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Whose Oil? An Abbreviated History of the Anglo-Iranian Oil Dispute, 1942-53

In 1972, the then Shah of Persia, Naser ad-Din, in return for much-needed cash, gave to Baron Paul Julius de Reuter a concession to exploit all his country's minerals (except for gold, silver, and precious stones), all its forests and uncultivated land, and all canals and irrigation works, as well as a monopoly to construct railways and tramways. Although the resulting uproar, ~~especially~~ from neighboring Russia, caused this sweeping concession to be cancelled, de Reuter, who was a German Jew with British citizenship, persisted and by 1889 regained two parts of his original concession--the operation of a bank and the working of Persia's mines. Under the latter grant, de Reuter's men explored for oil without great success, and the concession expired in 1899, the year the Baron died. Persian oil rights then passed to a British speculator, William Knox D'Arcy, whose first fortune had been made in Australian gold mines. The purchase price of the concession was about 50,000 pounds, and in 1903 the enterprise began to sell shares in "The First Exploitation Company." Exploratory drilling proceeded, and by 1904, two producing wells were in. Shortly thereafter, <sup>British</sup> interest in oil was sharply stimulated by the efforts of Admiral Sir John Fisher, First Lord of the Admiralty, to convert the Royal Navy from burning coal to oil. As a result, the Burmah Oil Company sought to become involved in Persian oil and, joining with D'Arcy and Lord Strathcona, formed the new Concessions Syndicate, Lt<sup>d</sup>, which endured until 1907 when Burmah Oil bought D'Arcy out for 200,000 pounds cash and 900,000 pounds in shares. Burmah's first gusher came in a <sup>t</sup> 1,180 feet in May 1908, near Masjed Soleyman, and a year later, after some complicated financial

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dealings in London, the Anglo-Persian Oil Company (APOC) was born, incorporating the shares and rights of the earlier concessionaires. The company chose Abadan as the site of its refinery and made local ~~arrangements~~ <sup>physical</sup> for its security with both the Shiekh of Mohammerah and the Bakhtiari tribal khans; the former was paid an annual rental and was promised continued autonomy from Tehran, while the latter were to receive 3% of net oil revenues (to be paid out of the Persian government's share of 16%).

When Winston Churchill became First Lord of the Admiralty in 1911, his persistent prodding changed the Royal Navy over to oil. To ensure a source of cheap oil, the British government became a major <sup>(51%)</sup> shareholder in the APOC in 1914, adding 2 million pounds in capitalization and signing a 30-year contract for fuel oil at cut rates (Churchill wrote in 1923 that this contract had saved Britain no less than \$7.5 million on its wartime oil purchases).

Differences as to how profits were to be shared between the Persian government and the APOC began after ~~World War I~~ <sup>World War I</sup>. The company claimed that Persia's share of the profits applied to the earnings of the three subsidiaries actually operating in Persia (based on Article 1 of the D'Arcy concession, which defined its limits as "throughout the whole extent of the country"). Persia claimed it was entitled to a share of the profits from all operations, including extracting, producing, refining, and marketing its oil, wherever these operations might take place. There were also problems over British claims for wartime damage to pipelines by Bakhtiaris incited by German and Turkish agents. The British attempt to negotiate a settlement calling for new profit-sharing arrangements fell through in 1920, and the relationship tottered along under the old agreement until 1933.

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In 1921, Reza Khan, a colonel <sup>Commanding</sup> of the Iranian <sup>Division,</sup> ~~cossacks (formed~~  
~~in 1279 by Russian officers loaned by the czar, whose Cossack escorts~~  
~~Nasser ad-Din Shah had admitted on a visit),~~ seized power by deposing the  
 government of the  
 last Qajar Shah. He visited Abadan after becoming Shah himself in 1925,  
 and his account of the trip gave warnings of things to come. He noted  
 that of the 29,000 employees in the oilfields and refinery, 6,000 were  
 foreigners, and he expressed concern that so few Persians were being  
 trained for higher level posts. He also saw that the British staff  
 enjoyed an obviously higher standard of living than the others, and that  
 while the refinery area appeared prosperous, the surrounding districts  
 had not felt any positive impact from this major industry in their area.  
 Finally, he was disturbed by a manager's description of cutting down pro-  
 duction in order not to upset world markets--but at a loss to Persia.

So, Persian dissatisfaction continued to build up until November 1932,  
 when the government notified the company that the D'Arcy concession, signed  
 under the Qajar regime, was annulled and a new concession would be granted  
 on the basis of equity and justice<sup>e</sup>. This new concession was not easily  
 arrived at--the British government referred the annulment to the League of  
 Nations, whose Council sent Dr. Eduard Beneš<sup>v</sup> of Czechoslovakia to reconcile  
 the two sides. Two legal points were thus established that were to affect  
 the later dispute in 1951: the right to annul the concession was recog-  
 nized, and the League accepted the viewpoint of the British that such a  
 case could be brought to the Council under Article 15 of the Covenant (which  
 provided for a hearing on disputes between members that were likely to lead  
 to a rupture in diplomatic relations and for the solution of which no legal  
 recourse existed). The two parties finally worked out a new concession  
 agreement that was ratified by the Majlis (the ~~lower house of the Persian~~

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parliament) and signed by Reza Shah on 29 May 1933; it extended the life of the concession to 1993 and set up a new royalty basis. By its terms Persia would receive 4 shillings on every ton of oil sold in Persia or exported, plus 20% of the dividends over £671,250 distributed to shareholders, with a minimum dividend of £750,000 per year. To avoid Persian taxation, the company agreed to pay a small additional royalty on tonnage, and it would continue to pay British taxes out of gross profits.

It was the oil business as usual until the summer of 1941 when Germany invaded the Soviet Union. Because German influence in Iran (as Persia was renamed in 1935 by Reza Shah) had grown significantly and because the country was the best route for Allied supplies going to the beleaguered Soviets, the Allies determined to send in occupation forces. <sup>In August</sup> Russian troops took over the five northern provinces, British forces <sup>^</sup> went into the south, and the area around Tehran was neutralized. Following <sup>Iranian army collapsed and the</sup> three days of futile and desultory resistance, the <sup>^</sup> Shah abdicated in favor of his young son, Mohammad Reza Pahlavi; <sup>thus</sup> ~~and~~ Iran was <sup>^</sup> an occupied country until 1946. Abadan continued to produce petroleum products for the Allies, but the Soviets took advantage of the situation and attempted to obtain an oil concession in the north. In late 1944, the Soviets were advised by Premier Sa'ed that the cabinet had ruled out the granting of further concessions until after the war. When pressure was applied through the leftwing parties, Sa'ed resigned, at which point the Majlis passed a bill introduced by Dr. Mohammad Mosadeq forbidding any discussion of or signing agreements for an oil concession with any foreign representatives. The bill passed, despite Communist opposition, thereby blocking a Russian concession, but in the course of the debate the possibility of revoking the

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AIOC concession was seriously raised. Despite the law, Premier Qavam in April 1946 signed an agreement giving the U.S.S.R. an oil concession in northern Iran. The Majlis refused to ratify the concession, and in the bill rejecting it, the legislators declared that it was forbidden to grant any concession to export oil to foreigners; further, they instructed the government to look into possible violation of the rights of the people in connection with the southern oil concession held by the AIOC.

With the wartime occupation over, the British oil managers began to have labor troubles. The 1946 general strike was settled with a pay raise, but this was only the start. In 1947 the Iranian Ministry of Finance sent a delegation to London to discuss money due the Iranian government, various employee grievances, reduction of foreign staff, expansion of local distribution facilities, and the AIOC policy of concentrating refining activities outside Iran. To these complaints, the company, obviously feeling secure in the legality of its concession, was relatively unresponsive.

