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208

## THE BATTLE FOR IRAN

Contents

- I. INTRODUCTION
- II. IRAN, ANCIENT AND MODERN
  - A. The Nation
    - 1. Imperial Past
    - 2. The People
    - 3. The Economy
    - 4. Politics and Government
  - B. Between Russia and The West
    - 1. Aggression from the North
    - 2. The Oil Dispute, 1949-53
    - 3. Iran and U.S. Foreign Policy
- III. COVERT ACTION
  - A. The Genesis of TPAJAX
  - B. The Planning Phase
  - C. Putting the Plan into Action
  - D. Involving the Shah
  - E. The First Attempt--and Failure
  - F. Turning Defeat Around
- IV. THE AFTERMATH OF VICTORY
- V. THE LONG VIEW OF THE COVERT ACTION IN IRAN

## APPENDICES

- A. Whose Oil? An Abbreviated History of the Anglo-Iranian Oil Dispute
- B. Biographic Sketches
- C. The Legend: The Iranian Operation in the Press
- D. The Plans for TPAJAX
- E. Chronology
- F. The Trial of Mosadeq and Riahi
- G. Map of Tehran

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ADMINISTRATIVE - WORKING PAPER

FOREWORD

This account of the role of the Central Intelligence Agency in the political action operation that altered the course of history in Iran was written with the enthusiastic cooperation of the [redacted] Directorate of Operations. It is based on files remaining in [redacted] (although the great bulk of the correspondence and traffic dealing with the operation was destroyed in 1962), on the draft history written in 1954 by Dr. [redacted] on personal interviews with a number of active and retired Agency officers who participated in the action, on Central Reference Service personality files, and on a variety of open sources. Unless otherwise noted, major documentary sources were [redacted]

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## THE BATTLE FOR IRAN

## I. INTRODUCTION

Iran in late 1952 was sliding toward economic and political chaos. Its young ruler, Mohammad Reza Shah, was indecisive and vacillating in the face of the crisis created by his fanatically nationalistic Premier, the 72-year-old Mohammad Mosadeq.<sup>1</sup> His country was involved in a bitter dispute with Great Britain over the oil concession that the British had since 1901 built into a lucrative industry. Iran's nationalists, personified by Mosadeq, had paralyzed this industry rather than allow foreigners to continue to direct its operations and benefit from their natural resources. With the dispute at an impasse and with Mosadeq ruling by decree, the country seemed headed for an economic collapse and political anarchy whose final outcome could well have been the establishment of a Soviet satellite in the Middle East. How the diplomatic and intelligence services of the United States  worked with Iranians loyal to the Shah to prevent the loss of Iran is the subject of this history. Understanding of how and why this action was taken will be clarified by an initial review of historical events and of Iran's people, economy, and politics.

## II. IRAN, ANCIENT AND MODERN

## A. The Nation

## 1. Imperial Past

The first Persian<sup>2</sup> empire, that of the Achaemenid dynasty, was founded by Cyrus the Great in the Sixth Century B.C. through conquest

<sup>1</sup> See Appendix B for a brief biography of Mosadeq.

<sup>2</sup> Persia was derived through Greek from Persis, the name the Greeks used for Parsa, the tribe and province of the Achaemenids. In 1935 Reza Shah insisted that foreigners use Iran, the native usage which means "Land of the Aryans," rather ~~SECRET~~.

of the Medes and other kingdoms of the region now generally known as the Middle East. Cyrus' grandson, Darius, further extended the empire, which he divided into 20 satraps or provinces connected by a network of imperial roads. The Achaemenid empire endured for almost 200 years, until it was destroyed by Alexander the Great of Macedonia. The Greeks were soon succeeded by the Parthian dynasty, which in turn was followed by the Sassanids, who ruled for 400 years from the third to the seventh centuries A.D. and who restored the glory of ancient Persia. In 651, however, the Arab invasion swept across Persia, which for the next nine centuries was ruled by a succession of foreign conquerors. A native Persian dynasty rose again at the beginning of the 16th century when the Safavids came to power; their rule lasted over 200 years and reached its peak under Shah Abbas from 1587 to 1620. Invading Afghans overthrew the Safavids in 1722 and were in turn driven out by Nadir Shah, a Turkic-speaking tribesman who launched a campaign of conquest that included invasions of India and the Caucasus. The succeeding dynasty, that of the Qajars, lasted<sup>ed</sup> until the early 1920's when Reza Khan<sup>3</sup>, a colonel in the Iranian army's Cossack Division, seized power in a military coup. He became Shah in 1925, deposing the Qajars and founding the Pahlavi dynasty. When Iran was occupied in 1941 by British and Soviet troops in order to guarantee the Allied supply route to the embattled Russians,<sup>Reza Shah</sup> abdicated and was succeeded by his son, Mohammad Reza Pahlavi, the present Shah.

## 2. The people

Of Iran's population in 1952 of under 18 million, more than 70% were ethnic Iranians of Indo-European stock; Persians made up

<sup>3</sup> See Appendix B for biographic details on Reza Shah.

