never talk with any of them present... Mosadeq's self-defeating quality was that he never paused to see that the passions he excited to support him restricted his freedom of choice and left only extreme solutions possible.¹⁶

U.S. Policy Planning Director Paul Nitze also noted the same intense internal duress suffered by Musaddiq:

... [H]e appeared to be under such heavy political pressures back home that it was nearly impossible for him to make the necessary concessions that would have led to an equitable settlement. Had he done so, no doubt he would have risked alienating one group or another on whose support he depended. Hence, his strategy was to temporize in the belief that the longer he held out, the more frightened we would become of a Communist takeover and the more likely it would be that we would put pressure on the British to come forth with most of the concessions.¹⁷

In the end, Musaddiq's very passion for his cause, coupled with overwhelming domestic duress, shackled his government to intransigence. Even after many Iranian leaders began calling for a compromise with AIOC, his government refused to concede ground, opting instead for an all-or-nothing approach toward London. This all-or-nothing strategy was also designed to scare the Americans into support for his government, support born of the fear of leftist insurrection. This tactic later cost Musaddiq dearly.

¹⁶ Acheson, p. 504.
¹⁷ Nitze, p. 132.
Iran's Legitimate Grievances

Although this seemed an irrational stance to British and American officials, one must understand that the recalcitrance characteristic of Iranian foreign policy had rational, historical experiences that, to some extent, justified its xenophobic nature. First, the British had abused their status as a colonial power for the duration of Anglo-Iranian relations—particularly with regard to a fair division of oil revenues. In Table 6.1 (below), the Iranian central government received less income, 11.9% of total net, in a seventeen-year period than the British government received in tax revenue. Thus, in spite of Iran's 20% ownership share, the country received only 14.6% of the company's net profits, compared with 16% under 1903's D'Arcy agreement. Musaddiq's devotion to the expulsion of the AIOC is understandable in light of the political and economic exploitation suffered by Iran. Unfortunately, this devotion blinded him to the problems associated with nationalization.

Table 6.1 – AIOC income and expenditure: total, 1933-1949

<table>
<thead>
<tr>
<th>Description</th>
<th>£ million</th>
<th>% of total</th>
<th>% of net profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>895</td>
<td>100.0</td>
<td>-</td>
</tr>
<tr>
<td>Taxes paid to the British government</td>
<td>175</td>
<td>19.5</td>
<td>-</td>
</tr>
<tr>
<td>Net profit</td>
<td>720</td>
<td>81.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Capital investment, retained profits, etc.</td>
<td>500</td>
<td>55.8</td>
<td>69.4</td>
</tr>
<tr>
<td>Dividends, etc. (paid to British/non-Iranian shareholders)</td>
<td>115</td>
<td>12.8</td>
<td>16.0</td>
</tr>
<tr>
<td>Revenues paid to the Iranian government</td>
<td>105</td>
<td>11.9</td>
<td>14.6</td>
</tr>
</tbody>
</table>

18 Katouzian, p. 183.
19 Katouzian, p. 183. Katouzian has excerpted his data from Musaddiq's "Message to the People of Iran," Itiltat, August 30, 1951.
Second, British exploitation of Iran during the Second World War reached a new level of rapaciousness. The effects of Iran’s wartime occupation by Allied forces are often under-emphasized in surveys of Western-Iranian relations. In Homa Katouzian’s impeccable study of Iran’s political economy, he commented on the effects of the country’s wartime occupation by Allied forces. It was an occupation that became the last straw for many Iranians. Katouzian also elaborated on the method by which the Allies controlled access to Iran’s resources, resources frequently used to supply their own troops:

The economic impact of the occupation was devastating. The Allies needed food, tobacco, raw materials, and so forth, both for the use of their troops in Iran and for general use. Therefore, they effectively forced the Iranian government to put the country’s resources at their disposal. The operation was carried by means of monetary ‘policy’...

... the Iranian currency was devalued by more than 100 per cent, from 68 to 140 rials to the pound sterling. Depending on the circumstances, devaluation may have beneficial or damaging effects for a given political economy. When the Iranian currency was devalued, foreign demand for exports—i.e. the demand of occupation forces for Iranian goods and services—was virtually unlimited, while the possibility of expanding the supply of those goods and services was extremely limited. These two facts put together imply that the devaluation by 100 per cent of the Iranian currency reduced Iran’s earnings from the sale of her goods (or exports) to the Allies by almost half of what they would have been had the currency not been devalued. On the other hand, as Iranian imports were highly specific in nature and could not be significantly reduced now that foreign exchange (and, hence, foreign goods) were dearer, the value of Iranian imports could not have been much less than what they would have been without the devaluation. These observations together mean that the devaluation was detrimental to Iran’s export earnings as well as to her balance of trade, and had a devastating inflationary effect which further impoverished the already poor Iranian people.20

20 Katouzian, *The Political Economy of Modern Iran*, p. 142. Mistreatment such as this directly shaped Iranian perceptions of the West.
The miserable state of Iran's economy, and the hardships brought to bear upon the people, served as the final spark for an angry public after the war. Allied devaluation of the rial and monopolization of Iran's goods and services drove inflation out-of-control, decreased the buying power of Iranians, and cut the country's export revenues substantially. When Musaddiq raised his cries for nationalization, his words found welcoming ears.

Given the aforementioned characteristics and circumstances of the Iranian people in the postwar period, it became virtually inevitable that the Musaddiq government would adopt an intransigent position versus Great Britain. Decades of Russian and British domination taxed and angered many Iranians. These were the emotions which Musaddiq tapped into during the nationalization drive, and these were the same emotions which restricted his independence after nationalization was ratified.

*Internal Dissent*

Further, internecine strife endemic to Iranian politics made his downfall inevitable, with or without Anglo-American complicity. Simply put, Musaddiq had many domestic enemies with whom to contend. These enemies were sufficient in strength and organization so as to doom both his government and nationalization even without a British-American coup. The Western aggressors merely organized, financed and manipulated extant political opposition to replace Musaddiq.
Cyrus Vakili-Zad performed an excellent short study of the interactions between traditional and modernist thought schools within Iran, and this study provides the analyst with a useful framework for the measurement of Iran’s political spectrum. In his analysis, Vakili-Zad divided 19th and 20th century Iranian views on modernization into three main groups: “Inward-looking Intellectuals,” “Outward-looking Intellectuals,” and “Social Engineers.” The Inward-looking group, Vakili-Zad observed, mainly discards Western-style modernization, technology, and ideology. This group perceives Islamic culture and law as completely sufficient for meeting the needs of the Iranian sociopolitical landscape, and rejects most Western technology and ideology as being both unnecessary and detrimental. The second group, “Outward-looking intellectuals,” desire “the whole package.” This group can also be dubbed Westernizing intellectuals, for they prefer a complete importation of Western technology and ideology, and retain a strong affinity for Iran’s pre-Islamic past. The third group, “Social Engineers,” are a mixture of the preceding groups. The “Social Engineers,” while eager for applicable technologies and Western ideologies, believe that many aspects of Euro-American culture are subversive. Thus, a reasoned rejection of undesirable elements of Western modernization is wedded to an embrace of Perso-Islamic culture to produce a hybrid ideology that includes the best of both worlds.21

Vakili-Zad’s division of Iran’s perceptions on modernization matches well with the groupings of political ideologies present during the Musaddiq

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Administration. The first group, “Inward-looking Intellectuals,” correlates with the religious-traditional crowd allied with Sayyed Abulqasim Kashani. This group, which included many religious clerics and low to middle class workers, initially supported Musaddiq’s nationalization campaign. However, as the country’s economy sank due to the loss of oil revenue, and as Musaddiq’s full political agenda became known, Kashani and his followers turned against the premier. This withdrawal came about due, in part, to Musaddiq’s attempts to redistribute land, a move that would hurt the traditional landowners and autocrats who financed the religious clergy. Further, Musaddiq held views on the treatment of women. He favored the education and enfranchisement of females, a policy deemed un-Islamic by Iran’s more religious male citizenry. These irreligious policies were destined to earn Musaddiq opposition from his more traditional backers within the National Front, and thus erode his support base.

The second group, “Outward-looking” or Westernizing intellectuals, matches with the Shah’s inner circle, though this categorization must be qualified. As his moniker, the Shah-in-Shah (king-of-kings), suggested, the Shah viewed himself as chief among the great pre-Islamic shahs of the past. In choosing this name, Mohammad Reza Shah egotistically labeled himself as chief among the great Persian kings of the past. In this manner, the Shah embraced his pre-Islamic Persian heritage. Yet the Shah also believed that only a thorough importation of Western technology would provide Iran with the economic, financial, industrial, military, medical, and educational resources to assert the country’s freedom of

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22 Katouzian points out that most clerics remained silent until well into Musaddiq’s tortured premiership. See Katouzian, p. 171.
movement. As both Amuzegar and Hunter reminded us, Iran's long and glorious was followed by two centuries of derision and decline. This downward spiral created both extreme insecurity and an innate desire to reassert its sovereignty. Similarly, the Shah craved a restoration of Iran to its previous place among the great empires of the world, yet lacked the resources to do so. In his heart, he likely preferred nationalization if it could be successfully carried out without further Western technical assistance, and without drawing the ire of needed Euro-American allies. These were impossibilities. He realized that Iran simply did not possess the training and institutions to run the oil company independently, and so opposed Musaddiq. He also opposed Musaddiq because of the premier's repeated attempts to limit the monarchy's power. Musaddiq, on the other hand, tried repeatedly during his two-year tenure to wrest control of the army away from the Shah. Without control of the army, Musaddiq surmised, the war would be lost. In the end, it was the loyalty of most army units to the Shah that cemented Musaddiq's fall from power.