*Iranian*

The law of 22 October 1947 instructed the government to open discussions with the AIOC to secure the nation's rights to its oil resources. These "discussions" started more than 5 years of bargaining and debating, proposal and counterproposal, charge and countercharge, until they eventually reached the Security Council of the United Nations. The Iranians led off in August 1948 with a 50-page memorandum that listed 25 points that were to be discussed with the company in implementing the 1947 law. The main items on this list included British taxation of Iran's share of oil profits, Iran's ultimate rights to AIOC installations outside the country at the end of the concession (it had already been promised those in Iran), reduction in the number of foreign employees, <sup>termining</sup> <sup>duration</sup> the length of the concession (by 1993),

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the Iranians felt, they would have little oil left in the ground), the royalty basis, and tax and custom exemptions. Negotiations with company representatives began the following month, continuing intermittently thereafter. Shortly before the 16 January 1949 attempt by a Tudeh Party member to assassinate the Shah at Tehran University, Premier Sa'ed identified higher profits and more Iranian employees as his main goals in these discussions; he pointed out that Iran's oil royalties for 1947 were just over £7 million, whereas the AIOC had paid some £15 million in British income taxes. Specifically, Iran wanted control of the company's operations as well as a 50-50 split of the net profits. On 5 May 1949, AIOC chairman Sir William Fraser came to Tehran with a draft of the "Supplemental Agreement," and this draft was basically the agreement signed by the government and company on 17 July. The royalty payment was increased from 4 to 6 shillings per ton, and Iran was to get 20% of the distributed profits (with a minimum of £2.5 million) and general reserve, terms well short of the 50-50 sharing Iran wanted and which the American executives of Aramco were in the process of agreeing to give Saudi Arabia. The agreement was sent to the Majlis on 19 July, and debate began on 23 July, lasting 4 days before the 15th Majlis formally went out of existence. The oil agreement bill as well as the new election bill were left over to the next Majlis.

Elections for the 16th Majlis began in the fall of 1949 and were finally completed in March 1950, with Dr. Mosadeq and his eight <sup>National Front</sup> followers leading in the balloting in Tehran. Ali Mansur became Premier, and in June the oil agreement was turned over <sup>for study</sup> to the 13-man special oil commission that included Mosadeq and five other members of the National Front. Six days later, the Shah dismissed Mansur and appointed General Ali Razmara, former Chief of Staff, as Premier. The commission reported back to the Majlis on

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~~Some~~ that the agreement was not adequate to secure the rights of Iran and that it was opposed to its ratification. The Minister of Finance then withdrew the agreement, announcing that negotiations for increased royalties would be reopened with the AIOC.

In February<sup>1951</sup>, the AIOC offered Iran an agreement similar to Aramco's, including the 50-50 profit sharing, but it was too late; the National Front was intent on nationalizing oil and it dominated the Majlis. The oil commission indicated it, too, favored that course, despite the report from the experts appointed by Razmara to study the feasibility of nationalization. The experts had pointed out Iran's lack of technical and financial expertise, plus the facts that the concession could not legally be cancelled, that Iran would be liable for up to \$500 million (in compensation, that heavy losses in foreign exchange and prestige would result, and that it would be unwise to antagonize Britain. On 7 March General Razmara was shot and killed by a member of Fedayan Islam, a rightist terrorist group, and Hosein Ala succeeded him as premier.

When the Majlis in mid-March unanimously accepted the principle of nationalization, the British Foreign Office notified the Premier that an act of nationalization would not legally terminate the oil company's operations. Shortly thereafter, strikes broke out in the south as a result of the company's cutting a hardship allowance for Iranian workers in certain areas plus other grievances. Martial law was declared on 26 March, and in early April rioting began in Abadan that did not end until troops fired into the crowd; 6 were killed and 30 wounded, and two British oil workers and a sailor were also killed.

As members of the National Front were presenting their draft of an oil nationalization law to the special oil committee, Premier Ala resigned.

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The Majlis approved the law and at the same time voted to recommend to the Shah the appointment of Mosadeq as Premier; the Senate followed suit. The Shah acceded, appointing Mosadeq on 29 April; two days later he signed the nine-point law that in broad terms ordered the government takeover from the AIOC. The company's response was to hold up the May monthly advance payment of \$2 million and to ask that entire oil problem be submitted to arbitration, a request that Iran did not acknowledge. On 25 May the British government brought the matter before the International Court of Justice, the same day it despatched the 16th Independent Parachute Brigade Group to Cyprus; two Royal Navy cruisers and three frigates were already in the Persian Gulf area. In addition to the <sup>British</sup> government's request, the AIOC asked the ICJ to appoint an arbitrator, as provided in the 1933 concession agreement. The Iranian view of these appeals to The Hague was simple: Iran did not recognize the competence of the court to deal with the matter, which concerned Iran's internal affairs.

The United States became seriously involved in these discussions for the first time in mid-May 1951. A State Department statement of 13 May urged both sides to try to find an agreeable compromise solution; it noted that the United States recognized the sovereign right of Iran to control its resources and industries but said that the technical knowledge, capital, and transport and marketing facilities were all controlled by the AIOC. It further stated that U.S. oil companies had indicated that they would not, in the face of unilateral Iranian action against the AIOC, be willing to undertake operations in Iran or provide technicians to work there. The note pleased neither Iran nor Britain, which was the object of U.S. pressure to accept the nationalization concept and work toward a compromise. At President Truman's urging, conveyed through Ambassador Grady in Tehran and

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by letters to Prime Minister Atlee and Premier Mosadeq, the British agreed to send a delegation and the Iranians agreed to accept it.

Talks got underway on 14 June, with the Iranians demanding that the AIOC hand over 75% of net oil revenues since 20 March and put the other 25% into a bank, presumably to be eventually paid <sup>back</sup> as compensation. The British, 5 days later, proposed that a new company be established by the AIOC to operate the oil industry on behalf of Iran; the profit split would be 50-50. No compromise between these two points of view appeared possible, and on 21 June the British went back to the ICJ with a request for an injunction to halt the nationalization process until the court had ruled on the original U.K. application. Since Iran had already refused to recognize the court's jurisdiction, it was not represented when the court issued an order to maintain the status quo as of 1 May 1951, with a Board of Supervision consisting of two Iranians, two Britons, and one individual of another nationality empowered to run the industry.

Iran ignored this order and prepared to move the managers of the National Iranian Oil Company (NIOC) into Abadan, while the AIOC began to slow down the output of the refinery and prepare for evacuation. Export of oil stopped, and in the face of an antisabotage law introduced in the Majlis, the British staff resigned. Mosadeq wrote to President Truman on 27 June, complaining about the British attitude and the actions of the British technicians, whom he wished to retain as contract employees to run the oil industry. Truman's reply on 9 July stressed the U.S. desire for a peaceful settlement and urged Mosadeq to go along with the ICJ order; he also offered to send his foreign policy adviser, Averell Harriman, to Iran to help work out a solution. Mosadeq agreed to accept

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Harriman as a mediator, provided that any scheme he suggested would be consistent with the nationalization law. Harriman's arrival in Tehran on 15 July was hardly auspicious; in the course of a massive demonstration against the United States, Tudeh mobs fought with the National Front and other elements; the police and then the army intervened, and 15 people were killed, over 200 wounded (the Minister of Interior, General Zahedi, resigned as a result of the criticism he received over the handling of the demonstration).

Seeking to find some common ground for agreement, Harriman persuaded Mosadeq to enter into further discussions on how to implement the law, contingent on the British accepting the principle of nationalization. He flew to London to arrange for a new British mission to Iran but found the Labor cabinet insistent on an improvement in conditions in the oil area, including "an end to provocation of British staff." Compromise versions of the messages between the two governments were worked out by Harriman, and Prime Minister Atlee and Foreign Secretary Morrison agreed to send Richard Stokes, Lord Privy Seal, as the head of a high-level delegation to Tehran. Stokes' proposal, after preliminary meetings with the AIOC staff in Abadan, was very similar to the earlier British suggestion that an AIOC purchasing organization, with Iranian representation, handle the marketing of the oil as a monopoly, with profits evenly divided. Iran, of course, would not give up the idea of nationalization and said it would discuss only three points--the purchase of oil for British needs, AIOC claims for compensation, and conditions required for continued employment of British technicians. At a private meeting of Harriman, Mosadeq, and Stokes, the latter suggested that a British general manager be appointed, to act under direction of the NIOC. The Iranians would not

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accept this, proposing instead a board of management composed of experts from countries "with no special political interest" in Iran. Stokes would not even discuss this point and returned to London on 23 August <sup>1951</sup>. U.S. Ambassador Grady was replaced in Tehran on 11 September by Ambassador Loy Henderson, and Mosadeq was advised by Harriman from Washington that his proposals were not workable since they did not conform to the practical and commercial aspects of the international oil industry. Iran told the small British staff still in Abadan that it must leave the country within a week from 27 September, and on 4 October the last of the AIOC personnel duly left Iran.