50% of the total. The other ethnic Iranians included Kurdish, Gilani, Mazandarani, Lur, Bakhtiari, and Baluchi tribesmen, many of whom were nomadic or seminomadic peoples. Another 22% or so of the population were Turkic peoples, primarily the Azarbaijani of the northwestern provinces but also including the Turkoman and Qashqai tribal groups. Arabs made up about 5% of the population, and the remainder were non-Muslims, including Armenians, Assyrians, and Jews. Persian (or Farsi, as it is known in Iran) was the official language, spoken by most ethnic Iranians, although Turkic and Arabic dialects were also in use.

Almost all Iranians are Shia Muslims, in contrast to the Sunnis who predominate in the Muslim world. Shiites believe that the true succession to the leadership of Islam continued through the line of 'Ali (Mohammad's son-in-law) in the series of the 12 Imams, in contrast to the Sunnis who insist that the Caliphs succeeding Mohammad were selected by the consensus of the Muslim community. Although there is no organized Shia hierarchy, certain titles distinguish special members of the religious community. A cleric of limited theological training is a "mullah," while one who has studied at a higher institution is a "mujtahid" and qualified to adjudicate questions of religious conduct. The most important Iranian religious leaders have borne the honorary title of "Ayatollah," and the leader at the Shrine at the city of Qom may issue decrees which have the force of law to the faithful. A descendant of Mohammad may use the title "Sayyid" as part of his name, but he is not necessarily a religious figure.

The social structure in the early 1950's included an elite composed of the Shah, his court, and the 200 or more ruling families whose wealth

derived from agricultural landholdings. Below the elite was the upper middle class that included government officials, professional men, importers, bankers, and merchants. The urban middle class consisted mainly of small merchants, craftsmen, lower level clergy, and teachers and as a group had not benefited greatly from the economic development and educational opportunities of the previous two decades. The day laborers, street vendors, and service workers were at the bottom of the urban class structure. Most of the country's people were working in the 1950 era as tenants, bound to their landlords by an almost feudal system. Outside the Iranian social structure were the tribes, whose social system in times of peace impeded the progress and modernization of Iran and was a source of weakness. In times of stress, however, the tribes were a source of strength;

→ in the 1941-45 period, they remained relatively untouched by the general collapse, but while retaining some internal stability, the tribes nonetheless contributed to national confusion and disorder through their clannish narrow-mindedness, tribal rather than national loyalties, and readiness to resort to violence.

As a people, Iranians have been described<sup>4</sup> as having an intense national pride that has resulted from a fairly homogeneous stock and a 2,500-year history. In spite of this pride in the achievements of past dynasties and the high level of intelligence among those who have had the means to develop their potentials, the national movement of the 1950's accomplished little.

<sup>4</sup> John Marlow in Iran: A Short Political Guide, Frederick A. Praeger; New York; 1963.

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Among the reasons accounting for this are the fact that nationalistic feelings and native intelligence are often accompanied by an individualism that inhibits cooperation, by a cynicism that despises enthusiasm, by an impatience that derides calculation, and by a volubility that abhors discretion. Their nationalism thus has lacked an air of common purpose, of willingness to sacrifice, of the dedication that has given impetus to the national movements of other, less well-endowed peoples.

### 3. The economy

In 1950 Iran was still basically an agricultural nation with a backward economy.

Farming, stock raising, forestry, and fisheries probably accounted for half the gross national product; wheat was the major crop, followed by barley, rice, cotton, and tobacco. Manufacturing was growing in importance, with textiles--cotton and wool--leading the cement, match, and glass industries, although food processing was still the most important non-oil activity.

Oil, of course, prior to 1951 when the effects of the dispute with the British were severely felt, was contributing about a third of budgetary revenue and nearly two-thirds of foreign exchange. Oil revenues started to climb when the war ended, going from £7.13 million in 1946 to → £16.03 million in 1950; by 1952, they were only £8.3 million. In 1950, 31,217,000 metric tons of oil were exported, but this fell to 9,158,000 metric tons in 1951 and to a pitiful 14,000 metric tons in 1952 when the British left.

## 4. Politics and government

Until the early years of the 20th century, Persia had either been an absolute monarchy or had been under the rule of foreign invaders. In July 1906, however, popular resentment against the excesses of Muzaffir ad-Din, a Shah of the Qajar dynasty whose excursions to Europe were nearly bankrupting his country's treasury, grew so strong that widespread demonstrations and riots forced him to proclaim a constitution. This relatively liberal document, supplement<sup>ed</sup> in 1907 and amended in 1925, 1949, and 1957, provided for a government of three branches. The power of the executive was vested in the cabinet and in government officials acting in the Shah's name. The judiciary was composed of a hierarchy of civil courts up through the Supreme Court, while the legislative branch comprised the parliament, or Majlis, of 136 members, elected by the people every 2 years, and, after 1949, the smaller Senate, half of whose members were appointed by the Shah and half elected.