The Shah's ability to maintain control over the armed forces also illustrated the isolation of Musaddiq's government. As Katouzian observed, the prime minister was unable to assert effective control over the entire government, as other, deeply-entrenched, pro-Shah elements held their ground during the National Front onslaught:

...[Musaddiq] was not in control either of the whole apparatus of the state, or of the entire expanse of Iranian lands: he was merely the leader of a popular (i.e. melli) political movement [the National Front], and the head of an independent government administration; that is, even at the best of times, he was in charge of only one organ of the state. The rest of the state apparatus was still in the
hands of despotic [pro-Shah] agents and institutions, who, in pursuit of their own interests, collaborated with the interested foreign powers [Britain and America] against the Popular Movement. The situation was an authentic example of dual sovereignty; and it involved a struggle between the democratic forces led by Musaddiq, and the conservative and despotic (and foreign) powers led by the Shah, who eventually emerged victors.23

The Shah’s forces proved to be the most dangerous of Musaddiq’s internal enemies, for they possessed established government organs and resources necessary to execute a successful coup. Once the British and American intelligence services determined that the premier should be deposed, the Shah’s forces and Kashani’s traditionalists offered their services with eagerness.

Another political party that was “Outward-looking” in ideology was the Tudeh Party. The Tudeh Party embraced Marxist-Leninist doctrine in its entirety. It consisted mainly of factory and textile workers, students, and young educated professionals. It was initially extremely hostile toward Musaddiq and his courtship of American support versus the British government, but later tempered its criticism after the U.S. government adopted a pro-British stance. During the pivotal days of August, 1953, the well-organized Tudeh Party withdrew its support from Musaddiq. This was to be a fateful decision, for the Tudeh Party was the only strong, viable ally left in Musaddiq’s camp: their apathetic response was deeply regretted by the group after the Shah’s reassertion of dominance.

The third major intellectual group, “Social Engineers,” spanned from the extreme left to the center-right. Only two of merit will be mentioned here. On the center-left, the Toiling Masses of Iran was a socialist party led by ex-Tudeh

23 Katouzian, p. 164.
member Khalil Maleki and Dr. Muzaffar Baqa’i Kirmani. Although the party leaned slightly to the left, it cannot be placed in the same category as Tudeh, for it sought a distinctly Iranian form of socialism. However, Baqa’i Kirmani eventually turned on Musaddiq, while Maleki continued his support for the premier, and the party split into two groups. Maleki’s faction became known as Third Force, and supported Musaddiq to the bitter end.

**Synopsis**

The revisionist school would have us believe that the overriding factor in Musaddiq’s fall and the failure of nationalization was Anglo-American opposition to the prime minister. In such an interpretation, cultural prejudice, ignorance, and unwarranted fears of Communist usurpation among Western statesmen resulted in hostility toward the well-meaning Musaddiq.

However, as this chapter indicates, this cultural interpretation, which is frequently an integral part of revisionist thinking, is faulty. True, many British and American officials held biased views of Iranian culture in general, and of Musaddiq in particular. A discussion of these prejudices will be discussed in the following chapter. Yet the personal biases of Western statesmen varied both in degree and in their impact upon the nationalization drive’s final outcome. In reality, British prejudices against Iranians were much more pronounced than those held by their American counterparts, and because British intransigence or cooperation determined the outcome of Anglo-Iranian oil negotiations, it was British obstructionism that helped derail nationalization.
It has also been proven that the Iranians maintained legitimate grievances against the AIOC, which had been used by the Crown as leverage against Tehran. So long as Great Britain had control of the company, Iran's political and economic independence were jeopardized and its destiny in the hands of another. Musaddiq's coalition, the National Front, correctly assessed that only the complete expulsion of British influence from Iran would guarantee the country's future self-determination. This realization propelled the pro-nationalization bloc toward an unyielding, all-or-nothing posture. This determination, coupled with Musaddiq's own uncompromising rhetoric, shackled his government to truculence. Unfortunately, these factors also restricted Musaddiq's ability to negotiate, for he knew that domestic political pressure to nationalize would not permit concessions to the British. Musaddiq's devotion to the nationalization principle blinded him to pragmatism, even after many supporters began calling for compromise during the summer of 1953. Further, the loose coalition that had carried the nationalization banner disintegrated during 1953 due to four key reasons. First, there was the lack of a common, unifying ideology. Second, there was increased opposition prompted by economic and political deterioration. Third, personal rivalries and mutual suspicion among the leadership of the National Front weakened the coalition. Fourth, allegiances with foreign actors introduced additional external pressure upon Musaddiq.24

24 For instance, the Soviet Union's sponsorship of Tudeh served to influence Tudeh's relationship with Musaddiq. Early in the nationalization drive, Tudeh bitterly opposed Musaddiq as an imperialist stooge. After nationalization, the Soviet Union and Tudeh applauded the premier for defeating British colonialism. During the two-year crisis, Tudeh supported Musaddiq for pragmatic reasons, perhaps hoping to usurp his government at an opportune time. Yet during the critical days of August, 1953, the Tudeh hesitated, depriving Musaddiq of one of his few power bases with which to resist the coup.
Again, it must be reiterated that even without British and American covert intervention, it is likely that Musaddiq's government would have fallen, and with it, hopes for a successful nationalization of Iran's oil reserves. The anti-Musaddiq bloc in Iran was strong, and increasing in strength with each passing day. The majority of the army was loyal to Mohammad Reza Shah, and it is unlikely that that organ would have sided with Musaddiq in an open confrontation with the Shah. Further, by the summer of 1953 Musaddiq had lost substantial support among the merchant and traditional middle class. This flight from the National Front was also directly linked to the defection of several prominent clerics to the pro-Shah side. Given this erosion of Musaddiq's support base, his fall was not a matter of if, but when.
7. Anglo-American Intransigence

Although Iranian domestic pressures were instrumental to nationalization's failure, and, hence, the fall of Musaddiq's government, opposition from the United States and Great Britain also proved a critical factor. American officials in the Truman and Eisenhower administrations, unlike their English counterparts, were initially reluctant to subvert actively Musaddiq’s leadership. However, as the situation in Iran worsened, fears of leftist subversion mounted, and American policy came in line with the British anti-Musaddiq stance. Before examining the motives for British and American intransigence, a discussion of Western prejudices and perceptions will be provided.

Anglo-American Prejudice

Western prejudice and ignorance has historically been an underlying force directing the actions, reactions, and dispositions of diplomats in the Near East. As previously affirmed, a statesman’s traits and experiences mold his or her perceptions of reality, and, therefore, conduct of foreign relations. Religious and cultural background, personal experience, racial bias, mental (in)stability, ideology, and physical and mental health converge in the individual to help form the actions and reactions of the state when that individual is serving as an agent of the state.¹

¹ The obverse is also true. The individual's character is shaped by the state (or society) in which he or she lives.
Nonetheless, in the case of the Iranian oil nationalization crisis, cultural and racial prejudice was outweighed by other influences. This said, it is still important to provide a cultural interpretation of Western-Iranian relations during the oil nationalization crisis. James F. Goode has made this sort of cultural interpretation a foundation of his scholarship. Goode pointed out that, except for a dissenting minority, most Westerners who spent time in Iran maintained fiery prejudices against the country and its people. In the opening chapter of *In the Shadow of Musaddiq*, he profiled common Anglo-American biases:

Prejudice prevailed. Americans seemed unpersuaded by [minority] arguments that ran counter to notions built up over years of [Muslim-Christian] religious controversy. Increasing disparities in wealth and power between East and West reinforced the belief that the Christian, democratic, and progressive West was superior in all respects to the Islamic, autocratic, and stagnant East...\(^2\)

Iranian politics confused Westerners. Unable to fathom the shifting alliances among the [Majlis] deputies, and within the [Shah's] court, they easily concluded that Iranians were 'irrational... undisciplined, unprincipled and erratic.' Or, as British Ambassador Sir Reader Bullard (1941-6) opined, Iranians were psychologically immature.

In Western chancelleries Musaddiq came to represent all that diplomats disliked most about Iranian politics. They considered him old-fashioned, narrow-minded, xenophobic, and even 'a hysterical and demented demagogue.' He earned opprobrium for opposition to foreign oil concessions in the fourteenth Majlis, and reports to Washington had little that was good to say about him. Generally they just ignored him.\(^3\)

A discrepancy in material-technological wealth and the degradation of Islam generally fostered feelings of contempt toward Near Eastern Islamic culture. In Iran's case, this disdain for Islamic culture combined with other factors specific to

\(^2\) Goode, *In the Shadow of Musaddiq*, p. 4.
Perso-Islamic culture, such as a perceived senseless suspicion toward the West. Yet to the Iranians, this xenophobic reaction was merely a justifiable defensive posture, assumed to protect Perso-Islamic society from self-evident Western-Christian depredations. To many Anglo-American officials, Musaddiq was an emotionally unstable, "demented demagogue." He was not an honorable defender of Iranian self-determination. Further, the bewildering nature of Iranian domestic politics both irritated and mystified Western diplomats, who were blind to their own 'contributions' to Iran's chaotic internal situation.

The British and American foreign secretaries during the latter part of the crisis, Eden and Acheson respectively, displayed some cultural prejudices of their own. The two diplomats also held rather demeaning opinions of Prime Minister Musaddiq, as shown by the following description by the American Secretary of State:

From the first moment I saw him... Mosadeq became for me the character Lob in James Barrie's play Dear Brutus. He was small and frail with not a shred of hair on his billiard-ball head; a thin face protruded into a long beak of a nose flanked by two bright, shoe-button eyes. His whole manner and appearance was birdlike, marked by quick, nervous movements as he seemed to jump about on a perch. His pixie quality showed in instantaneous transformations...

...he was essentially a rich, reactionary, feudal-minded Persian inspired by a fanatical hatred of the British and a desire to expel them and all their works from the country regardless of the cost. He was a great actor and a great gambler...

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4 See also Eden, chapter 9, pp. 210-247. Eden remarked that "[t]he British people... had difficulty in taking Musaddiq seriously," p. 219.

5 Acheson, pp. 503-504. One should not think, however, that every American official held low opinions of Musaddiq. Paul Nitze, Director of Policy Planning under Eisenhower, maintained a positive perception of the Iranian premier. In fact, Nitze believed Musaddiq to be "far preferable to the shah and his retinue." "I expected to meet a weeping lunatic," Nitze reminisced, "[but] [h]e
To Acheson, the Iranian premier seemed an edgy “actor,” an unworthy man for the lofty position he held.