In the meantime, the British government asked that the case be considered by the U.N. Security Council as a potential threat to world peace, and on 1 October the Council agreed to put the question of intervention on its agenda. Mosadeq flew to New York to present Iran's case. The Security Council listened to both sides, debated the British resolution from 15 to 19 October, and finally decided to adjourn the question until after the ICJ had ruled on its own jurisdiction. In the British general elections shortly thereafter, the Conservatives were returned to power, with Winston Churchill as Prime Minister and Anthony Eden as Foreign Secretary; in a speech in Commons, Eden declared there were three elements that would be involved in a satisfactory solution to the problem--first, the Iranian economy depended on efficient operation of the oil industry; second, the benefits must be shared between Iran and the developers of the oil resources; and finally, fair compensation must be paid for the act of nationalization.

The ICJ met on 9 June 1952, and the legal arguments eventually were reduced to the interpretation of the Iranian declaration of 2 October 1930

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recognizing the Jurisdiction of the Permanent Court of International Justice (predecessor to the ICJ) in disputes "arising after the ratification of the present declaration with regard to situations or fact relating directly or indirectly to the application of treaties or conventions subsequent to the ratification of this declaration." The legal points at issue were whether the dispute related to a treaty or convention and, if so, was it a treaty or convention covered by the declaration? The court finally ruled that the word "subsequent" referred to "treaties" and not "situations" and that since the oil concession was not a treaty, it did not have jurisdiction. The British thus lost their ICJ case and with it their chance to have the Security Council pass on their resolution.

The matter nonetheless remained at an impasse. While the nations involved waited nearly 8 months for the ICJ ruling, other compromise solutions were sought. In November 1951, officials of the International Bank for Reconstruction and Development (IBRD) proposed that the bank finance, as trustee, the production and refining of Iran's oil and then sell it to the AIOC at current Persian Gulf oil prices, Iran to receive payment at these prices, less an agreed discount which would go to the AIOC. The British were willing to go along with this if AIOC technicians would be employed, but Iran would not agree to either the technicians or the discount. The IBRD tried again, proposing a neutral board of management responsible to the bank which would arrange a bulk export contract for the sale of oil through established distribution channels; the profits would be divided three ways--one share to Iran, one to the bulk purchaser, and one to be held in reserve by the bank. However, on the question of non-Iranian management, the use of British technicians, and the selling price of the oil, the negotiations ultimately broke down. The IBRD

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mission returned to New York on 23 March 1952. At about the same time, President Truman notified Mosadeq that the United States would not give Iran a loan of \$120 million at a time when the country had an opportunity to get "adequate revenue" from its oil resources; he thus none too subtly pressed Mosadeq to settle the oil dispute.

Relations between the Iranian and British governments deteriorated steadily. Iran attempted to sell the oil stored in the tanks at Abadan to Italian and Japanese firms, but AIOC action in the courts plus the cooperation of the international oil industry with the British limited the amounts of oil that could be delivered. In January 1952, Mosadeq had ordered all British consulates closed; he followed that by closing all foreign information and cultural centers in Iran. He made some attempt to reach agreement with the British on compensation, but his proposals included large offsetting amounts for unpaid royalties and other payments stopped by the cessation of oil production in 1951. When the British in October 1952 described his final proposals as "unreasonable and unacceptable," Mosadeq broke off diplomatic relations with the United Kingdom.

The premier in the meantime had scored internal political victories of his own. Re-elected by the new Majlis in July 1952, he asked for six months of emergency powers to rule by decree in order to deal with the critical economic situation. When the Shah refused, Mosadeq resigned, and Qavam was appointed in his place; the result was four days of rioting by both Tudeh and the National Front. Qavam <sup>then</sup> resigned, and on 23 July Mosadeq again became premier; his political ally and one of Tehran's best known religious figures, the mullah Ayatollah Kashani, was named Speaker of the Majlis, which then voted Mosadeq decree powers for one year. The Senate and the Shah concurred, and the stage was set for the anti-Shah

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political maneuvering of early 1953, during which Mosadeq permitted the Tudeh Party and its front groups considerable freedom, perhaps with the idea of pressuring the United States to come to Iran's aid. Implied threats to turn to the Communists were contained in a Mosadeq letter of 28 May 1953 to President Eisenhower requesting a large loan, and the Eisenhower reply, as a matter of policy, was cold in its rejection of this threat and its accompanying bid for help. Eisenhower's letter concluded:

I fully understand that the Government of Iran must determine for itself which foreign and domestic policies are likely to be most advantageous to Iran and the Iranian people. In what I have written, I am not trying to advise the Iranian Government on its best interests. I am merely trying to explain why, in the circumstances, the Government of the United States is not presently in a position to extend more aid to Iran or to purchase Iranian oil.

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.

I note the concern reflected in your letter at the present dangerous situation in Iran and sincerely hope that before it is too late the Government of Iran will take such steps as are in its power to prevent a further deterioration of that situation.

Following the August 1953 coup that overthrew Mosadeq, the oil dispute was settled along the lines that had been proposed to Mosadeq-- the oil industry was nationalized, but its operations were directed by a group of foreign oil companies. The details of this arrangement were worked out by a series of conferences, but Herbert Hoover Jr., as special oil adviser to the Secretary of State, had an important role in convincing the Iranians of the wisdom of dealing with a "consortium." Between Hoover's initial visit to Tehran in October 1953 and the announcement of a new agreement in August 1954, Britain and Iran resumed diplomatic relations. Under the terms of the agreement, the National Iranian Oil Company delegated basic operations in 100,000 square miles of southwestern Iran to an international consortium known as Iranian Oil Participants, Ltd., until

\* See attached map of <sup>concessions</sup>

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1979, with an option of extension to 1994. British Petroleum, the new name of the AIOC, owned 40%, Royal Dutch-Shell 14%, Compagnie Francaise des Petroles 6%, and U.S. oil companies 40% (7% each to Standard Oil Company of New Jersey, Standard Oil Company of California, Socony Mobil Oil Company, The Texas Company, and Gulf Oil Corporation, and 5% to Iricon Agency, Ltd., comprised of nine small U.S. oil companies). Since 1954 the AIOC has carried out a number of operations of its own, and, after the passage of a new oil law in 1957, has allowed Italian, U.S., and Canadian companies to explore for oil and conduct operations outside the consortium's territory. The consortium has produced 90% of Iran's oil, however, and the rate of production has been the highest in the world, increasing at an annual rate of almost 14% in the 1960's and reaching 1.7 million barrels in 1971, which was 10% of world output and second largest production in the Middle East. Price increases levied by Iran and other Persian Gulf members of the Organization of Petroleum Exporting Companies in 1971 and 1972 resulted in an estimated \$14 billion for those years, and the Middle East oil crisis of late 1973 raised prices even higher. Iran is currently very concerned about its estimated reserves, which at current rates of extraction may barely last until 1994. Oil accounts for 23% of Iran's GNP, including some 95% of its foreign exchange earnings and 60% of its budgetary revenues.