Whatever power remained in the hands of the Qajar Shah vanished soon after World War I, in which Iran had maintained a slightly pro-German neutrality that was violated by <sup>the forces of</sup> Turkey, Russia, and Britain. In February 1921, a young reformist politician, Seyyid Zia ed-Din Tabatabai, and Col. Reza Khan, commander of the Iranian Cossack Division<sup>5</sup>, combined to overthrow the government. Zia ed-Din became Premier and Reza Khan commander-in-chief of the army, but the two soon quarreled, and Zia ed-Din fled into exile in May 1921. Reza Khan remained

<sup>5</sup> The Cossack Division, at that time the only well-organized and effective unit in the army, came into being as a result of Nasr ed-Din Shah's visit to Russia in 1878. The Shah admired his Cossack escort and asked the Czar to send him Russian officers to organize a Cossack cavalry regiment in the Iranian army. It grew to a brigade and then a division, and its White Russian officers and noncoms were retained until October 1920, when Reza Khan replaced Col. Starrosselsky as commander and other Iranians took over for the remaining Russians. ~~SECRET~~

in power as Minister of War, devoting himself to the reorganization of the army. Unifying the heterogeneous military units into a closely knit, centrally controlled army, he employed it to <sup>expel the Bolsheviks,</sup> pacify Azarbaijan, and quell the rebellious tribes. Reza Khan took over as Premier in 1923, and two years later he became Shah.

The two focal points of Reza Shah's dictatorial rule were nationalism and modernization, and in this he greatly resembled Kemal Ataturk in Turkey, although his methods and goals were less radical. He improved the status of women and checked the power of the Shia clergy, but he stopped short of Ataturk's romanization of the national language--Farsi retained its Arabic script. As a nationalist, he was suspicious and guarded toward the Soviet Union and challenging toward the British, particularly as to the oil concession, which he felt did not sufficiently benefit Iran. He brought in first American and then German economic advisers to reorganize the country's finances and to serve as a counterweight to Soviet and British influence.

Reza Shah's dictatorial rule ended with the occupation of his country by the Soviets and the British in August 1941--an episode that will be discussed below--and a month later he abdicated in favor of his son, Mohammad Reza Pahlavi,<sup>6</sup> who was proclaimed Shah by the Majlis. He left Iran at once and eventually died in exile in South Africa in 1944. The Iranian government he left behind faced a difficult period, with a Russian occupation in the north and a British one in the south. Tehran remained a neutral zone, but the Allies controlled the transportation

<sup>6</sup> His biography appears in Appendix B.

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ADMINISTRATIVE - WORKING PAPER

system, and wartime shortages of food and consumer goods led to a crippling inflation.

Suddenly brought to power in an occupied country, the young Shah, who had been <sup>partially</sup> educated in Europe and who was believed to favor constitutional government, was unable \_\_\_\_\_ to provide strong leadership to his government. As a result the power of the Majlis increased, a large number of transitory political parties and partisan newspapers were started, the tribes again became defiant, the clergy became stronger, and the Communists--banned as a party in the 1920's--returned in the guise of the Tudeh Party. Tudeh, headed by leftists and former Communist Party members, received funds and direction from Moscow and recruited both members and sympathizers throughout Iran during the war years and until its overt apparatus was crushed in 1954.

Little more than a department of Reza Shah's government in the 1920's and 1930's, the Majlis emerged from the years of occupation as a revitalized if irresponsible political force. It insisted on confirming the appointment of the U.S. financial advisory mission in 1942, it imposed limits on the government's right to negotiate oil concessions, and it took on the selection of a new Premier as its privilege--although the Shah retained the right to approve or disapprove the choice. In its dealings with Premiers or Shahs, the Majlis had a powerful weapon--the quorum veto. The constitution stated that the Majlis could only be considered convened when two-thirds of its 136 deputies had reached Tehran, and half of those present in the capital constituted a quorum. Thus, if 91 deputies were in Tehran, the absence of 46 of them could keep the assembly from functioning.

Political parties in the Western sense had never been strong in Iran, and during the war years their number had multiplied. Only the Tudeh was

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an effective political organization, and it was included among the "minority" parties, as opposed to the "majority" grouping that tended to vote together on key national issues. In general, political forces in postwar Iran had sorted themselves out into left, right, and center groups. Tudeh and its sympathizers were on the left. The right was more heterogeneous and included Dr. Mohammad Mosadeq's National Front,<sup>7</sup> the fanatical religious organizations Fedayan Islam and Mojahadin Islam,<sup>8</sup> the several small fascist parties, most Tehran University students and professors, and many small merchants and businessmen. The center was moderate and inclined to be more pro-Western; it included the Shah, most army officers, the Democratic Party, and the wealthy merchants and landowners who favored the status quo. Aided by landowner control over the peasant vote, center candidates usually won the majority of Majlis seats, but in the late 1940's and early 1950's, the nationalistic policies of the right regularly won the voting support of the left and center.