Yet to many Iranians, Musaddiq was a hero. Iranians have long valued passion, creativity, steadfastness, and wit as enviable characteristics. Musaddiq often exhibited these characteristics in the course of diplomatic and commercial negotiations—characteristics that were, to him, a display of Persian gamesmanship. He also carried in his heart his mother’s mantra, that a man’s suffering for his people is commensurate to his greatness. In this manner, Musaddiq viewed himself as expendable: a would-be martyr standing firm against imperialism. Unfortunately, Musaddiq also suffered from sudden mood swings and acute anxiety, which further amplified the premier’s own personal and cultural traits. Western cultural bias against Musaddiq’s Persian character combined with his own idiosyncrasies and weaknesses to paint a distorted portrait of the premier. These traits were then aggravated by Musaddiq’s implacability and withering domestic pressures. The result was an erratic and unyielding Musaddiq who negotiated with equally recalcitrant Western officials, such as Eden, Acheson, Churchill, and Eisenhower.

Nonetheless, these aforementioned prejudices were not the strong sculptors of the crisis that a misapplied cultural interpretation would have us believe. It was British, not American prejudice that more directly shaped the outcome of the crisis. Remember that the crisis began as an Anglo-Iranian

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turned out to be nothing of the kind. On the contrary, I found him to be a totally rational and sane individual, in control of himself at all times...Mossadegh was also well informed as to the intricacies of the oil business...[a] tough negotiator.” (Nitze, pp. 130-132). McGhee also was
conflict, and that the United States became involved later due to the stalemate between the two parties, and to fears that the crisis provided an opportunity for a Communist coup. Given these political dynamics, it was British bigotry that more directly formed the course and aftermath of the crisis. This bigotry combined with other, non-cultural factors to form the British position. During the immediate postwar period, and even during the crisis, British officials frequently dismissed nationalization as the result of characteristic Persian hot-headedness. Believing that Iranian emotionalism was a storm, their strategy was to weather this storm until rationality returned to the country. If the Crown dealt with Musaddiq firmly, as a parent disciplines a child, then the Iranian government would back down and a normal relationship restored.

The Americans, though also given to stereotypes, were driven more by a desire to keep Tehran out of Communist hands. Goode tends to generalize Western prejudice, and thus fails to evaluate separately the differing impacts of British and American bigotry. Further, he fails to draw clear lines from prejudice to policy in the oil nationalization crisis. He proves beyond doubt that such ethnocentrism was extant, yet does not show how bias directly shaped British and American policies. Nor are there adequate analyses of other powerful economic, political, ideological, and geostrategic influences. These other influences had greater affect on diplomacy between the main three participants. A strong cultural interpretation cannot be given to emotionalism or vindictiveness, but amicable toward Musaddiq, but stated that “his attitude probably doomed from the start our efforts to facilitate an agreement with the British.” (McGhee, pp. 390-391).
must calmly measure ethnocentrism's effects in relation to other, non-cultural factors.

**Britain's Setting Sun**

A more crucial influence upon British policy was the Crown's tenuous position after the Second World War, which served to stiffen English opposition to Musaddiq's nationalization program. Two devastating 20\textsuperscript{th} century wars had severely sapped the strength of the powerful British Empire. In the years following the war, Great Britain lost several colonial possessions, including her jewel, India, and public opinion was set against a further deterioration of the Crown's position among the world's great powers. The loss of these colonies, coupled with the war's exorbitant cost in resources and finances, pushed the British government toward an intransigent stance both before and after Musaddiq's nationalization. After the Conservative Party's victory in the October, 1951 elections, Prime Minister Winston Churchill described the country's economic condition during this period, a condition that would be further compromised by the permanent loss of Iranian oil and revenue:

The latest estimates show that in 1952, on present trends and policies and without making any allowance for further speculative losses, the United Kingdom would have a deficit on its general balance of overseas payments of between £500 million and £600 million... These figures mean, in short, that we are buying much more than we can afford to pay for from current earnings, and this can only in time lead to national bankruptcy. The position has been made worse by the loss of confidence in sterling and by the *additional strain of the loss of Persian oil supplies*...
This quote also illustrates the differing perceptions held by London and Washington regarding Iran’s situation. For outgoing Labour Prime Minister Clement Attlee, the crisis “illustrated the kind of problem that arises when insurgent nationalism comes into conflict with old-established commercial interests.”7 The British were acutely aware of the financial stakes involved in a potentially irrevocable loss of Iranian oil, tax revenue, and profits. In contrast, the Americans finally opted to support a joint Anglo-American operation to depose Musaddiq due to their fears that continued internal chaos could lead to a Tudeh coup. The British had favored such a covert operation for two years prior to the August, 1953 coup, but for quite different reasons. Whitehall was less fearful of Communist usurpation, and believed that the Musaddiq government could be supplanted by another, non-Communist régime more conducive to a favorable oil agreement. Great Britain’s main foreign policy goal, as Attlee hinted, was to retain valued Iranian commercial assets, and thus protect British strategic, commercial, and military interests. Whitehall’s aim was to persuade the American government not to mediate the oil dispute, but rather to cooperate in its plans both to oppose nationalization and topple Musaddiq.

After the Conservative Party’s usurpation of power in October, 1951, incoming Foreign Secretary Anthony Eden also expressed concerns that the Iranian situation, if not dealt with firmly by London, could hasten the spread of similar nationalization attempts throughout the Near East. In spite of the Crown’s reduced resources and manpower in the wake of the war, Eden still hoped that

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6 *Parliamentary Debates, 1951-1952*, November 6, 1951, 493 H.C. deb. 5s, pp. 76-77 [Italics added].
some possessions or commercial interests could be retained, so long as expenditures did not outpace potential gains. If the British government was unable to maintain effective control of its Iranian holdings, Eden surmised, other Near Eastern peoples may be encouraged to pursue similar actions, having been prompted by the bold Iranian move:

Now, as a result of events in Iran, Egypt became ebullient. The troubles fomented on the Shatt al Arab, festered on the Nile. There were riotings and shootings and attacks upon our troops. In October, the Labour government, as one of its last acts, increased the garrison of Egypt by two brigades.

This was the lowering prospect I contemplated on the day I took over at the Foreign Office. We were out of Iran; we had lost Abadan; our authority throughout the Middle East had been violently shaken; the outbreaks in Egypt foreshadowed further upheavals...

The incoming Conservative government was also recalcitrant for more basic, political reasons. During the 1951 election campaign, Churchill criticized the Labour Party for its soft policy toward Iran's nationalization. If elected, the Conservatives promised to assume a tougher line toward Musaddiq. British interests and prestige were at stake, they claimed, and these had to be protected. Once in office, the Conservatives felt obligated to make good on their campaign rhetoric, and opposed nationalization (and Musaddiq) at every opportunity.

Thus, the British and American governments held quite different views on the Iranian oil nationalization crisis. British policy was shaped by commercial, domestic political, and economic considerations, whereas the American position was shaped more by geostrategic interests. During the first months of the crisis,

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7 Attlee, p. 246.
8 Eden, p. 217.
the two governments had disparate assessments of the Iranian domestic situation, of the risks of continued economic deterioration, and of the correct course of action to be followed. Eventually, the two allies forged a unified approach to the crisis, and actively sought the deposition of the courageous, but misunderstood, Iranian premier. It should also be pointed out that, like their American counterparts, there was a shift in tactics after the change of administrations. The Labour Party, under Attlee's leadership, had been willing to resist Musaddiq through diplomatic, economic, and political means only. In contrast, the Conservatives under Churchill showed themselves more eager to settle the crisis, and were willing to use more assertive methods to achieve their goal.

Friction

As Truman's July, 1951, letter to Musaddiq stated, the U.S. government initially preferred to serve as unofficial mediator in the dispute, and sent W. Averell Harriman to Tehran for that purpose. The Americans perceived British obstinacy as a key reason for the stalemate that set in after nationalization, a sentiment echoed by Acheson:

Mosaddiq was aided by the unusual and persistent stupidity of the company and the British government in their management of the affair. Hope for stability and progress in Iran lay in the young Shah, although American liberals clung to the illusion that some other moderate leadership existed between the Tudeh Party Communists and the feudal reactionaries and mullahs.9

Acheson's first point, that the Crown had managed the Iranian situation poorly, was a common critique in the State Department. The State Department had
already formally endorsed the 50-50 profit-sharing principle adopted by American oil companies, believing it to be both fair and essential to muting simmering anti-Western feelings in the developing countries. In contrast, the British considered the 50-50 principle a concession too far. When possible, Whitehall hoped to retain its authoritative, and exploitative, position in the Near East, and so resisted such an arrangement with Iran until mid-1951. By this time, however, the National Front and its supporters rejected such an agreement, and opted to unilaterally nationalize the AIOC in its entirety.

In November, 1951, Eden and Acheson conducted a series of meetings in Paris to discuss Anglo-American differences and reach agreement on correct Iranian policy. During the meetings, Eden outlined four major principles that he believed essential to a settlement of the nationalization crisis:

1. There must be fair compensation for loss cause by nationalization...
2. ...security for payment of effective compensation...[Compensation could only be paid in the form of oil].
3. Iran should not by reason of her unilateral action secure, overall, more favourable terms than concessionary Governments which have respected their contracts.
4. [British nationals cannot be excluded from Iran].

In essence, Acheson was able to persuade his British counterpart to accept nationalization in principle. However, the British refused to accept de facto nationalization because they still viewed the unilateral abrogation of the 1933

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9 Acheson, p. 501.
10 The two statesmen were in Paris for a meeting of the U.N. Assembly. In a period of ten days, Eden and Acheson held five meetings.
11 Eden, pp. 219-220.
Agreement as an illegal act.\textsuperscript{12} The Crown was also reluctant to make concessions because doing so would reward a government that had violated a commercial contract.