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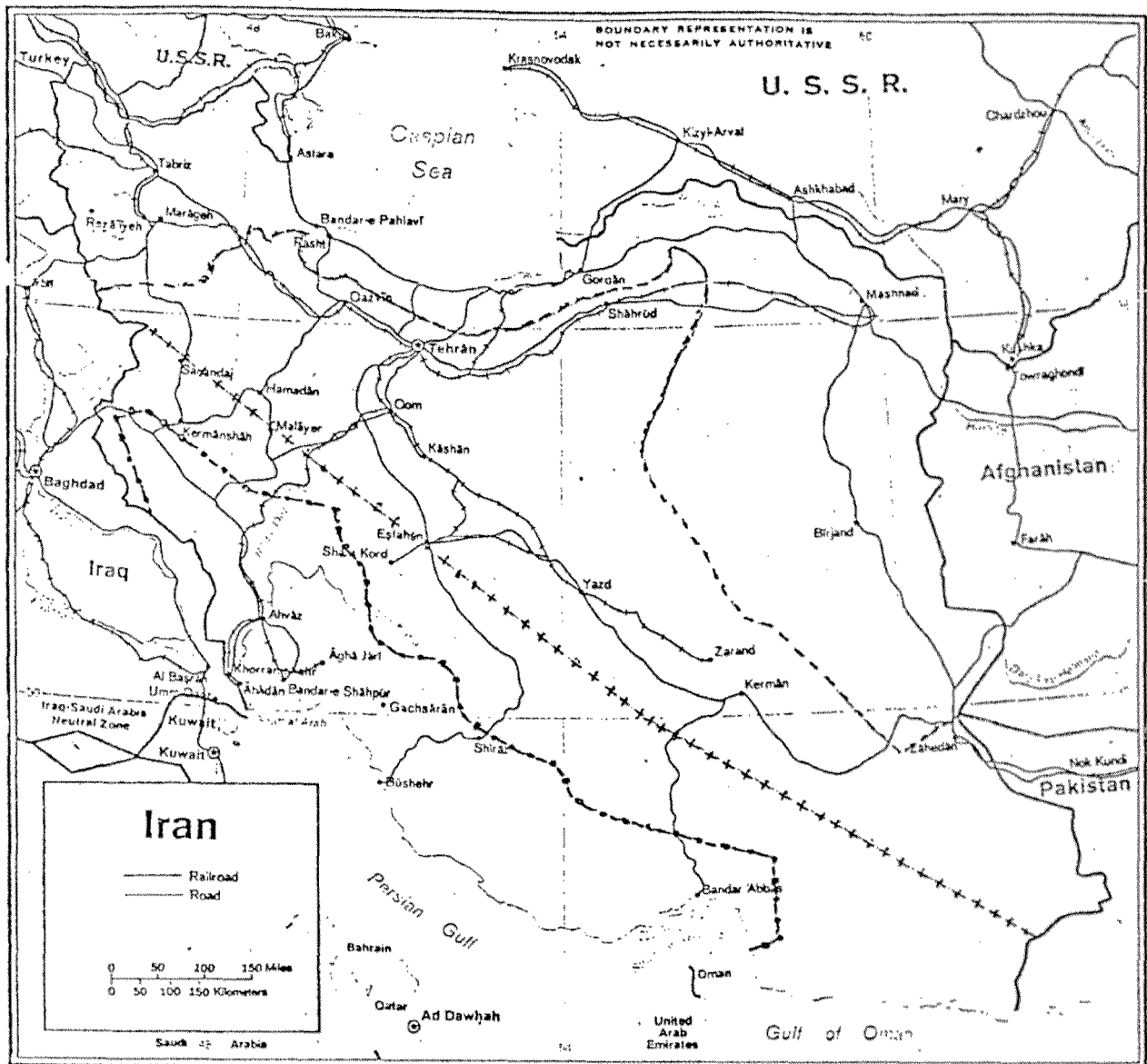
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Map, Appendix A



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**Oil Concession Boundaries**

APOC concession, 1901 - - - - -

APOC concession, 1933 - + + + + +

Consortium concession, 1954 - . . . . .

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Biographic Sketches

APPENDIX B

MOHAMMAD MOSADEQ:

The bare bones of the life of the man who was Premier of Iran from 28 April 1951 to 19 August 1953 and who was the target of TPAJAX <sup>are these:</sup> ~~\_\_\_\_\_~~

\_\_\_\_\_ He was born about 1381 (1878 or 1879 are probably more accurate dates, but 1381 was always given as his official birth year because of the restrictions on the <sup>maximum</sup> age of Majlis deputies) in Tehran, his mother being a member of the ruling Qajar dynasty and his father the Minister of Finance for some 30 years. His family background was thus the elite, wealthy, landowning class. His secondary education ~~barely~~ complete, Mosadeq was sent to Khorasan as the Shah's financial agent while barely out of his middle teens. In 1906, forced into exile because of his role in the Constitutional Revolution that year, he went to Europe to study law at Paris, Liege, and Neuchatel, earning his LL.D. from the last institution in 1914. Returning to Iran, he was elected to the Majlis in 1915, serving on its financial committee. As Under Secretary of Finance in 1917, he resigned after only a few months in office because he was prevented from carrying out reforms in the notoriously padded payroll system. He became governor of Fars Province in 1921, but his criticism of Reza Shah led to arrest in 1930 and exile to the villages. He was again arrested in 1941 but was released in the general political amnesty after Reza Shah's abdication. Mosadeq was again elected to the Majlis in 1944, where in 1947 he organized the National Front, a small, tightly knit, and highly influential group. As a member of the oil commission, he gained in influence not only in the Majlis but among the people, and his April 1951 appointment as Premier was at the Majlis' request. From then until his removal from office in August 1953, he concentrated his energies on expropriating the British-owned

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oil industry in defiance of Western attempts to negotiate a settlement that stopped short of complete nationalization. Sentenced to three years in prison in a post-coup trial, he was eventually pardoned by the Shah in August 1956, but he was forced to remain in his village of Ahmadabad under virtual house arrest for the 11 years until his death in March 1967. He had suffered from cancer of the jaw and finally succumbed to internal bleeding after two operations in Tehran.

The above facts do little to explain his <sup>often bizarre</sup> behavior as a politician, but <sup>most of his actions, even his most emotional and apparently irrational ones, were probably well calculated.</sup> The popular world image of him as an enfeebled old man, given to hysterical weeping and fainting spells, served his own purposes and gave him tremendous leverage among his people. He used the accepted belief that he was ill and weak to avoid things or people he did not want to face, and his apparent physical debility added to the drama of his personality, which in public speeches was capable of moving <sup>even</sup> his opponents.

Mosadeq's power rose from his consummate ability to appeal to national aspirations and emotions. By attempting to deal with a heated political problem in logical, rational terms based on economic facts, the British were unable to achieve anything in the oil dispute but to unify the people of Iran. Reza Shah had held power for 20 years by appeal <sup>in</sup> to latent Iranian nationalism; Mosadeq used this awakened nationalism and the desire for independence to keep himself in power and to defy Britain. His speeches and programs appealed to social discontent, xenophobia, religious fanaticism, and national pride in past glories. His enormous gamble on the oil issue, based on his belief that Britain

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and the United States would not let Iran go Communist, was part vanity, part Islamic fatalism. He utilized foremost the technique of opposition-- his nine-man National Front opposed every government in power, whether under Sa'ed, Mansur, Razmara, or Ala--and then, once Premier, his single plank was opposition to the British over the oil question.

Mosadeq was antagonistic to the Shah for many reasons: his mother was a Qajar, whose family was overthrown by the Shah's father, the same man that had exiled and then imprisoned him; in addition, he had long believed in constitutional reform to reduce the power of the monarchy. He opposed the army because it had brought Reza Shah to power and was the main source of support for Mohammad Reza Shah; by retiring senior officers and putting in his own Chief of Staff, the young, French-trained Brig. Gen. Taqi Riahi, he had obtained a degree of control over the army. But, by so doing, he set the stage for the officer corps to turn against him. His own extreme nationalism, fantasies of omnipotence, and lack of conscience--in manipulating Tudeh, at the risk of it getting out of control as it did in the streets of Tehran on 18 August, were the seeds of his own eventual downfall. But he was a most unusual man, one whose character caught the world's fancy, even as he drove his countrymen toward disaster. At any time in 1951 or 1952 he could have had the same compromise through which his successors gained a nationalized oil industry efficiently run by foreign experts to give Iran the revenue that financed the Shah's White Revolution. He chose to gamble on total victory over Britain, the United States, and the international oil industry--and he lost.