#### B. Between Russia and the West

##### 1. Aggression from the North

Iran lost wars and territory to Czarist Russia in 1813 and again in 1828 and has lived in varying degrees of dread of its northern neighbor ever since. Great Britain was the counterbalance to Russian power--the British goal was to keep Iran as a buffer between Russia and

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<sup>7</sup> For example, in the 16th Majlis, elected in 1950, the National Front was composed of Mosadeq and eight followers who nonetheless were usually able to carry a majority of deputies with them on key votes.

<sup>8</sup> Fedayan Islam, numbering at most a few hundred members, carried out terrorist acts in support of its goal of reestablishing Islamic law and practice to a dominant place in Iran. Mojahadin Islam was more political; its religious spearhead in the Majlis included mullah Ayatollah Kashani and Shams Qanatabadi, two influential, politically oriented religious leaders.

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India--until 1907, when Britain and Russia signed an agreement to divide Iran into zones of influence. The British purpose was to secure Russia as an ally in Europe against the growing power of Imperial Germany, and the result was that northern and central Iran as far south as Isfahan was open to Russian economic and political influence. The British zone was southeastern Iran adjacent to Indian Baluchistan until 1915, when in return for rights to the oil-rich southwestern zone the British recognized Russian claims to control of the Turkish Straits.

During World War I, Iranian neutrality was violated by the Turks, the Russians, and the British; the Russians entered northern Iran to counter Turkish advances through Iran toward the Caucasus, while the British sent in troops and organized Iranians into the British-officered South Persian Rifles to counter German attempts at subversion among the tribes and sabotage of the oil pipeline. The Russian military collapse in 1917 left a vacuum in northern Iran and the Caucasus that the Bolsheviks, Turks, Germans, and British attempted to fill. Britain's anti-Bolshevik intervention in Russia and Iran ended in 1919, but a treaty was concluded with Iran in August 1919 that would have made Iran a virtual British protectorate. This treaty was never ratified by the Majlis, however, and when Reza Khan and Seyyid Zia ed-Din seized power in 1921, Iran formally repudiated it.

From the start, Soviet Russia's official policy toward Iran was friendly. In a January 1918 note, the Soviets renounced all Czarist privileges contrary to the sovereignty of Iran and promised to aid the Iranians in expelling British and Turkish occupying forces. Their note

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also declared that the 1907 treaty with Britain was no longer binding.

In an additional note of 26 June 1919, the Russians annulled all Iranian debts, renounced all Russian concessions in Iran--including the Russian Discount Bank and all railroads, harbors, and highways built by them--and declared the capitulations (privileges and exemptions guaranteed to Russian citizens in Iran) null and void. The Soviet-Iranian Treaty of Friendship of February 1921 formalized the provisions of the 1919 note, renounced any interference in one another's internal affairs, gave Iran the right to maintain naval forces in the Caspian Sea, and permitted Russia to send troops into Iran if it should become a base for a third-country threat to the Soviet Union. (This final provision, which originally applied to White Russian forces, was subject to Soviet interpretation of what constituted a threat and was a significant factor in restraining forceful British response to the Iranian takeover of the oil industry in 1951.)

Iranian relations with the Soviets in the 1920's concentrated on trade, which built up significantly until 1926, when a sudden and strict embargo was placed on Iranian agricultural products, mainly from the northern provinces. The embargo forced Iran to conclude a commercial treaty with the Russians that introduced barter transactions and gave the Soviets exclusive marketing privileges in Iran. This had several results: The Soviet share of Iranian foreign trade rose from 23% in 1926-27 to over 38% in 1928-29; Iranian industrial development was deliberately discouraged by the artificially low prices the Soviets put on competitive manufactured goods; and, Iran began to turn toward Germany as a foreign trade partner.

Germany, in addition to increasing its purchases of Iranian products, also became involved in the construction of the Trans-Iranian Railway, one

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ADMINISTRATIVE - WORKING PAPER

of Reza Shah's most important accomplishments. Germans ran Iran's internal airlines in the late 1920's and the 1930's, supplied railway rolling stock and motor vehicles, and aided industrialization in Iran by setting up foundries, coal mining equipment, a cement factory, textile and paper mills, and a machinegun factory. A German financial adviser replaced the American Dr. Arthur Millspaugh in 1927, and the Germans and Iranians signed a trade treaty in 1928 and a treaty of friendship in 1929. As a result, Germany's share of Iran's foreign trade rose from 8% in 1932-33 to 45.5% in 1940-41, and by August 1941 the number of German advisers, technicians, and businessmen in Iran reached 2,000.

The nature and extent of this German penetration into Iran became very significant when German armed forces invaded Russia in 1941 and rapidly moved deeply into the Soviet Union. Iran was the shortest and most feasible route for badly needed war materials to be sent to Russia by its new allies in the West. Further, the possibility of a German takeover in Iran was a risk the Russians could not allow. On 19 July and 16 August 1941 the British and Soviet diplomatic missions in Tehran presented notes demanding the expulsion of the Germans in Iran, but Iran insisted it was neutral and that no danger existed. On 25 August, the final Allied demands were presented and the invasion began; the Soviets entered Iran from the north in three columns, the British from the south in two. Iranian armed resistance was negligible except for a sharp fight in Khuzistan that cost 55 British casualties. The Ali Mansur cabinet resigned on 27 August, and the official surrender took place the next day.