Eden and Acheson also disagreed about the politico-economic situation in Iran. Acheson expressed American concerns of leftist subversion in Iran, and believed that if a mutually acceptable oil agreement was not signed, the Musaddiq government could slip into the Communist camp. As Acheson iterated above, many State Department officials did not believe “moderate leadership” existed in Iran between the Tudeh party and the far right. If the politico-economic situation continued to deteriorate, Acheson pined, Musaddiq would either turn to the Soviet Union for assistance, or succumb to a Tudeh coup. Foreign Secretary Eden disagreed:

\begin{quote}
Our reading of the situation was different. I did not accept the argument that the only alternative to Musaddiq was Communist rule. I thought that if Musaddiq fell, his place might well be taken by a more reasonable Government with which it should be possible to conclude a satisfactory agreement.\textsuperscript{13}
\end{quote}

The two diplomats also differed on the proper role of the American government in the crisis. Eden, of course, tried to persuade the Americans to oppose Musaddiq by rejecting the premier’s requests for economic aid to stabilize the Iranian central government. At this time Acheson preferred to remain neutral, however, and wondered if giving financial aid to Musaddiq might buy needed negotiating time and stymie the leftist threat.

\textsuperscript{12} See Acheson, p. 505.
\textsuperscript{13} Ibid., p. 222.
Although Eden and Acheson were unable to reach a consensus about "the future of Iran," they did "come closer" on another key issue.\textsuperscript{14} They agreed that any significant economic aid to Iran should be attained from an international, independent lending agency, not the U.S. government. The following February Truman thus rejected yet another aid request from Musaddiq, and stated that any financial help from the United States government had to be preceded by a new oil agreement with Great Britain. In a State Department bulletin issued on March 20, 1952, the U.S. government justified its decision:

The United States has received several requests, both written and oral, from the Iranian Government for loans for direct financial assistance to ease the acute situation in which the Iranian Government finds itself as a result of the loss of its oil revenues. The United States position in response to these requests has been that while the United States desires to be in a position to render Iran any proper and necessary assistance, it could not justify aid of the type requested at a time when Iran has the opportunity of receiving adequate revenues from its oil industry without prejudice to its national aspirations. It has been pointed out that the United States is bearing a heavy financial burden in its efforts to help bring about a stable and lasting peace and that it is most difficult to undertake additional commitments to a country which has the immediate means of helping itself.

The United States has not, as indicated in press reports originating in Iran, established as a condition for granting financial aid to Iran that the Iranian Government should accept any particular proposals. The United States has consistently maintained that a settlement is possible in which the legitimate interests of both Iran and the United Kingdom will be protected and which will make the resumption of the oil industry operation feasible and practicable from the economic viewpoint. We believe that the offer of the International Bank to assist in this matter has provided a good opportunity to reach this objective, even though on an interim basis. We continue to hope that a formula will be found which will be acceptable to both parties.\textsuperscript{15}

\textsuperscript{14} Ibid., p. 224.
Great Britain advised the Americans to reject Musaddiq’s requests for aid in the hope that a destabilized Musaddiq government would give way to a “more reasonable” administration in Tehran. However, when the United States actually rejected repeated requests for large aid packages, it did so due to the massive expenditures incurred by the Marshall Plan and other postwar projects, and due to the availability of another substantial income source for the Iranian government. The State Department also welcomed the temporary intervention of the International Bank to run either the oil industry on an interim basis, or provide financial assistance to the Iranian central government.

During the Eden-Acheson meetings in Paris, the matter of American commercial intervention was also discussed. At first, Acheson was hesitant to bring U.S. oil companies into any consortium that would temporarily run oil operations, for he did not want the British government to feel threatened by American ulterior motives. In expressing such sentiments, Acheson was, perhaps, exhibiting false humility. It was no secret that American oil companies had made several attempts in the 1920s and 1930s to gain oil concessions from the Iranian government. In fact, George McGhee, Assistant Secretary of State for Near Eastern, South Asian, and African Affairs, had met with a group of American oil

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16 Morgan Shuster stated in *The Strangling of Persia* that the U.S. *did* harbor commercial hopes for Iranian oil. Unfortunately, British predominance in Iran’s oil industry stymied *private* efforts to gain an American concession. Further, during the immediate postwar period the United States and Great Britain exchanged support on key political issues: American support for Britain’s Iran policy in return for British support in Korea and Europe. Thus, Washington was reluctant to sacrifice needed British assistance in Southeast Asia and Europe by opposing London’s Iran policy.
executives on May 14, 1951 to discuss the Anglo-Iranian rift.\textsuperscript{17} At the height of the nationalization debate in the Iranian Majlis, McGhee told the American oilmen that the AIOC should accept nationalization as a foregone conclusion.\textsuperscript{18} He then asked the oil officials for advice regarding the proper public position to be assumed by the United States government. The executives replied by stating that any public displeasure voiced by the State Department would only alienate London. The State Department was not eager to risk estrangement with a needed ally for Washington's European and Asian policies. Thus, the oil companies initially urged an American commercial and governmental policy of "aloofness."\textsuperscript{19}

\textit{From Truman to Eisenhower}

Another reason for American hesitancy on the commercial issue was of a legal nature. By spring, 1952, the State Department reached the conclusion that only an international oil consortium would be able to run both Iran's industry, and allay Musaddiq's fears of British domination. As previously stated, a key obstacle to successful negotiations had been the issue of the exclusion of British nationals from Iran. The National Front and its cadre were dead-set against the

\textsuperscript{17} Officials from the large oil companies, such as Caltex, ARAMCO, and Gulf, were present.
\textsuperscript{18} McGhee eventually ran afoul of the British due to the Assistant Secretary's connections with the American oil industry. Because of his background as an oilman, London claimed that he was a biased player, and ill-suited to make fair judgements during the crisis. McGhee defended himself, saying that AIOC policy amounted to "obstructionism," and asserting that Iran (like it or not) had the right to nationalize if compensation was provided. (See McGhee, p. 322, 338). As the crisis lapsed into fall, 1951, the State Department, sensing the rising tensions, replaced Ambassador-to-Tehran Henry F. Grady with Loy Henderson. (Both Grady and McGhee had been more sympathetic to the Iranian side). Anthony Eden was ecstatic about Henderson's appointment, and remarked that the American Ambassador's help was crucial to the 1954 settlement of the oil dispute. (See Eden, p. 226).
return of British technicians and employees after it became obvious that they were unwilling to work for the nascent NIOC. After their expulsion in fall, 1951, the British demanded that any new agreement permit the return of their nationals to the Iranian oilfields. London wanted to keep its foot in the door of Musaddiq's house. Musaddiq, of course, refused the demand.

When it became obvious that neither side would compromise on this key point, the State Department's Paul Nitze and Dean Acheson arranged a meeting with American oil industry representatives, Attorney General James McGranery, General Omar Bradley, and the Justice Department's Leonard Emmerglick. Acheson and Nitze believed that an international consortium, one that could replace the much-maligned AIOC, was the only viable option for a mutually acceptable oil compact. There were, however, very important legal obstacles to the plan. According to the plan, the consortium would be comprised of both European and American companies. Unfortunately, the Justice Department's Antitrust Division was embroiled in several legal proceedings against U.S. oil companies for alleged monopolization practices. Before bringing the proposal to President Truman's desk, Acheson wanted to see if the plan would pass the Justice Department's legal stipulations.

At the meeting, held October 8, 1952, Emmerglick was less than enthusiastic. He believed that the law must be impartial, and adamantly argued against American participation in an international consortium in Iran because he believed it to be a violation of his department's antitrust standards. General

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Bradley vehemently objected, stating that the matter was one of national security and that the antitrust laws should be suspended in the case of Iran. Truman eventually sided with Bradley and Nitze on the matter, instructed the Justice Department to overlook American participation in the consortium, and told the State Department to proceed with the proposition.20

After these legal issues were settled, the State Department and British Foreign Office thought there was renewed hope for a settlement. London agreed to permit new discussions on the plan outlined by the Truman Administration, and Musaddiq approved the proposal in January, 1953, after adding a request for a $50 million loan from the U.S. government.21 Musaddiq then made another abrupt reversal, and rejected the proposition! Nitze claimed that the Iranian premier likely rejected the plan "in the mistaken belief that he could cut a better deal with the incoming Eisenhower administration."22

Once again, Musaddiq had made a serious miscalculation, for the incoming Eisenhower Administration was not in a generous mood. There were five key justifications for Eisenhower’s immovable stance toward Musaddiq.

First, though Iran was considered of vital strategic importance in the Near East, particularly as a line-of-defense against southward Soviet aggression, the

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20 Nitze, p. 134.
21 The loan was to come via the Defense Production Administration. Truman, like his successor, did not place a priority on Iranian financial aid. His Mutual Security Program (announced to Congress on May 24, 1951) proposed the following expenditures (See Truman, Public Papers, p. 304):

<table>
<thead>
<tr>
<th>Region</th>
<th>Economic aid</th>
<th>Military aid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>$1,650 million</td>
<td>$5,240 million</td>
</tr>
<tr>
<td>Asia</td>
<td>375</td>
<td>555</td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td>125</td>
<td>415</td>
</tr>
<tr>
<td>Latin America</td>
<td>22</td>
<td>40</td>
</tr>
<tr>
<td>Administration</td>
<td>78</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2.25 billion</strong></td>
<td><strong>$6.25 billion</strong></td>
</tr>
</tbody>
</table>
Eisenhower Administration did not place the oil crisis at the top of its priority list. Both Truman and his successor believed the Korean conflict and other global situations to be of greater import than events in the oilfields of southern Iran.

Second, the Marshall Plan and other postwar economic and military aid programs were taxing government resources. In late May, 1953, Prime Minister Musaddiq sent a request for emergency financial assistance to Eisenhower, and claimed that if the aid was not received, there would be "serious consequences." The "serious consequences" he hinted at were, of course, the threats of both internal leftist subversion and an external alliance, borne of necessity, with the Soviet Union. Yet Eisenhower and his new Secretary of State, John Foster Dulles, were not swayed by Musaddiq's sword-rattling. As state before, President Eisenhower sent a reply, dated June 29, 1953, in which he contended that a substantial economic aid package to Iran would be an unjustifiable use of taxpayer funds. He continued Truman's policy of rejecting large-scale financial assistance to Musaddiq until a new oil agreement with Great Britain was reached.