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MAJ. GEN. FAZLOLLAH ZAHEDI

Born in 1897 in Hamadan, Zahedi graduated from the Military School in Tehran and served during the years of World War I and the postwar period under Reza Khan, then a colonel in the Cossack Brigade\*. As a combat officer, he was decorated for action against assorted bandits and insurgents, including rebellious Kurds, Lurs, and Turkomans. He had become a division commander by 1942, after service as head of the Gendarmerie and the Tehran Police, but he was arrested by the British that year for pro-German activity (his name was found in the papers of Franz Mayer, a principal Nazi agent in Tehran, as an officer who would protect German agents) and deported to Palestine, where he was held until 1945. Despite his arrest and subsequent three years in a detention camp, he did not become fanatically anti-British as did many xenophobic Iranians. Returning to Tehran after the war in 1945, he was given command of the Fars Division and promoted to major general. In 1948, as Inspector General of the army, he was severely injured in a tank accident, losing four ribs, and after 7 months of medical treatment in Germany, some of it by U.S. Army doctors, he was retired in May 1949. The Shah made him his honorary adjutant, and in November 1949 appointed him Director General of the Tehran Police. In April 1951 Zahedi became Minister of Interior in the Ala cabinet and was retained in that post by Mosadeq when he became Premier. He resigned in August 1951, following

\* There was a Cossack Brigade in the Persian Army solely because Nasr-ed-Din Shah visited Russia in 1878 and was provided with a Cossack escort by the Czar. The Shah was so impressed by the Cossacks that he asked the Czar to send him Russian officers to organize such a unit in his own army. The Brigade retained Russian senior officers and noncoms until 1920, and as long as it was in existence, it was the best trained and most professional unit in the army

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the anti-U.S. riots in Tehran on 15 July in which the mob got out of hand and the army had to be called in to fire on them, with the result that many died and hundreds were wounded, on both sides. He was a prime suspect of the Mosadeq government as a potential coup leader and was briefly arrested in February 1953.

## ARDESHIR ZAHEDI

Born in December 1927, General Zahedi's son, Ardeshir, was educated at the American University in Beirut and at Utah State University where he earned a BS degree in 1950. Because of his training and language ability, he served with the Rural Improvement Commission which was administering U.S. technical assistance until he was forced to resign in 1952 by Mosadeq. During the planning and operational phases of the coup, he acted as the communications channel to his father and performed very well under difficult circumstances. He was married for a time to the Shah's daughter by Queen Fawzia and has never remarried since his divorce. He has retained the Shah's favor and, in fact, introduced the Shah to Farah in May 1959, the girl who later became Queen and mother of the Shah's sons. Ardeshir was the Iranian Ambassador to the United States in 1960-62 and returned again in April 1973 to the post. In the interim, he was Ambassador to the United Kingdom, 1962-67, and Minister of Foreign Affairs, 1967-71.

## MAJ. GEN. NADR BATMANGELICH

General Batmangelich (also spelled Batmanqilich or Batmangelij) was born in Tehran about 1905 and educated in Germany, the Iranian Military School, and the German Staff College. He fought in the Luristan and Fars tribal campaigns and was interned by the Allies from August 1943

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to June 1945. He visited the United States on a purchasing mission in 1950 and was put on the retired list in 1952 by Mosadeq. Named Chief of Staff of the army immediately after the 1953 coup, he retained that post despite friction with Premier Zahedi until December 1955 when he was made Ambassador to Pakistan to ease him out of the army command. Clashes with General Hedayet, Chief of the new Supreme Staff, were the probable cause of his reassignment. He then became Ambassador to Iraq in January 1957, was Minister of Interior in 1958-59, and became Adjutant to the Shah in 1959.

After serving as Governor of Khorasan, 1965-68, he retired to private life. He had served as Permanent Iranian Delegate to the CENTO Military Committee before retiring from the army 1965.

Batmangelich never lived down his behavior on the night of 15 August, details of which were known only to few insiders in the Zahedi coup group. He failed to take his objective, the Staff Headquarters, and breaking down, he either turned himself in or was arrested by troops loyal to Mosadeq. There was reason to believe he talked freely to interrogators, providing them with a list of other officers involved in the coup.

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## MOHAMMAD REZA SHAH PAHLAVI

When Mohammad Reza became Shah in 1941 at the age of 22 following his father's abdication, Iran was occupied by foreign troops--Soviet, British, and American--and its army was demoralized. He had no solid power base and no political machine, and as a result he spent the first 10 years of his reign in conflict with the traditional political power structure bent on regaining the influence it had lost to Reza Shah. The military coup that ousted Mosadeq in August 1953 was thus a major milestone in the Shah's political life.

Mohammad Reza was born on 26 October 1919; he studied 6 years as a cadet at the Military School of Tehran and then went to Switzerland in 1931 for his secondary education. Returning in 1936, he attended the Iranian Military College, from which he graduated 2 years later as a second lieutenant. His first marriage, in 1939, was to Princess Fawzia of Egypt, sister of King Farug, and a daughter, Shanaz, was the only child of this marriage. Divorcing Fawzia, he married Sorya Esfandiari, a half-German, half-Bakhtiari beauty to whom he was very devoted, but the marriage was childless and the throne needed an heir. After the inevitable divorce, he married Farah Diba in 1959, and Crown Prince Reza was born in 1960, followed by two daughters and Prince Ali Reza, securing the succession of the Pahlavi line.

Although various sources criticized the young Shah as suspicious and indecisive to the point of permanent instability, others saw his strengths. An OSS report in 1943 said:

Mohammad Shah is a man of much stronger purpose than is generally realized. He stands almost alone, distrusts most advisers, is honest in his efforts to secure a democratic form of government for Iran. He is not easily influenced and cannot

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be shaken. Installed as a figurehead during the 1941 crisis, he may yet surprise the factions in his country and the outside powers. He thinks along Western lines, and he is inalienably attached to his Iranian army. The military budget is half the national expenditure just now. Yet, of course, the army is almost his only backing within Iran.

In 1951, also on the positive side, the U.S. Embassy in Tehran noted:

It is important to observe that the Shah, in ten years of political wavering, has never turned against the intellectual interests, sports, and hobbies which he learned from European sources. His mind remains alert and his principles, although often betrayed, retain great similarity to Christian ethics and philosophy. The tragedy in the conflict of this healthy intellect against the vicious Persian scene carries some triumph since the Shah, so far, has not become corrupted.

The Shah took the successful coup of 1953 as a popular mandate to seize control of his country from the political factions and the ambitious generals; he has never since allowed them to threaten his position or his program. His hasty flight to Baghdad and Rome was either forgiven or forgotten in the triumph of the moment, and although General Zahedi was often angered by the Shah's vacillation and lack of decisiveness, those very characteristics enabled him to frustrate the volatile Zahedi and eventually bring about his resignation and voluntary exile. Given confidence by the popular support he saw during the coup, he pressed ahead to consolidate his power, carefully controlling political activity, which he has said can be permitted to function freely only after economic and social development have taught the people to act responsibly. His reforms launched in 1962 as the "White Revolution" have accomplished much; without the power and prestige of the throne coupled with the Shah's authoritarianism and determination, the reforms and development probably could not have taken place.

The rapid escalation of oil prices in 1973-74 has enhanced the Shah's prestige as spokesman for the more extreme oil-producing countries, and he

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has been quick to resent criticism of the view that oil is the main resource of those countries, a resource that cannot be replaced and that must be conserved, if only by the pressure of cost. The situation has clearly made the Shah a man whom the world listens to, and he has made the most of it.