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Under its terms, the Soviets were to occupy the five northern provinces and the British the southern provinces, leaving central Iran and the capital to the Iranians; all Germans were to be expelled or turned over to the Allies; Iran was to facilitate the transport of Allied supplies. Reza Shah's position was made untenable by the poor performance of his army and by the subsequent hostile Allied propaganda campaign, and he abdicated in favor of his 22-year-old son on 16 September 1941. Although most Germans were interned or sent back to Germany, a number of key agents escaped and sought to stir up the tribes to sabotage and rebellion; Maj. Julius Schulze <sup>-Holthaus</sup> worked among the Qashqai, and Franz Mayr<sup>e</sup> tried to stir up the Kurds and sabotage the railroads. A number of prominent Iranians were found to be listed among Mayr<sup>e</sup>'s actual or potential agents, and many of them--including Maj. Gen. Fazlollah Zahedi, who in 1953 became the leading Iranian military man in the coup that ousted Mosadeq and who succeeded him as Premier --were arrested and sent to detention camps in Palestine.

The de facto situation of the occupation was confirmed by the Tripartite Treaty of Alliance signed by the Soviet Union, Britain, and Iran on 29 June 1942. In this treaty, the Allies promised to withdraw their forces from Iran not later than six months after hostilities with Germany and its associates had ceased. Although the Iranians feared Russia and disliked the British presence and methods employed in seizing and running the transport system, they declared war on Germany in September 1943; presumably to ensure being on the winning side. When Roosevelt, Churchill, and Stalin met in Tehran in November 1943 (without ever officially consulting or advising the Iranian government), they signed the Declaration on Iran, which recognized Iranian assistance to the war effort, promised economic aid, and reaffirmed Iran's independence, sovereignty, and territorial integrity.

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Nonetheless, when the war ended in 1945, there were difficulties with the Soviets. In late 1944, they attempted to get Iranian approval for their exploitation of oil in Semnan in the Soviet zone. The furor over Iran's rejection of this offer, which was backed up by U.S. Ambassador Leland Morris' statement that the U.S. Government recognized the sovereign right of Iran to refuse to grant oil concessions, led to the resignation of Premier Sa'ed. With the new Premier under heavy Soviet pressure, Mohammad Mosadeq introduced a bill into the Majlis making it a crime for any cabinet minister to enter into negotiations with or to grant oil concessions to foreigners without the approval of the Majlis. The bill was passed on 2 December 1944.

Frustrated in their attempts to obtain a solid claim to oil in northern Iran, the Soviets became reluctant to leave Azarbaijan. On 29 November 1945, the United States proposed that all Allied troops be evacuated by 1 January 1946, but the Soviets insisted on the March 1946 date previously agreed to by the British. On 12 December, the "Autonomous Republic of Azarbaijan" was proclaimed, a national assembly elected, and Ja'afar Pishevari, a veteran Comintern agent, was named Premier. At the same time a Kurdish uprising took place in western Azarbaijan, and a Kurdish People's Republic <sup>was</sup> proclaimed with Qazi Mohammad as president; it promptly allied itself with the "Autonomous Republic."

On 22 January 1946, the Shah asked Qavam as-Saltaneh to form a new government. After dismissing General Arfa, who had pro-British tendencies as Chief of Staff, Qavam went to Moscow in February to negotiate with the Russians. The Soviets proposed that their troops remain indefinitely in parts of Iran, that Iran recognize the internal autonomy of Azarbaijan (whose premier would also be designated governor-

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general), and that rather than a Soviet oil concession a joint Iranian-Russian stock company be set up, with 51% of the shares to be owned by Russia, 49% by Iran. Qavam rejected these demands and returned to Tehran, where he faced a political crisis. The 14th Majlis was due to end its two-year term on 11 March 1946, and it had voted that no elections for the next Majlis could be held while foreign troops were still in the country (U.S. forces <sup>had</sup> left Iran 1 January, the British on 2 March). The deputies' attempts to meet and vote to extend their terms were frustrated by Tudeh demonstrators, who until after 11 March physically prevented a quorum from gathering. Qavam was thus left to rule the country <sup>alone</sup> until the 15th Majlis could be elected.

Iran then brought the matter of the continuing Soviet occupation before the new United Nations Security Council, and under U.N. and U.S. pressure, the Soviets on 4 April 1946 concluded an agreement with Iran that called for evacuation of all Soviet troops within a month and a half after 24 March 1946, the establishment of a joint stock oil company which would be approved by the Majlis within 7 months after 24 March, and arrangements for improvement of relations between the Iranian government and the people of Azarbaijan.

Accordingly, Qavam worked out an agreement with Pischevari that would have conceded most Communist demands while leaving Azarbaijan under the nominal authority of Tehran. The Soviets appeared to be gaining influence in Iran, an impression that was reinforced when on 2 August 1946 Qavam brought three Tudeh Party members and a Tudeh sympathizer into his "popular front" cabinet. In the meantime, Tudeh had provoked an oil

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workers' strike in Khuzistan that involved 100,000 workers in violence and sabotage.