To Eisenhower, Musaddiq had access to much-needed revenue for his government, but the premier's repeated rejections of British and American proposals were the main source of Iran's "troubles." The expensive rebuilding programs underway in Western Europe, postwar aid programs in Turkey and

22 Nitze, p. 135.
24 A few U.S. officials, including George McGhee and Henry Grady, had been more eager to provide economic assistance. In fall, 1950, for example, U.S. Ambassador-to-Iran Grady urgently requested a $100 million for Iran. The State Department turned the request down because both the Department and American lending institutions believed Iran to be a high-risk in the absence of an oil agreement. See Acheson, pp. 501-503.
25 Ibid., p. 162.
26 Ibid.
Greece, and Eisenhower's determination to reach a settlement in Korea, combined to render the idea of increased expenditures in Iran unpalatable. Further, that Eisenhower's response came *one month* after Musaddiq's request is indicative of the low priority given to the oil nationalization crisis.

Third, even *if* the American government could have afforded the large economic aid packages requested by Musaddiq, it is improbable that Eisenhower would have given his approval. Marshall Plan money did help turn the tide in Greece’s war with leftist insurrectionists. Yet substantial resource expenditures in China did not have the same result, and in 1949, China was “lost” to the Communists. If the U.S. government opted to grant Musaddiq financial aid, with or without a new Anglo-Iranian oil agreement in hand, it would not guarantee victory over growing leftist activity in Iran. It must also be iterated that, as Katouzian asserted, Musaddiq was in control of only *one* bloc of the central government. Pro-Shah and traditionalist forces, many of them known for their corruption, still controlled other departments within the government, and Eisenhower could not justify dumping aid into a government legendary for its criminal elements.27

Fourth, by the time Eisenhower took office in January, 1953, international oil companies had successfully closed the production gap left by the loss of Iranian oil exports. From 1947 to 1954, Iranian oil production dropped from 424,000 barrels per day to only 59,000. In contrast, Saudi Arabian production increased during the same period, from 246,000 barrels to 953,000 barrels per day. Kuwait likewise expanded oil production from 45,000 to 952,000 barrels per
day. This successful ‘bridging of the gap’ contrasted sharply with a 1951 prediction that the forfeiture of Iranian oil would cause devastating effects. Musaddiq’s prediction that the world, especially the Western world, could not do without Persian oil, was wrong. Eisenhower and Churchill, while eager to resume full production in Iran, could afford to play the waiting game because British, American, European, and international oil producers had closed ranks.

Fifth, the Tudeh Party’s increased benevolence toward Musaddiq’s government, coupled with Musaddiq’s own veiled threats of a leftist courtship, convinced Eisenhower and Dulles that opposition to the premier was increasingly necessary. Eisenhower stated that Musaddiq was “moving closer and closer to the Communists,” and it was this concern that pushed the American government to embrace the long-standing British plan to actively machinate Musaddiq’s overthrow. During the summer of 1953, Eisenhower grew wary of Musaddiq’s tolerance of Tudeh support, and worried that a repeat of Czechoslovakia’s loss to leftism was in the offing:

For the shah, the time had come to check that course... Mossadegh, the shah thought, believed that he could form an alliance with the Tudeh party and then outwit it; but in doing so, the Shah recognized, Dr. Mossadegh would become to Iran what the ill-fated Dr. Beneš had been in Czechoslovakia- a leader whom the Communists, having gained power, would eventually destroy.

For Eisenhower and Dulles, the fear of leftist subversion was the final, fateful factor in their decision to join MI6 in an operation to bring Musaddiq down and

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27 See also Pahlavi, p. 82.
28 Ibid., p. 160.
supplant him with the more amicable Mohammad Reza Shah. The Truman and Eisenhower governments were virtually identical in their motives and perceptions during the oil nationalization crisis. Both administrations were reluctant to grant substantive financial aid given Musaddiq’s intransigence, the bevy of other pressing foreign policy matters, the availability of oil revenue to Iran, and the risks of lending to an unstable government. Yet Eisenhower and Dulles were faced with the growing possibility of a leftist coup in Iran, and the slippage of Tehran into the Communist camp. Eisenhower was willing to avert this catastrophe if the expenditure of resources was limited.

A Diplomacy of Priority, Revisited

This determination to limit both expenditure and involvement in Iran strongly supports the assertion that American policy constituted a diplomacy of priority, and not a diplomacy of neglect. U.S. officials, both in the State Department and in the Truman and Eisenhower governments, did not ignore the postwar Iranian oil dispute. Rather, they carefully examined the Iranian situation, placed it in its global context, and determined that the crisis did not warrant top priority. Although they believed that Iran should remain in the Western camp, they nonetheless could not justify any drastic increase in resource allocation to the

30 Eisenhower, Mandate for Change, pp. 162-163.
31 Ibid., p. 163.
32 After Dulles’ appointment, Paul Nitze urged Dulles to carry on discussions with Musaddiq. Dulles initially believed that the U.S. government had been ‘too harsh’ toward Musaddiq. Dulles also believed that Egypt’s Gemal Abdel Naser should be the “wheelhorse of [America’s] Middle East policy.” (See Nitze, p. 135). However, as 1953 progressed, Dulles and brother Allen of the CIA had changes of heart. Hoping to avoid a leftist coup in Iran, they opted to help topple Musaddiq.
country given the other problems facing the United States. There were four significant factors that reduced the relative importance of the Iranian crisis.

First, the Office of Near Eastern Affairs, which handled most diplomatic contacts with Iran, was only one of four offices working under the leadership of the Assistant Secretary for Political Affairs of the State Department. In addition to these four offices, there were twenty geographic divisions. In addition to the Political Affairs group, there were three other departments on the same tier: Administration, Public Affairs, and Economic Affairs. Each of these groups had more subdivisions: twenty, nine, and, thirteen, respectively. Not only was the Near Eastern Affairs Division competing with other geographic areas for monies and attention, such as the European and Far Eastern Affairs Divisions, but there was also competition within its own branches! Given that the postwar period witnessed the formation of Israel, the 1948 Arab-Israeli War, leftist agitation in Greece, instability in Turkey, and growing anti-colonialism in Egypt, it should be no surprise to revisionists that the U.S. government placed Iran lower on their diplomatic priority list. These were, furthermore, Near and Middle Eastern crises. Other global situations encountered in the postwar period were: the fall of China in 1949; the 1948 Berlin crisis; the occupation of Japan; the invasion of South Korea in June, 1950; and the births of the U.N. and NATO. The decision to relegate Iran to lesser priority was, therefore, a conscious decision- not a development borne entirely out of ineptitude and neglect.

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Second, Eisenhower, as Robert A. Divine observed, was a Europe-oriented executive:

He shared the Eastern establishment’s foreign policy view that American security rested on a stable and friendly Europe, and he had little patience for those Republicans who were oriented toward Asia.  

Granted, Eisenhower was serious about his campaign vow to travel to Korea and reach a peace agreement with China and North Korea. However, his administration remained firmly Europe-centered throughout his tenure, for Europe was Caucasian America’s forefather. The American ruling majority had no cultural, religious, ethnic, or historical affinity with Iran. Given the fact that Europe was perceived to still under direct or indirect Communist threats, it was inevitable that American officials placed greater emphasis upon European economic, political, and military stability.

Third, Eisenhower’s leadership style did not foster an environment of diplomatic neglect, but rather attentiveness. True, Eisenhower delegated much authority to his subordinates, and expected consensus on issues to be reached by his subordinates before they reached his desk. However, Secretary of State Dulles, Sherman Adams, and other members of the staff were also eager for input from Eisenhower, particularly given his wealth of foreign policy experience and

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international contacts. He was not, as Fred I. Greenstein asserted, a *roi fainéant*, but an “activist” who carefully balanced his ultimate sovereignty with a delegation of duties to trusted advisers.\textsuperscript{35} In the case of Iran, just as in other foreign policy crises, Eisenhower was never aloof but rather involved.

Fourth, both the Truman and Eisenhower governments had determined that a direct Soviet invasion of Iran, though not impossible, was implausible. The National Security Council had studied the situation and drew the following conclusions:

Iran must be regarded as a continuing objective in the Soviet program of expansion...\textsuperscript{36} Although the U.S.S.R. will continue to apply strong political and psychological pressures against Iran... [I]t is considered unlikely that the Soviet Union would be willing to resort to direct armed intervention...\textsuperscript{37}

This assessment proved crucial to American strategy in Iran, for without the threat of direct Soviet intervention, the dispute’s severity was lessened significantly, and more focus placed upon other hotspots. To the Americans, it appeared that Stalin was unwilling to risk his goals in Eastern Europe and East Asia in order to make gains in Iran. This was a correct assessment. If the Soviets were content to subvert Tehran via a third force, the Tudeh Party, then the Americans were willing to employ the same tactic through the Shah. Soviet policy in Iran followed similar reasoning, as the following chapter will testify.

\textsuperscript{37} Ibid., p. 15.
All in all, American policy toward Musaddiq and his nationalization of British oil assets was, in essence, rather pragmatic. Neither Truman nor Eisenhower embraced Musaddiq and oil nationalization. Yet the Truman Administration was willing to wait for Musaddiq's demise, while the Eisenhower Administration opted to intervene directly in order to hasten the premier's fall and attain stability in Iran. Though American attitudes toward Musaddiq did not change, tactics and objectives did change. This change of administrations and, hence, policy goals, was also reflected in the transition from Henry Grady to Loy Henderson as ambassador to Iran. Grady was more sympathetic to the Iranian cause than his successor. In fact, Henderson was praised by the British government for his empathy for the British position, and his usefulness during and after the 1953 coup.
8. Cold War Dynamics

In James F. Goode's Diplomacy of Neglect, he surmises that one of the sculptors of oil nationalization's outcome, the Cold War, need not have been the powerful factor that it was during the crisis. He states that the United States was "consumed" by the Cold War, and thus followed a "misguided policy born of ignorance and anticommunist ideology."\(^1\) It is easy to render such assessments at the end of the Cold War. Yet at the time, the policies formulated by British, American, and Soviet diplomats seemed reasonable.