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APPENDIX C

## THE LEGEND: HOW THE PRESS VIEWED TPAJAX

The world of journalism--ever on the alert for the mote in somebody else's eye--found long ago that the Central Intelligence Agency made great copy. Proceeding on the theory that their readers will believe anything dealing with "spies," "agents," and "the secret world of espionage," a number of writers have told what they insist is the inside story of the CIA involvement in Iran in 1953. A sampling of these is included here, without extensive comment, since the distortions and guesses will be obvious to those who have read this history.

Andrew Tully, for example, in CIA--The Inside Story devotes Chapter 7, "King-Making in Iran" to a version of TPAJAX most notable for the purple of its flamboyant prose. Some significant passages are:

It was in 1953, of course, that the CIA stage-managed the overthrow of Premier Mohammed Mossadegh, that celebrated compulsive weeper, who had seized Britain's monopolistic oil company and was threatening to do business with the Kremlin. At the time CIA's coup was hailed as a blow for democracy, which it was. But after disposing of Mossadegh, CIA and the State Department reverted once again to a weakness that so often has been disastrous. In the setting up of the new regime, in which CIA took a major part, no consideration was given as to whether the new men had any

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intention of attempting to relieve the misery of the Iranian people. It was enough for the United States that they were anti-Communist.

When Mossadegh announced the expropriation of Anglo-Iranian Oil and nationalization of Iran's oil fields, the international uproar was thunderous. Mossadegh could not do that, and the Western bankers would prove it to him. Iranian oil was virtually boycotted. Mossadegh promptly tried to swing some deals with smaller, independent companies to work the Iranian fields, but the State Department gave these companies little encouragement - which is to say it told them "hands off." Meanwhile, Iran was losing its oil revenues and going broke. Even American financial aid was not enough although the State Department, with understandable reluctance, donated \$1,600,000 for a technical rural improvement program in 1951 and followed that with a foreign aid grant of \$23,000,000 in 1952. Most of the latter was used to make up Iran's foreign exchange shortages, but Iran remained financially unstable.

Meanwhile, CIA learned that Mossadegh was carrying on a clandestine flirtation with Iran's furtive Communist party, the Tudeh. Soviet intelligence agents flocked into the ancient capital of Teheran and the traffic jam between them and Allen Dulles' energetic young men was almost ludicrous. Almost daily, emissaries from the Soviet danced attendance on Mossadegh as he lolled recumbent on his couch, alternately dozing and weeping. Inevitably, the old dictator put it squarely up to President Eisenhower. In a letter received by the President on May 28, 1953, Mossadegh overplayed his hand - he attempted to blackmail the United States by warning that unless Iran got more American financial aid he would be forced to seek help elsewhere.

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Elsewhere was the Soviet Union, with which Mossadegh suggested he would conclude both an economic agreement and a mutual defense pact.

Since Iran otherwise was broke, that meant Mossadegh would have to pledge the rich Iranian oil fields and the refinery at Abadan, the world's largest, in return for financial assistance from the Soviet. The danger to the West was clear. With Iran's oil assets in its pockets, the Russians would have little trouble eventually achieving a prime object of Russian foreign policy since the days of the Czars - access to a warm water outlet on the Persian Gulf, the free world's life line to the Far East. But even if Russia were to get just Iran's oil, the Western world would be weakened throughout the Middle East and Soviet prestige would soar. It was clear, too, of course, that Anglo-Iranian Oil had a stake of billions of dollars, and when private enterprise of that magnitude is involved State Departments and Foreign Offices are apt to react most sensitively.

The time had come for the United States to embark on an international gamble. CIA reports were that Mossadegh, although popular with the masses, had never been able to undermine the young Shah with his people. If something were to happen whereby the Shah was able to take over more firmly the reins of government, there was a good chance Mossadegh could be unseated. In any event, the Shah had a better than even chance of winning any popularity contest with Mossadegh.

So for a month the White House stalled Mossadegh, avoiding a direct reply in a welter of polite diplomatic notes seeking further discussions. Then President Eisenhower favored Mossadegh with a blunt reply: "No." Everybody agreed it was a calculated risk, a gamble that Mossadegh could be dealt with in such a fashion that he would be powerless to carry out his threat. The CIA forthwith set the wheels in motion for dealing with this tough old man.

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First, on August 10, Allen Dulles flew to Europe to join his wife for a "holiday" in the Swiss Alps. Although the political situation in Teheran was becoming more ominous - Mossadegh was conferring daily with a Russian economic mission - United States Ambassador Loy Henderson decided he would like a vacation to Switzerland, too.

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And suddenly the Shah seemed to have located his courage and authority. On Thursday, August 13, the Shah handed down a ukase

Mossadegh was ousted as Premier and his successor was to be General Zahedi. The Shah ordered the colonel of the Imperial Guards to serve the notice on Mossadegh, and the wheels seemed to be turning.

But for some reason the colonel seemed seized by inaction. It was not until two days later, on midnight of August 15, that the colonel and a platoon of his troops showed up at Mossadegh's residence. There they found themselves surrounded by an array of tanks and jeeps, manned by hard-faced Army veterans Mossadegh had rounded up while the colonel vacillated.

The colonel, of course, was clapped into jail and Mossadegh announced that a revolt against the rightful government of Iran had been crushed. He also had some unkind things to say about the youthful Shah, and Iran's king of kings and his queen took the hint and hopped a plane for Rome by way of the then royally safe country of Iraq.

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The climax came on Wednesday, August 19, four days after Mossadegh had "crushed the revolt." The tense capital was filled with troops, mounted against a new uprising, but none of them looked very happy. There seemed no reason for alarm when a long and winding procession of performers appeared on the scene for one of these impromptu parades common in Teheran. In the procession were tumblers, weight-lifters, wrestlers, boxers -- all performing their specialties as they moved slowly along the streets. As usual, crowds flocked out into the streets to watch the show and to follow the parade.

Then, apparently, somebody gave a signal. The weird procession suddenly broke into an organized shouting mob. "Long Live the Shah!" they cried. "Death to Mossadegh." The crowd joined in the shouting, some of them undoubtedly keeping one hand tight against pockets where their American wages were secured. Soon the entire capital was in an uproar, and when the din was at its loudest troops who had remained loyal to the Shah launched their attack.

For more than nine hours the battle raged, with Mossadegh's troops fighting fiercely but gradually giving ground. Obviously, they were confused by the tactics and swift logistical maneuvers of the Shah's forces, who had been exposed to some American who knew the ropes. Anyway, by midnight Mossadegh's soldiers had been driven into a little ring around the Premier's palace and they were forced to surrender. Troops forcing their way into the palace captured Mossadegh as he lay weeping in his bed, clad in silk striped pajamas. Somebody telephoned Rome and the Shah and his queen packed again, to return to Teheran and install Zahedi as Premier.

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This was a coup necessary to the security of the United States, and probably to that of the Western World. But it was another case of the United States not requiring tough enough terms in return for its support. It is senseless, as some observers have written, to say that the Iranians overthrew Mossadegh all by themselves. It was an American operation from beginning to end. But at the end, CIA -- and the American government -- stood by while a succession of pro-Western and anti-Communist administrations, uninterested in the smallest social reforms, brought Iran once again to the edge of bankruptcy. And, of course, the American taxpayer has contributed hundreds of millions of dollars to this corruption.

Then, David Wise and Thomas B. Ross in their "explosive bestseller" The Invisible Government provided yet another version, as follows:

1953: Iran

But guerrilla raids are small actions compared to an operation that changes a government. There is no doubt at all that the CIA organized and directed the 1953 coup that overthrew Premier Mohammed Mossadegh and kept Shah Mohammed Reza Pahlevi on his throne. But few Americans know that the coup that toppled the government of Iran was led by a CIA agent who was the grandson of President Theodore Roosevelt.

Kermit "Kim" Roosevelt, also a seventh cousin of President Franklin D. Roosevelt, is still known as "Mr. Iran" around the CIA for his spectacular operation in Teheran more than a decade ago. He later left the CIA and joined the Gulf Oil Corporation as "government relations" director in its Washington office. Gulf named him a vice-president in 1960.