The inclusion of <sup>the</sup> Tudeh in the Qavam government brought a British reaction. British troops were moved from India to Iraq, with the stated purpose of securing supplies of Iranian oil that Britain needed. Then, with encouragement from British consular and military advisers in their region, a coalition of Qashqai, Bakhtiari, and other tribesmen was formed which in a demonstration of force besieged Bushire, Abadeh, Kazerun, Bandar Amir, and besieged Shiraz. This was ultimately worked out in mid-October between the tribal leader Khan Qashqai, and General Zahedi, then commanding the garrison in which the government recognized the tribes' demands. On 17 October Qavam resigned and took office again, and the new cabinet had to not include the Tudehites; on 24 November Qavam ordered the Azarbaijan to supervise the elections for the 15th Majlis. In the chance to redeem itself for the failure in 1941, the army reformed enthusiastically. There was little resistance from the light Azarbaijan forces, and on 14 December the "autonomous" government collapsed. The army also captured the Kurdish stronghold of and executing the leaders of that rebellion. In Tehran, Tudeh headquarters were raided, and the way was opened for the elections to be

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When the 15th Majlis was finally inaugurated in August 1947, opposition led by Dr. Mosadeq began to fight the ratification of the oil agreement. In the face of Soviet pressure on the Iranian U.S. Ambassador, George V. Allen, in a speech on 11 September before the Irano-American Cultural Relations Society, made it clear that

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free to accept or reject the Soviet offer, and that in any case Iran would be supported by the United States against Soviet threats or pressure.

Citing American policy aimed at removing the fear of aggression anywhere in the world, Allen said:

The United States is firm in its conviction that any proposals made by one sovereign government to another should not be accompanied by threats or intimidation. When such methods are used in an effort to obtain acceptance doubt is cast on the value of the proposals.

Our determination to follow this policy as regards Iran is as strong as anywhere else in the world. This purpose can be achieved to the extent that the Iranian people show a determination to defend their own sovereignty. Patriotic Iranians, when considering matters affecting their national interest, may therefore rest assured that the American people will support fully their freedom to make their own choice.

Iran's resources belong to Iran. Iran can give them away free of charge or refuse to dispose of them at any price if it so desires.<sup>9</sup>

Thus convinced of U.S. support, on 22 October 1947 the Majlis rejected the Soviet oil agreement by a vote of 102 to 2 and instead passed a bill that forbade further oil concessions to foreign governments or partners and called for negotiations with the Anglo-Iranian Oil Company for a greater share of the profits. This measure was to have far-reaching effects on Iran's relations with Great Britain and the United States.

## 2. The Oil Dispute, 1949-53

The involvement of Great Britain in Iranian oil went back to the original D'Arcy concession of 1901, the first of a series of grants that were renegotiated at various times to keep up with the growth of the oil industry and world demand for oil. The Anglo-Persian Oil Company was founded in 1909, but it took on a new complexion in 1914 when the British government became the major shareholder. The reason for this

<sup>9</sup> The New York Times, 12 September 1947

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official investment was obvious; Winston Churchill became First Lord of the Admiralty in 1911 and forced the decision, which had been debated for nearly a decade, to convert the Royal Navy from burning coal to burning oil. On the brink of a major war, the navy had to be assured of a source of oil, which was both efficient and cheap. <sup>The</sup> Anglo-Persian (Anglo-Iranian, after 1935) Oil Company

continued to extract oil under its original concession for the next 30 or so years, building pipelines as well as a large refinery at Abadan. The concession was renegotiated in 1933 to give Iran a greater share of the net profits and to modify the concession area. Managers and technicians continued to be either British or Indian, with the Iranians providing unskilled or semiskilled labor.

Following the passage of the Majlis legislation of 1947 rejecting the Soviet oil concession, the Iranian government presented to Anglo-Iranian a list of 25 points to be discussed. Chief among these were British taxation on Iran's share of company profits, Iran's rights to the company's installations at the end of the concession in 1993, a reduction in the number of British employees, the royalty basis--that is, the price to be paid to Iran for each barrel extracted and sold through AIOC's marketing and transporting system, and Iranian tax and custom exemptions. After lengthy discussions, the so-called "Supplemental Agreement" raising the royalty payment from 4 to 6 shillings a ton and giving Iran 20% of distributed profits and general reserve was sent to the Majlis on 19 July 1949.