The Bane of Historical Revisionism

The fault of this strain of historical revisionism is that it takes a backward look in history, and downplays the strong historical forces at work at the time a crisis is in motion. Gaddis observed this tendency in his aforementioned article on the Cold War. In the case of Iran, it is easy for criticism to be leveled against American policy in Iran during the nationalization period because the 1979 Revolution granted us a sobriety only history can provide:

As the observer looks back over events in Iran in the years after 1945 he has a feeling that with more wisdom, or at least with more knowledge of Iranian conditions and especially of Iranian tendencies, the United States government could have helped prevent the descent into chaos in 1978.\(^2\)

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\(^1\) Goode, Diplomacy of Neglect, p. viii.
\(^2\) Ibid., p. 7.
Of course, an emotive, revisionist argument is easier to render than a reasoned assessment because the bitter fruits of past miscalculations have been harvested. Katouzian, in a discussion of the Constitutional Revolution, observes that this inclination can be very damaging to a well-structured historiography:

[A]t its best, this is a flight of fancy in reading history backwards—that is, interpreting past reality in the light of later experience; and, at its worst, shows a complete disregard for the effects of social forces and human consciousness in historical situations.3

A revisionist approach, though able to uncover some previously overlooked causes, can also lead to erroneous conclusions. Different interpretive approaches under the revisionist umbrella can illuminate past historical events by revealing previously veiled determinants of those events’ outcomes. However, revisionism’s fallacy is that it sometimes relies too heavily on contemporary perceptions of past events, rather than rendering an accurate perception of those events through the eyes of history’s participants. In the case of the Iranian oil nationalization crisis, the effects of Cold War ideological, political, economic, and military rivalry upon the outcome are too often downplayed by a revisionist approach. Let us, then, examine the perceptions and policies of the Soviet and American governments through their eyes.

Soviet Policy in Iran

First, it must be understood that Soviet-Iranian relations in the 19th and 20th centuries have been characterized not by variation, but by continuity. The

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3 Katouzian, p. 59.
Bolshevik Revolution provided only a brief lull in Russia’s southward push, as Firuz Kazemzadeh noted:

The Soviet Union has had as its ultimate goal a Persia under a government controlled from Moscow; but in pursuit of this goal it has not been prepared for major political sacrifices, let alone war. Iran, on its part, has been trying to use every available means to stay outside the sphere of Russian domination...

*Soviet pressure on Iran has been unremitting, though its intensity has varied with circumstances.* In resisting such pressure Iran has had to exercise extreme care lest she commit herself to Russia’s antagonists to such an extent that she would lose her freedom of maneuver.³ [Italics added]

What is fascinating about this consistent Tsarist Russian/Soviet policy is its pragmatism. Russia has historically desired warm-water transport routes, namely through the Dardanelles to the Mediterranean and through the Trans-Caucasus region to the Persian Gulf. However, Russian and Soviet foreign policies have been, as a whole, more consumed with safeguarding and/or advancing the western border due to the number and strength of countless invasions from that direction. Western Russia’s flat topography has historically invited invasion, making the quest for an Iranian sphere of influence secondary to the country’s western concerns. After the close of the Second World War, the Soviet policy was shaped by fresh memories of Axis infringement of its Western border, and of the 20 to 30 million Russians killed during the conflict. Foreign Commissar V.M. Molotov stressed Soviet apprehensions of German resurgence at a conference of foreign

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⁴ See Rubinstein, pp. 57-62.
ministers at Paris in July, 1946. At this conference, plans for the demilitarization of Nazi Germany were being discussed:

The Soviet Government reaffirms that the disarmament and long-term demilitarization of Germany are absolutely essential. The Soviet Government holds that Germany should be kept disarmed and demilitarized not for twenty-five years, as suggested in the draft, but for at least forty years.6

Thus, in the postwar period, Stalin’s attention was riveted on regions other than Iran. Soviet foreign policy focused on attaining a sphere of influence in Eastern Europe to serve as a buffer between liberal-democratic, capitalist aggressors and the Soviet state. Likewise, after the outbreak of hostilities in Korea, Soviet diplomats busied themselves in that theater. Iran was, therefore, not the first item on Moscow’s global expansion agenda. While its oil resources, warm-water access, and geo-strategic values were coveted, the Soviet Union was decidedly pragmatic in its pursuit of policy. If expenditures or risks outweighed any possible gains, Soviet officials were content to maintain neutral relations with Tehran. If a situation presented itself that could be turned to Soviet Russia’s advantage, as in the chaotic two-year nationalization period, then Moscow would seek to manipulate that situation and so advance Soviet goals.

A second intriguing aspect of Soviet foreign policy in Iran concerns the relationship between Communist ideology and its application. George Lenczowski recognized that revisions of dogmatic Marxism by Lenin and Stalin provided the Soviet Union with greater flexibility in its relations with capitalist and colonized nations. In its initial form, Lenczowski stated, Marxist history
adhered to six "quite neatly-delineated periods:" primitive, slave-holding, feudal, capitalist, socialist, and Communist. Thus, in this doctrinal approach, transition from one period to another will inevitably lead to class struggle, revolution, and warfare as each dominated class seeks to usurp its antecedent-dominator. In this rigid formula, Marx left no room for peaceable relations between capitalist and leftist entities. In essence, war was inevitable.

However, Lenin significantly modified this strict doctrine, so much so that it could be labeled a "virtual repudiation" of Communist orthodoxy. Lenin contended that as competition for material resources between capitalist nations increased, socialist revolutions would occur due to the resultant chaos. Lenin also argued that if a leftist revolution were successful, the new state would quickly draw the fury of the capitalist nations. Given such dire circumstances, Lenin surmised, it could be necessary to establish temporary alliances or agreements with capitalist elements both to ensure survival and, simultaneously, to agitate for leftist rebellion. Peaceful coexistence now joined the certainty of war as foreign policy paradigms. As a result, an ideological justification was discovered to support independence of movement:

This conceptual dualism, combining the inevitability of war and the possibility of coexistence, has permitted subsequent Soviet leaders to interpret Lenin virtually at their will, choosing that part of his theory which at the moment best suited them.

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8 Ibid., p. 6.
9 Ibid., p. 8.
When applied to Soviet-Iranian relations during the Musaddiq period, clarity is given to an otherwise clouded picture. The Soviet Union was neither extraordinarily helpful, nor particularly hurtful, to Musaddiq. True, they continued to lend assistance to leftist elements in Iran—deemed an antagonistic action by the Americans. However, despite fears by a few American officials of a repeat of Azerbaijan, the Soviets did not intend to intervene directly in Iranian internal affairs, so long as there was no significant Western military presence in Iran. (The CIA and NSC eventually reached this same conclusion). Rather, the Soviets preferred to *coexist* with Musaddiq, likely in the hope that his National Front coalition could be employed as a vehicle to bring the Tudeh to power. Moscow did not actively support Musaddiq due to his past complicity in defeating the postwar Soviet oil concession. The Soviets seemed willing to employ covert, subversive methods, but did not want to jeopardize recent gains in Eastern Europe and the Far East for a lesser prize in Iran. Kazemzadeh noted this tendency in an analysis of Stalin's decision to withdraw Red Army troops from Iran in 1946:

Stalin was not prepared for the sake of achieving all his aims in Persia to jeopardize his European goals. His hold on East Germany, Poland, and the rest of Eastern Europe had not yet been consolidated. Czechoslovakia was still governed by a coalition of “bourgeois” politicians. Eduard Benes was still president and Jan Masaryk was alive. Rumania had not yet been rid of the king and the non-communist politicians, and in Bulgaria the struggle for control had not yet ended with the arrest and execution of Nikola Petkov. *Stalin must have weighed opportunities and risks* and decided that, having already achieved so much in Iran, he should not needlessly endanger his position...  

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10 Kazemzadeh, p. 62.
Moscow was unwilling to continue an armed occupation of the country if doing so risked gains elsewhere. It seemed that the Soviet Union was only willing to expand its southern sphere of influence through indirect means, such as its support of the Tudeh Party. The Soviets, like their American adversaries, would only consider direct armed intervention in the event of a U.S. or British invasion.\textsuperscript{11}

When the Soviets did place diplomatic pressure on Musaddiq, they did so only in an effort to force a withdrawal of American military aid. Washington refused to grant substantial economic aid, but agreed to resume military assistance to Iran in April, 1952. In a threatening diplomatic note, Moscow protested Musaddiq's acceptance of the American offer:

\begin{quote}
The Soviet Government deems it necessary to call the attention of the Iranian Government to the fact that, in agreeing to accept American so-called aid and, in this connection, assuming definite commitments of a military nature toward the United States of America, the Iranian Government is in fact setting out on the path of helping the United States Government to carry out its aggressive plans directed against the Soviet Union.\textsuperscript{12}
\end{quote}

\textit{Musaddiq and the Tudeh Party}

Despite the improbability of direct Soviet intervention in Iran, the Americans were nonetheless deeply concerned by the oil dispute and the potential defection of the Iranian government to the Soviet camp. Before describing the


American response to perceived Soviet-Tudeh subversion in Iran, it is necessary to provide a brief outline of Musaddiq’s relationship to the left.

In the study of history, one must often be cautious in the use of primary source material, that material provided by the participants in a historical event or period, because each actor maintains distinct biases. These biases, often the result of the actor’s own misperceptions and personal political agenda, can skew our scholarship. Therefore, it is often necessary to exhibit restraint and good judgement in our use of their first-person accounts.

The question of the Tudeh Party’s true position during the months preceding Musaddiq’s fall provides us with such an instance. The Shah, of course, vigorously accused Musaddiq of complicity with the leftists (both before and after the August coup), no doubt with the design of courting American support for his monarchy. Musaddiq, in his Memoirs, cited the Shah’s accusations of corruption during the referendum to keep Musaddiq in power:

And for the referendum, Musaddiq, the great champion of free elections, arranged that those in favour of dissolution and those against it should vote in separate plainly-marked booths! Everyone understood that if a man had the courage to vote against dissolution he would probably be beaten up by Musaddiq’s toughs or by those of the Tudeh- actually the two groups by this time were almost indistinguishable. The results were all that Musaddiq- or Hitler before him- could have desired...