One legend that grew up inside the CIA had it that Roosevelt, in the grand Rough Rider tradition, led the revolt against the weeping Mossadegh with a gun at the head of an Iranian tank commander as the column rolled into Teheran.

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A CIA man familiar with the Iran story characterized this as "a bit romantic" but said: "Kim did run the operation from a basement in Teheran -- not from our embassy." He added admiringly: "It was a real James Bond operation."

General Fazollah Zahedi,\* the man the CIA chose to replace Mossadegh, was also a character worthy of spy fiction. A six-foot-two, handsome ladies' man, he fought the Bolsheviks, was captured by the Kurds, and, in 1942, was kidnapped by the British, who suspected him of Nazi intrigues. During World War II the British and the Russians jointly occupied Iran. British agents, after snatching Zahedi, claimed they found the following items in his bedroom: a collection of German automatic weapons, silk underwear, some opium, letters from German parachutists operating in the hills, and an illustrated register of Teheran's most exquisite prostitutes.

After the war Zahedi rapidly moved back into public life. He was Minister of Interior when Mossadegh became Premier in 1951. Mossadegh nationalized the British-owned Anglo-Iranian Oil Company in April and seized the huge Abadan refinery on the Persian Gulf.

The refinery was shut down; thousands of workers were idled and Iran faced a financial crisis. The British, with the backing of Western governments, boycotted Iran's oil and the local workers were unable to run the refineries at capacity without British techniques.

Mossadegh connived with the Tudeh, Iran's Communist party, and London and Washington feared that the Russians would end up with Iran's vast oil reserves flowing into the Soviet Union, which shares a common border with Iran. Mossadegh, running the crisis from his bed -- he claimed he was a very sick man -- had broken with Zahedi, who balked at tolerating the Tudeh party.

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\* He died September 1, 1963, at age sixty-seven.

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It was against this background that the CIA and Kim Roosevelt moved in to oust Mossadegh and install Zahedi. At the time of the coup Roosevelt, then thirty-seven, was already a veteran intelligence man. He was born in Buenos Aires. His father, the President's second son, was also named Kermit. Kim was graduated from Harvard just before World War II, and he taught history there and later at the California Institute of Technology. He had married while still at Harvard. He left the academic life to serve in the OSS, then joined the CIA after the war as a Middle East specialist. His father had died in Alaska during the war; his uncle, Brigadier General Theodore Roosevelt, died on the beaches of Normandy a year later.

The British and American governments had together decided to mount an operation to overthrow Mossadegh. The CIA's estimate was that it would succeed because the conditions were right; in a showdown the people of Iran would be loyal to the Shah. The task of running the operation went to Kim Roosevelt, then the CIA's top operator in the Middle East.

Roosevelt entered Iran legally. He drove across the border, reached Teheran, and then dropped out of sight. He had to, since he had been in Iran before and his face was known. Shifting his headquarters several times to keep one step ahead of Mossadegh's agents, Roosevelt operated outside of the protection of the American Embassy. He did have the help of about five Americans, including some of the CIA men stationed in the embassy.

In addition, there were seven local agents, including two top Iranian intelligence operatives. These two men communicated with Roosevelt through cutouts -- intermediaries -- and he never saw them during the entire operation.

As the plan for revolt was hatched, Brigadier General H. Norman Schwarzkopf, who used to appear on radio's "Bang Busters," turned up in Teheran. He had reorganized the Shah's

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police force there in the 1940s. He was best known for his investigation of the Lindbergh baby kidnaping case when he headed the New Jersey State Police in 1932. Schwarzkopf, an old friend of Zahedi's, claimed he was in town "just to see old friends again." But he was part of the operation.

On August 13 the Shah signed a decree dismissing Mossadegh and naming Zahedi as Premier. The uncooperative Mossadegh arrested the unfortunate colonel who brought in his notice of dismissal. Mobs rioted in the streets; the thirty-three-year-old Shah and his queen (at that time the beautiful Soraya) fled to Baghdad by plane from their palace on the Caspian Sea.

For two chaotic days, Roosevelt lost communication with his two chief Iranian agents. Meanwhile, the Shah had made his way to Rome; Allen Dulles flew there to confer with him. Princess Ashraf, the Shah's attractive twin sister, tried to play a part in the international intrigue, but the Shah refused to talk to her.

In Teheran, Communist mobs controlled the streets; they destroyed statues of the Shah to celebrate his departure. Suddenly, the opposition to Mossadegh consolidated. The Army began rounding up demonstrators. Early on August 19 Roosevelt, from his hiding place, gave orders to his Iranian agents to get everyone they could find into the streets.

The agents went into the athletic clubs in Teheran and rounded up a strange assortment of weight-lifters, muscle-men and gymnasts. The odd procession made its way through the bazaars shouting pro-Shah slogans. The crowd grew rapidly in size. By mid-morning it was clear the tide had turned against Mossadegh and nothing could stop it.

Zahedi came out of hiding and took over. The Shah returned from exile. Mossadegh went to jail and the leaders of the Tudeh were executed.

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In the aftermath, the British lost their monopoly on Iran's oil. In August, 1958, an international consortium of Western oil companies signed a twenty-five-year pact with Iran for its oil. Under it, the former Anglo-Iranian Oil Company got 40 percent, a group of American companies\* got 40 percent, Royal Dutch Shell got 14 percent and the Compagnie Francaise des Petroles 6 percent. Iran got half of the multimillion-dollar income from the oil fields under the deal, the Anglo-Iranian was assured a compensation payment of \$70,000,000.

The United States, of course, has never officially admitted the CIA's role. The closest Dulles came to doing so was in a CBS television show in 1962, after his retirement from the CIA.<sup>10</sup> He was asked whether it was true that "the CIA people spent literally millions of dollars hiring people to riot in the streets and do other things, to get rid of Mossadegh. Is there anything you can say about that?"

"Well," Dulles replied, "I can say that the statement that we spent many dollars doing that is utterly false."

The former CIA chief also hinted at the CIA's Iran role in his book The Craft of Intelligence. "... support from the outside was given ... to the Shah's supporters," he wrote, without directly saying it came from the CIA.

Magazines did their part as well. In The Saturday Evening Post for 6 November 1954, Richard and Gladys Harkness co-authored an article entitled "The Mysterious Doings of CIA," which appears to have been a key source for both Tully and Wise-Ross. Richard and Gladys said:

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\* Gulf Oil, Standard Oil of New Jersey and California, The Texas Company and Socony-Mobile.

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Another CIA-influenced triumph was the successful overthrow of Iran in the summer of 1953, of old, dictatorial Premier Mohammad Mossadegh and the return to power of this country's friend Shah Mohammad Riza Pahlevi.

On May 28, 1953, President Eisenhower received a letter from Mossadegh amounting to a bare faced attempt at international blackmail. ...

The White House stalled Mossadegh for one month; then turned down the crafty premier with a blunt no. This was a calculated risk at best. It was a daring gamble, in fact, that Mossadegh would not remain in power to carry out his threat. It was, as well, a situation which required a little doing. The doing began in short order through a chain of stranger-than-fiction circumstances involving [Allen] Dulles, a diplomat, a princess and a policeman.

On August tenth Dulles packed his bags and flew to Europe to join his wife for a vacation in the Swiss Alps. The political situation in Teheran was becoming more conspiratorial by the hour. Mossadegh was consorting with a Russian diplomatic-economic mission. Loy Henderson, United States Ambassador to Iran, felt he could leave his post for a short "holiday" in Switzerland. Princess Ashraf, the attractive and strong-willed brunette twin sister of the Shah, chose the same week to fly to a Swiss alpine resort. It was reported that she had had a stormy session with her brother in his pink marble palace, because of his vacillating in facing up to Mossadegh.