Debate began shortly thereafter, but the term of the 15th Majlis ended before a vote on ratification could be taken. Elections for the 16th Majlis were finally completed in March 1950, and Mosadeq and his eight National Front colleagues led the balloting in Tehran. Ali Mansur

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was named Premier, and the proposed Supplemental Agreement was turned over to the Majlis Special Oil Commission for study in June 1950, the same month in which Gen. Ali Razmara, a former Chief of Staff, became Premier. The commission's report to the Majlis stated that the agreement did not adequately secure Iran's rights and should not be ratified. Razmara's Minister of Finance then withdrew the agreement and reopened negotiations with the AIOC, which by February 1951 was willing to agree to a 50-50 profit sharing similar to the agreement that Aramco had worked out with Saudi Arabia. Razmara, however, had asked a group of experts to study the feasibility of nationalization of the oil industry; their view was that Iran lacked sufficient technical expertise to run the industry, that the concession could not legally be cancelled, that heavy compensation would be due Britain, and that both foreign exchange and prestige would be lost by hasty nationalization. When Razmara opposed immediate nationalization as impractical under the circumstances, he was assassinated on

7 March 1951 by a member of Fedayan Islam, the rightist religious - terrorist group. Hosein Ala briefly succeeded Razmara as Premier, and the Majlis approved the principle of nationalizing oil. When Ala resigned in April, the Majlis voted to recommend Mosadeq to the Shah as Premier, and he was appointed to the post on 29 April. Acting swiftly, the Majlis approved on 1 May a nine-point nationalization law. This act began a summer of hectic but fruitless bargaining that culminated in impasse and the departure in October 1951 of British managers and technicians.

Because the true issue in the dispute was political, in that the Iranians had come to identify oil \_\_\_\_\_ with their own resurgent nationalism, the two governments were never able to understand

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one another's position. The British, attempting to deal with a political problem in economic terms, believed that the Iranians had to sell their oil or go broke and that the best approach was to wait them out, at first for workable terms and later--after nationalization--for adequate compensation. The Iranians, assuming that the West could not do without their oil, were convinced that by hiring non-British technicians and leasing tankers they could operate the oil industry on their own. To the British, the Iranians seemed irrational and wasteful; to the Iranians, the British appeared overconfident and condescending. As a result, their negotiations were so unproductive and mutually frustrating that the British even considered military intervention to seize Abadan, although the strong possibility that the Soviet Union would invoke its 1921 treaty with Iran to oppose such a British move served as an effective deterrent. The legalistic approach of the British government, which as the major stockholder in the AIOC regarded the oil concession as a treaty or, at the very least, an agreement between nations, was to take the matter first before the International Court of Justice and then to the Security Council of the United Nations. In the end, the Security Council deferred to the decision of the ICJ as to its own jurisdiction, and when in June 1952 the court ruled that the concession was not a treaty and hence not a proper matter for it to consider, all legal approaches were exhausted. The dispute was at an impasse, and by October 1952 diplomatic relations between the two countries were broken off.<sup>10</sup>

### 3. Iran and U.S. Foreign Policy

United States foreign policy under President Harry Truman has

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<sup>10</sup> A more detailed but still necessarily brief description of the oil dispute is included as Appendix B to this history.

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been generally characterized as the "containment" of Communist aggression. Whatever its name, the policy evolved in 1947 when the British Government informed the United States that it could no longer afford to support Greece and Turkey--militarily and financially--against the very real threat of Soviet aggression and subversion. In assuming this burden, Truman said in a message delivered before Congress in March 1947:

I believe that it must be the policy of the United States to support free peoples who are resisting attempted subjugation by armed minorities or by outside pressures.

I believe that we must assist free peoples to work out their own destinies in their own way.

I believe that our help should be primarily through economic and financial aid which is essential to economic stability and orderly political processes.

The world is not static, and the status quo is not sacred. But we cannot allow changes in the status quo in violation of the Charter of the United Nations by such methods as coercion, or by such subterfuges as political infiltration. In helping free and independent nations to maintain their freedom, the United States will be giving effect to the principles of the Charter...

Should we fail to aid Greece and Turkey in this fateful hour, the effect will be far-reaching to the West as well as to the East....<sup>11</sup>

Usually credited with originating the containment theory behind the Truman doctrine is George F. Kennan, who in February 1946 as counselor of the U. S. Embassy in Moscow sent the Department of State a long telegram in which he analyzed Soviet postwar policy aims. His telegram struck responsive chords in Washington; James Forrestal, then Secretary of the Navy and later the first Secretary of Defense, gave the telegram wide circulation within the national security bureaucracy. When Kennan returned from his tour of duty in Russia, Forrestal sponsored him for the post of director of the National War College, where he stayed for less than a year before becoming head of State's new Policy Planning Staff.

<sup>11</sup> Public Papers of the Presidents of the United States: Harry S. Truman, 1947. U.S. Government Printing Office; Washington, D.C.; 1963; pp.173-9

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Kennan's article "The Sources of Soviet Conduct," which appeared in Foreign Affairs for July 1947 and which is credited with the initial statement of the containment policy, was an amplification of his Moscow telegram. It was originally written for Forrestal in response to a paper on Marxism and Soviet power prepared by a Forrestal staffer and sent to Kennan for comment.<sup>12</sup> In January 1947, Kennan addressed the Council on Foreign Relations in New York on his views on the Soviet Union, and Foreign Affairs editor Hamilton Fish Armstrong asked him for a paper along the lines of the talk for publication in that journal. Rather than write another paper, Kennan asked Forrestal's permission to publish the one he had done earlier, and when this was forthcoming, sent it to Armstrong with the request that it be signed "X".