Musaddiq retorted that the “disciplined organisation” of the Tudeh Party projected a strength not commensurate with its small membership. He downplayed the Tudeh’s interference during the referendum, saying that

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13 Musaddiq, p 291. See also the Shah’s Mission for My Country, p. 96; and Musaddiq, p. 277.
the Tudeh party had some following in certain northern parts of the country as well as the capital, which, due to its disciplined organisation, looked impressive; but even if it did have some support elsewhere it was negligible. It is unworthy of the shah-in-shah to ignore 20 million people of this country, and, in order to disregard everything that well-meaning and patriotic people do, believe or pretend them to be the propaganda effect of a small group known as Tudeh [mass]...14

Musaddiq also minimized the support he had received from the Tudeh Party in the months leading up to the 1953 coup. He also claimed that his alleged association with the Tudeh Party was a "mere pretext" used by the Shah to stage the coup.15

Musaddiq’s Memoirs will be quoted here at length:

The left-wing [i.e. Tudeh party] propaganda [for the declaration of a ‘democratic republic’] after the 15-16 August coup was used as a mere pretext for the overthrow of my government, and the looting of my house and my papers and documents. I say this, because the decision to topple the government had been already taken before the 28 February conspiracy, and until 1.00 a.m. on 16 August, when the royal notice for my dismissal was delivered to me, no individual, left-wing or otherwise, had said a word about the declaration of a democratic or any other republic...16

Reality lay somewhere between the two views. In truth, Musaddiq had received key support from the Tudeh, support he was not willing to reject given his tenuous position in the months preceding the coup. Remember that it was the Shah, not Musaddiq, who maintained the overall loyalty of the army. The army

14 Ibid., pp. 291-292. In truth, Musaddiq did use questionable tactics during the August 3 referendum. Knowing that he lacked support in the rural districts, Musaddiq set a short deadline for the vote in order to prevent rural voters from making it to the polls. Doing so permitted urban voters, (more of whom supported the premier), to vote for Musaddiq. He also arranged for the use of marked booths. All in all, the prime minister’s unscrupulous methods were used as a justification by the Shah for his coup.
15 Ibid., p. 285 for evidence of Musaddiq’s ‘distance’ from the Tudeh Party: “Between 16-19 August, I received a report that the Tudeh party had stuck certain leaflets on the walls, and I ordered all of them to be removed and destroyed. This was done, and no other disorder was observed which they could use as a pretext for the coup.”
was an instrument Musaddiq tried repeatedly to convert to his cause. Because Musaddiq received support from the extreme left, and because he exhibited a reluctance to curb their activities, some U.S. State Department officials mislabeled him a leftist. However, most officials were aware that Musaddiq was neither pro-British, nor pro-Soviet in his politics. He was, in their estimation, susceptible to a Communist-sponsored coup.

*American Policy in Iran*

For the Truman and Eisenhower Administrations, the memories of Chiang Kai-shek and Beneš made them wary of a repeat performance in Iran. This was not a new fear, but one that had grown significantly since Stalin's stubborn refusal to withdraw his troops from Azerbaijan after the war. It was a fear that increased as the oil dispute lapsed into its second year, for American policy-makers viewed politico-economic chaos as fertile ground for leftist. "World communism," George Kennan argued, "[was] like [a] malignant parasite which [fed] only on diseased tissue." To the State Department, Iran was becoming increasingly susceptible to Soviet machinations. Heiss summarized American consternation in *Empire and Nationhood:*

If the Soviets could dominate Iran... the Soviets could also control the oil-rich areas of Iraq and Saudi Arabia. The United States and its allies would be cut off from a resource deemed essential to victory in a modern war. For this reason alone the Soviets had to

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16 Ibid., p. 319.
17 George F. Kennan, *Memoirs, 1925-1950* (New York: Pantheon Books, 1967), p. 559. In commenting on Soviet intentions during the immediate postwar period, Kennan stated the following: "Where individual governments stand in the path of Soviet purposes pressure will be brought for their removal from office. This can happen where governments directly oppose Soviet foreign policy aims (Turkey, Iran)..." (Kennan, p. 556.)
be denied even a modicum of influence in Iran, lest they use it to attack Western interests there and throughout the Middle East.\textsuperscript{18}

It seems that the revisionist school has had difficulty reconciling this type of statement, one that highlights Iran's strategic significance, with U.S. rejections of Musaddiq's aid requests and lack of significant resource expenditures in Iran in the immediate postwar period. However, if one keeps in mind that the State Department anticipated no immediate, \textit{direct} Soviet intervention, American actions are understandable. Again, the U.S. government believed that an invasion of Iran from the north was unlikely given the Soviet (and American) focus on European and Asian affairs. Because the U.S. government still anticipated continued leftist internal subversion, the Eisenhower Administration decided to oppose Soviet policy through \textit{their own third party}, the anti-Musaddiq and/or pro-Shah forces inside Iran.

Thus, Soviet and American conduct in Iran exhibited, not differences, but striking \textit{similarities} in policy, tactics, and perceptions between the two estranged superpowers. The Tudeh Party, though initially hostile to Musaddiq, later threw its support to the premier because of his anti-British, and hence, \textit{anti-imperialist}, sentiments. However, the Soviet Union was unwilling to jeopardize more important gains elsewhere for the sake of a small jewel: a leftist, pro-Moscow government in Tehran. This pragmatism, though borne of postwar historical context, had as its underlying ideological justification Leninist and Stalinist modifications of a formerly rigid Marxist interpretation of historical process.

\textsuperscript{18} Heiss, p. 9.
American foreign policy toward Iran in 1953 displayed a similar pragmatism. For the United States, direct military intervention was only a viable option in the event of Soviet armed aggression. Since, according to intelligence reports, this was improbable, the Eisenhower government decided to join the British in an operation to topple Musaddiq, for Musaddiq’s deteriorating position heightened fears of a leftist coup. Further, American pragmatism had its own practical factors and doctrinal justifications. In the summer of 1953, Eisenhower was reassessing American policy toward the Soviet Union. Previous to the Korean War, the United States had relied rather heavily on the deterring effects of nuclear superiority to ward off Soviet expansionism. Unfortunately, the Korean conflict exposed the fallacies of relying on this strategy, for both Truman and Eisenhower (unlike MacArthur) did not view a limited nuclear strike on Korea or China as wise. Doing so, they correctly surmised, would not defeat the Communists, but would only expand the war and warrant nuclear retribution.

Eisenhower, after using rollback rhetoric to help win the 1952 election, decided that a reevaluation of containment policy was necessary. The result, dubbed the “New Look,” involved a combination of nuclear and conventional forces, and diminished reliance solely on nuclear retaliation as a deterrent for Communist aggression. Thus, the new American strategy would be to rely upon other, economic, propaganda, and political methods to oppose the Communist Bloc. This provided the State Department and Eisenhower Administration with more options to resist Soviet aggression, options that included the use of third
parties, such as political groups, governments, and rebel movements, to stymie leftist expansion.

John Lewis Gaddis pointed out that containment doctrine, originally developed by George Kennan, underwent many transformations, and was subject to various interpretations as to its proper execution. He observed that two strands of thought evolved out of Kennan’s initial postwar commentary, Universalist and Particularist.

The Universalist approach to containment tended toward abstraction. Universalism called for national security to be attained through a reshaping of the globe in America’s image: an ideological and systematic harmonization of America’s external world with republicanism. Yet as Gaddis asserted, this interpretation contained significant dangers. First, it assumed that peace and security could be maintained by the assimilation of disparate nations into a common liberal-democratic framework. If a large bloc of states held similar ideological views, maintained similar governmental structures, and were unified by contempt for a common enemy, the Soviet Union, then harmony would be reached and external security established. Of course, this interpretation assumed too much, for even when a group of nation-states have had common religious, political, and ideological elements, these have not guaranteed stability and peace. (Europe of the 18th and 19th centuries is a case-in-point). Second, Gaddis reminded us that this policy required immense expenditures in money, equipment, raw materials, military aid, and political support. Despite its significant resource wealth, such expenditures were bound to tax the U.S. economy and political
infrastructure without a guarantee of success. Further, one had to wonder if some countries, given the expenditures required to draw them into the American orbit, were worth saving. At the time of the Iranian dispute, U.S. policy-makers had, consciously or unconsciously, employed Universalist reasoning in their decision to intervene directly in Korea. Technically, Korea was outside the American defense perimeter. Yet a theoretical interpretation of containment doctrine demanded direct U.S. intervention because a loss in Korea threatened American security elsewhere in Southeast Asia. By intervening on South Korea’s behalf, therefore, the United States hoped to salvage a liberal-democratic victory and stop the domino effect. In essence, America sought to reshape the Korean peninsula in its own image, and thus protect its interests.

The Particularist implementation of containment doctrine was more pragmatic, and did not seek to reshape the world because of the inevitability of divergent ideologies, policies, and goals amongst nations. Instead, this interpretation emphasized more traditional balance-of-power methodology. Whereas Universalism tended to be moralistic, Particularism emphasized self-preservation and the advancement of national interest as preeminent considerations in charting foreign policy. Morals were, therefore, virtually irrelevant. Victory over Communism and sustentation of the American republic were priorities; methodology and ideology were secondary to these penultimate goals. Particularism also set limits on interference in the internal affairs of other nation-states, for intervention in any and every crisis could tax the resources and manpower of the government. Thus, this interpretation allowed for a more
selective, utilitarian approach to the containment of Soviet expansion. The U.S. government could ally with any nation, so long as that nation was friendly to American/Western interests and hostile toward leftism. The structure and ideology of allied governments was less important than their usefulness in opposing Communism and advancing American foreign policy goals.

U.S. policy during the Iranian oil nationalization crisis was fatefully shaped by this Particularist interpretation. Borne of postwar experience, not mere theory, this approach permitted the United States the same freedom of movement as that guaranteed by the Soviet embrace of Leninist and Stalinist alterations to Marxism. To both superpowers, a Tehran régime hostile toward the other party was the ultimate purpose of Iranian policy. Other considerations, including ideological and ethical concerns, were secondary in the minds of Soviet and American diplomats. While one must appreciate, to some extent, the revisionist criticisms of American policy during this period, one cannot wholeheartedly accept them. Remember that in the eyes of American diplomats, the leftist threat in Iran was real and immediate. Remember also that the Soviet Union did have designs for a friendly government in Tehran. Though both superpowers were unwilling to intervene directly, they were willing to fight the nascent Cold War through third parties. While this is distasteful, and shackled the Iranian dream of self-determination, it was the perhaps unavoidable result of Cold War dynamics.
9. A Most Machiavellian Affair

What is History?

In the preceding study, it has been my goal to strike as closely as possible at the foundational truths of American-Iranian diplomacy during the Iranian oil nationalization crisis of 1949-1953. Yet such an attempt was inevitably harried by dangers at every turn, for history, as Bernard Bailyn pointed out, is simultaneously a "craft" and a science.¹ Each historian brings his or her own techniques, perceptions, biases, and passions to historiography. This can be beneficial, for in many cases previously overlooked causes of historical events are uncovered and past inaccuracies revised.

However, in our zeal to rewrite history and illuminate past grievances we can project our own contemporary, emotive judgements on the subjects of our studies. Revisionist surveys of American-Iranian foreign relations often possess this error. One integral portion of this revisionist school is the cultural interpretation of history.

While long a characteristic of Western-Iranian relations, prejudice and ignorance did not play the role during this crisis apportioned them by the revisionist school. Unfortunately, contemporary historical revisionism often misapplies the cultural approach, giving it inordinate emphasis in many histories. Cultural revisionism seeks to name the bigoted parties in intercultural conflicts,

and then attributes blame for these conflicts solely to prejudice. Cultural revisionists must understand that this paradigm does not apply in equal measure to every historical event. While an obvious factor in international and intercultural relations, there can sometimes be other factors that more powerfully shape an event’s outcome. A reasoned, patient, and fair approach to historiography is required—an approach that, while passionate, is not mastered by emotionalism, moralistic vengeance, or an unwillingness to admit fundamental truths. Bailyn, while admitting that history is “an art form,” also argued that “good history” should hit close to its target, which is truth.\(^2\)

The word “history” has, I think, two meanings. One is simply what happened; that is, the events, developments, circumstances, and thoughts of the past, as they actually occurred. The other is history as knowledge of what happened, the record or expression of what occurred...

One needs to understand the relationship between the reality of what happened—the totality of past events and developments, past circumstances and thoughts—and what, in historical writings and compilations, people represent them to have been. That relationship, it seems to me, is crucial to all historical study and knowledge. The accuracy and adequacy of representations of what is written about them, remain the measure, in the end, of good history—this despite all the fashionable doubts that are raised about the attainment of absolute or perfect objectivity and accuracy (which no one pretends to, anyway).\(^3\)

The frequent bane of historical revisionism is its frequent misrepresentation of past historical events. In the case of the Iranian oil crisis, it has often been asserted that the preeminent influences in both Musaddiq’s fall and the failure of nationalization were, in essence, Anglo-American prejudice and cultural ignorance.

\(^2\) Ibid., p. 49.

\(^3\)
In reality, these intercultural factors, while prevalent amongst many of the players involved, were not the potent sculptors of the crisis' outcome that revisionists would have us believe. Rather, Iranian intransigence, Anglo-American recalcitrance, and Cold War dynamics were more powerful factors in Musaddiq's fall and nationalization's defeat than long-standing cultural antagonisms and stereotypes. Each actor involved, though influenced by their respective (mis)perceptions and animosities, was motivated by more basic considerations.

Of all the significant factors, the Soviet-American rivalry was by far the greatest sculptor of the crisis' outcome. In essence, it was not prejudice or ignorance that prompted American opposition to Musaddiq. Rather, Iranian internal instability and subsequent fears of a Communist coup were the two preeminent shapers of U.S. policy.

*What, then, have we learned?*

At its core, the outcome of the crisis was shaped most by the selfishness and pragmatism of the participants, and by the reactions of states to the actions of other internal and external actors. Goode would have us believe that pure-hearted altruism should have been the cornerstone of American foreign policy in Iran. While a noble sentiment, this thesis does not match with the realities of postwar Soviet-American competition, nor does it match with the underlying character of American conduct during the period. In spite of its Cold War republican blustering, U.S. policy was coldly pragmatic. The United States was willing to

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3 Ibid., pp. 7-8.
support ‘freedom-loving’ peoples, but only if American interests were either advanced or protected.

In essence, U.S. diplomacy with regard to Iran did not veer far from Niccolò Machiavelli’s time-tested observations in *The Prince*. Machiavelli, like his later American counterparts, hoped that morality, fairness, and integrity could all be elements of a prince’s conduct of international relations. Unfortunately, such altruism was likely to be reciprocated by malevolence on the part of other actors, making a more selfish approach necessary for survival:

> [I]t has seemed wiser to me to follow the real truth of the matter than what we imagine it to be... for how we live is so different from how we ought to live that he who studies what ought to be done rather than what is done will learn the way to his downfall rather than to his preservation. A man striving in every way to be good will meet his ruin among the great number who are not good. Hence it is necessary for a prince, if he wishes to remain in power, to learn how not to be good and to use his knowledge or refrain from using it as he may need.4

In quoting thus, I am by no means condoning such conduct, but rather condemning it. What is unfortunate about the conduct of relations between nations is its consistently selfish character. Individual human nature tends toward self-preservation, and this tendency is inherently projected on relations between groups.

America’s *diplomacy of priority* during the oil nationalization crisis was an example of such selfishness, and while not condoning U.S. conduct, I must point out that the State Department’s behavior symbolized a prevalent weakness in human nature. Until we, as *individuals*, alter our tendencies toward self-
preservation and amorality, our conduct as *nations* will not appreciably change. In truth, we often base our decisions on our own, personal, *diplomacies of priority*. 

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Appendices

APPENDIX A – Text of Nine Point Law [Bill], April 30, 1951

By the grace of Almighty God

We

Pahlavi Shahinshah of Persia

Hereby command, by virtue of article 27 of the Supplementary Constitutional Law that:

Article 1. With a view to arranging the enforcement of the Law of 24 and 29 Isfand 1329 (15th and 20th March, 1951) concerning the nationalisation of the oil industry throughout Persia, a mixed Board composed of five Senators and five Deputies elected by each of the two Houses and of the Minister of Finance or his Deputy shall be formed.

Article 2. The Government is bound to dispossess at once the former Anglo-Iranian Oil Company under the supervision of the mixed Board. If the Company refuses to hand over at once on the grounds of existing claims on the Government, the Government can, by mutual agreement, deposit in the Bank Milli Iran or in any other bank up to 25 per cent of current revenue from the oil after deduction of exploitation expenses in order to meet the probable claims of the Company.

Article 3. The Government is bound to examine the rightful claims of the Government as well as the rightful claims of the Company under the supervision of the mixed Board and to submit its suggestions to the two Houses of Parliament in order that the same may be implemented after approval by the two Houses.

Article 4. Whereas, with effect from 29th Isfand 1329 (20th March, 1951), when nationalisation of the oil industry was sanctioned also by the Senate, the entire revenue was derived from oil and its products is indisputably due to the Persian nation, the Government is bound to audit the Company’s accounts under the supervision of the mixed Board which must also closely supervise exploitation as from the date of the implementation of this law until the appointment of an executive body.

Article 5. The mixed Board must draw up, as soon as possible, the statute of the National Oil Company in which provision is to be made for the setting up of an executive body and a supervisory body of experts, and must submit the same to the two Houses for approval.

Article 6. For the gradual replacement of foreign experts by Persian experts the mixed Board is bound to draw up regulations for sending, after competitive examinations a number of students each year to foreign countries to undertake study in the various branches of required knowledge and gain experience in oil industries, the said regulations to be carried out by the Ministry

of Education, after the approval of the Council of Ministers. The expenses connected with the study of such students shall be met out of oil revenues.

Article 7. All purchasers of products derived from the wells taken back from the former Anglo-Iranian Oil Company can, in future, buy annually the same quantity of oil they used to buy annually from the Company from the beginning of the Christian year 1948 up to 29th Isfand 1329 (20th March 1951) at reasonable international price. For any surplus quantity they shall have priority in the event of equal terms of purchase being offered.

Article 8. All proposals formulated by the mixed Board for the approval of the Majlis and submission to the Majlis must be sent to the Oil Committee.

Article 9. The mixed Board must finish its work within three months as from the date of approval of this law and must submit the report of its activities to the Majlis in accordance with article 8. In the event of requiring an extension it must apply giving valid reasons for such extension. Whilst, however, the extension is before the two Houses for approval, the mixed Board can continue its functions.

APPENDIX B – American Secretaries of State, 1933-1959

<table>
<thead>
<tr>
<th>Secretary of State</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cordell Hull</td>
<td>1933-1944</td>
</tr>
<tr>
<td>Edward R. Stettinius</td>
<td>1944-1945</td>
</tr>
<tr>
<td>James F. Byrnes</td>
<td>1945-1947</td>
</tr>
<tr>
<td>Dean G. Acheson (Interim)</td>
<td>1947</td>
</tr>
<tr>
<td>George C. Marshall</td>
<td>1947-1949</td>
</tr>
<tr>
<td>Robert A. Lovett (Interim)</td>
<td>1949</td>
</tr>
<tr>
<td>Dean G. Acheson</td>
<td>1949-1953</td>
</tr>
<tr>
<td>John Foster Dulles</td>
<td>1953-1959</td>
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APPENDIX C – American Ambassadors to Iran, 1933-1954

<table>
<thead>
<tr>
<th>Ambassador</th>
<th>Years</th>
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</thead>
<tbody>
<tr>
<td>William H. Hornibrook</td>
<td>1933-1936</td>
</tr>
<tr>
<td>Louis G. Dreyfus, Jr.</td>
<td>1939-1943</td>
</tr>
<tr>
<td>Leland B. Morris</td>
<td>1944-1945</td>
</tr>
<tr>
<td>Wallace Murray</td>
<td>1945-1946</td>
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<tr>
<td>George V. Allen</td>
<td>1946-1948</td>
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<tr>
<td>John C. Wiley</td>
<td>1948-1950</td>
</tr>
<tr>
<td>Henry F. Grady</td>
<td>1950-1951</td>
</tr>
<tr>
<td>Loy W. Henderson</td>
<td>1951-1954</td>
</tr>
</tbody>
</table>
Bibliography

Primary Sources


**Secondary Sources**