In the "X" paper's description of the exercise of Soviet power, Kennan noted the innate antagonism between capitalism and socialism that was deeply imbedded in the minds of Soviet leaders. Moscow invariably assumed that the aims of the capitalist world were antagonistic to Soviet interests, and that, said Kennan, "means that we are going to continue for a long time to find the Russians difficult to deal with." Thus, he continued, "...the main element of any U.S. policy toward the Soviet Union must be that of a long-term, patient but firm and vigilant containment of Russian expansive tendencies." These could be contained "by the <sup>adroit</sup> and vigilant application of counter-force at a series of constantly shifting geographical and political points, corresponding to the shifts and manoeuvres of Soviet policy, but which cannot be

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<sup>12</sup> Much of this background is taken from John C. Donovan, The Cold Warriors; D.C. Heath & Co., Lexington, Mass., Toronto, and London; 1974.

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charmed or talked out of existence." <sup>13</sup>

However, in Kennan's view and in that of former Secretary of State <sup>14</sup> Dean Acheson, he was not the author of a containment policy or doctrine; he merely described what was happening. That he did it well, in a way that met the approval of a number of key policymakers of the time is obvious, but it was continued Soviet intransigence in pursuing openly aggressive policies that led to the U.S. reaction to the <sup>North</sup> Korean invasion in 1950, and the Korean War in turn institutionalized <sup>15</sup> a set of operational premises along these lines:

- A. The Soviet Union would resort to military expansionism if it were not checked by visible countervailing military power;
- B. Local imbalances of military power which favored the Soviets or a Soviet satellite would lead to further "Koreas";
- C. The most appetizing local imbalance to the Soviets was in Central Europe;
- D. The global balance of power would shift in favor of the Soviets if they were able to swallow the rest of Central Europe, i.e., West Germany and Austria; only the Greco-Turkish flanks had such a critical function for the balance of power (Japan was next most critical);
- E. Local imbalances in secondary and tertiary areas must not be neglected; the capability and clearly communicated will to defend whatever areas the Communists chose to attack was necessary to prevent them from picking and choosing easy targets for blackmail and aggression. A number of small territorial grabs could add up to a critical alteration of the global balance, and our failure to defend one area would demoralize nationals in other such localities in their will to resist the Communists.

It was against this background of U.S. policy and planning that the status of Iran in late 1952 was considered, and although Dwight D.

<sup>13</sup> In later years, writing in his Memoirs--1925-50, Kennan said that the X article's most serious defect was "the failure to make clear that what I was talking about when I mentioned the containment of Soviet power was not the containment by military means of a military threat but the political containment of a political threat." Whatever such hindsight is worth, Kennan's words were generally taken to mean political and military containment on a universal scale.

<sup>14</sup> In "Three Comments on the 'X' Article," by W. Averell Harriman, Arthur Krock, and Dean Acheson, Foreign Policy, No. 7, Summer 1972.

<sup>15</sup> In the view of Seyom Brown in The Faces of Power; Constancy and Change in U.S. Foreign Policy from Truman to Johnson; Columbia University Press; New York & London.

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Eisenhower succeeded Truman as President on 20 January 1953 and John Foster Dulles became his Secretary of State with the avowed intention to go beyond containment toward "dynamic liberation," U.S. policy in Iran continued to stress the need to contain Soviet power there as elsewhere.

The U.S. involvement in Iran's oil problems was admittedly reluctant; we had backed the Iranian government in 1947 when it resisted the oil concession the Russians were seeking to arrange in the north. Our statements at that time probably did much to encourage the Iranian mood to challenge the British concession as well, and <sup>as</sup> that challenge grew into a bitter dispute, the United States found itself caught in the middle of an argument between its chief European ally and an underdeveloped Middle Eastern country to which it was providing military and economic aid. As a result, the U.S. role became not so much one of mediator but rather as an honest broker attempting to bring two clients into an agreement for their mutual benefit. Truman's Secretary of State, Dean Acheson, had proposed<sup>16</sup> in July 1951 that the President send Averell Harriman, his foreign policy adviser, to Tehran to reopen negotiations. Despite violent anti-American rioting by Tudeh the day he arrived, Harriman did get the two sides talking again, but to little avail. When the British brought the case before the Security Council in October 1951, Mosadeq argued Iran's position before the Council; afterward, he visited Washington and met with Truman and Acheson, but their talks came no closer to reaching a basis for settlement.

<sup>16</sup> As recounted in Acheson's story of his years at State, Present at the Creation, W.W. Norton & Co.; New York; 1969; pp. 499-511 and 680-685.

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With the British out of Iran, the United States continued to look for solutions, and proposals involving both the International Bank for Reconstruction and Development and the American oil industry were put forth, without success. By the end of 1951 the Conservatives, under Churchill, were back in power in Britain and less willing than Labor to be frustrated by Iran, and Mosadeq's position, increasingly dependent on Tudeh support, grew more precarious.