The fourth of the assorted characters in this drama, Brig. Gen. H. Norman Schwartzkopf, at this time took a flying vacation across the Middle East. His itinerary included apparently aimless and leisurely stops in Pakistan, Syria, Lebanon -- and Iran. Schwartzkopf is best known to the public as the man who conducted the Lindberg kidnapping investigation in 1932, when he was head of the New Jersey state police. But from 1942 through 1948 he was detailed to Iran to reorganize the Shah's national police

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force. Schwartzkopf's job in Iran was more than the tracking down of routine criminals. He protected the government against its enemies -- an assignment requiring intelligence on the political cliques plotting against the Shah, knowledge of which army elements could be counted on to remain loyal and familiarity with Middle East psychology. Schwartzkopf became friend and advisor to such individuals as Maj. Gen. Fazlollah Zahedi, his colleague on the police force, and the Shah himself.

Schwartzkopf returned to Iran in August of 1953, he said, "just to see old friends again." Certainly the general will deny any connection with the events that followed his renewal of acquaintanceships with the Shah and Zahedi. But as Mossadegh and the Russian propaganda press railed nervously at Schwartzkopf's presence in Iran, developments started to unfold in one-two-three order.

On Thursday, August thirteenth, the Shah suddenly issued a double-edged ukase: Mossadegh was ousted by royal decree and his successor as premier was to be General Zahedi. The Shah ordered the colonel of the Imperial Guards to serve the notice on Mossadegh. Two days later, at midnight of Saturday, August fifteenth, the colonel went to Mossadegh's residence to find himself and his platoon surrounded by tanks and jeeps. The colonel was clapped in jail, and Mossadegh proclaimed that the revolt had been crushed. The Shah and his queen, taking events at face value fled to Rome by way of Iraq.

On Wednesday, August nineteenth, with the army standing close guard around the uneasy capital, a grotesque procession made its way along the street leading to the heart of Teheran. There were tumblers turning handsprings, weight lifters twirling iron bars and wrestlers flexing their biceps. As spectators grew in number, the bizarre assortment of performers began shouting pro-Shah slogans in unison. The crowd took up the chant and then, after one precarious moment, the balance of public psychology swung against Mossadegh.

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Upon signal, it seemed, army forces on the Shah's side began an attack. The fighting lasted a bitter nine hours. By nightfall, following American-style military strategy and logistics, loyalist troops drove Mossadegh's elements into a tight cordon around the premier's palace. They surrendered, and Mossadegh was captured as he lay weeping in his bed, clad in striped silk pajamas. In Rome a bewildered young Shah prepared to fly home and install Zahedi as premier and to give Iran a pro-Western regime.

Thus it was that the strategic little nation of Iran was rescued from the closing clutch of Moscow. Equally important, the physical overthrow of Mossadegh was accomplished by the Iranians themselves. It is the guiding premise of CIA's third force that one must develop and nurture indigenous freedom legions among captive or threatened people who stand ready to take personal risks for their own liberty.<sup>45</sup>

More than a year later, Crosby Noyes, writing in the Washington Star for 27 September 1953, discussed obliquely the significance of Ambassador Henderson, CIA Director Dulles, and Princess Ashraf being in Zurich the same week in August, and mentioned General Schwarzkopf's visit in detail. Without making any direct accusations, he hinted: "It is possible that the CIA agents whose departure from Iran was observed and reported were on purely routine intelligence missions. It is possible -- as a leading columnist has suggested -- that Mr. Henderson's trip to Switzerland was no more than a 'policy of studied indifference' on the part of the State

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<sup>45</sup> Richard and Gladys Harkness, "The Mysterious Doings of CIA." The Saturday Evening Post, November 6, 1954, pp. 66-68. Reprinted by special permission of The Saturday Evening Post. © 1954 The Curtis Publishing Company.

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Department toward the Mossadegh regime. A friend of the Princess Ashraf here in Washington holds stoutly to the view that her visit with the Shah was undertaken simply to ask him for money. It is possible that Allen Dulles is genuinely fond of mountain-climbing and that Gen. Schwarzkopf just happened to show up in Teheran at a critical moment.

"It is all perfectly possible. But as long as the practice of putting two and two together continues, the argument about what really happened in Iran last summer seems likely to continue."

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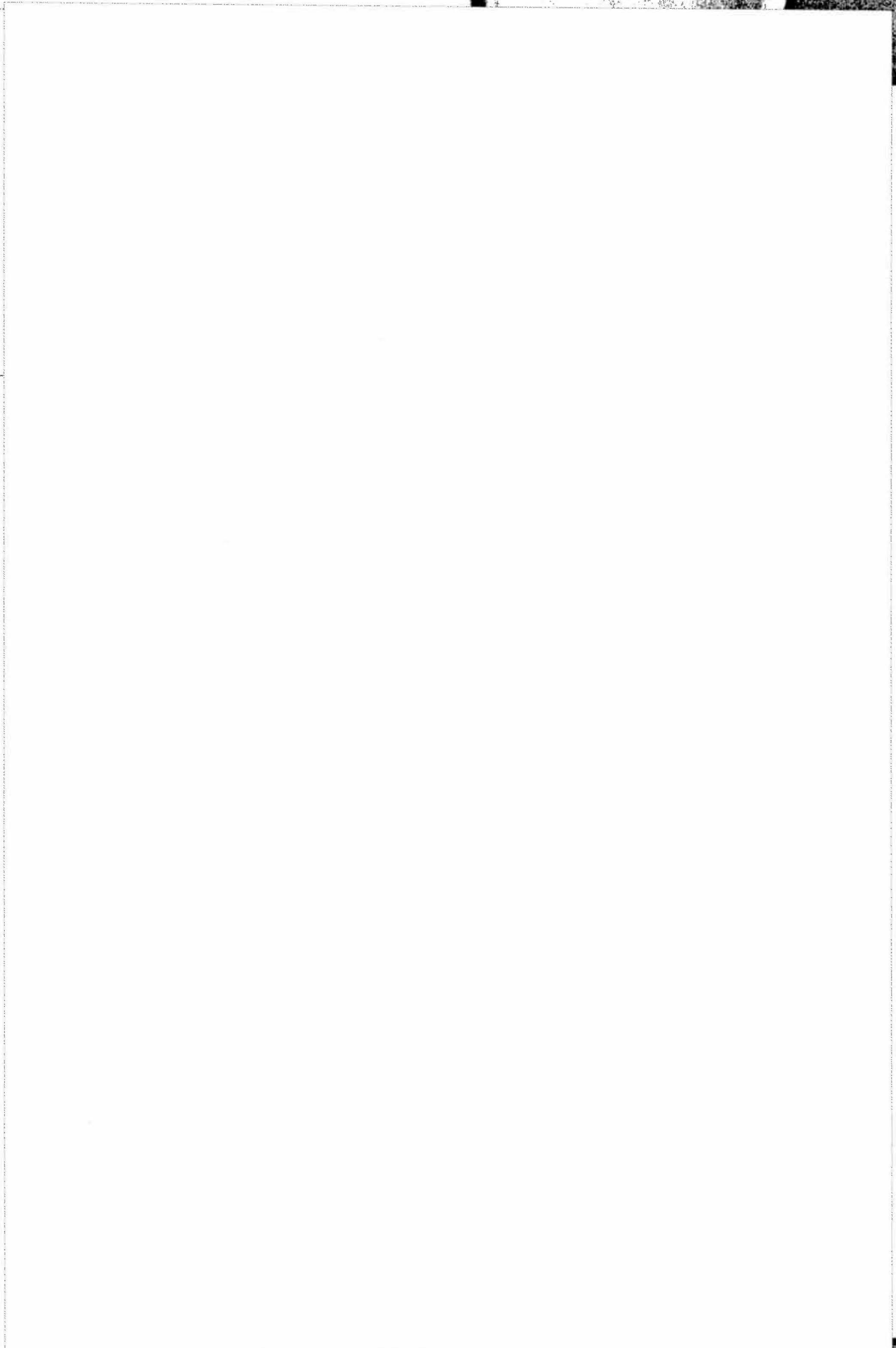
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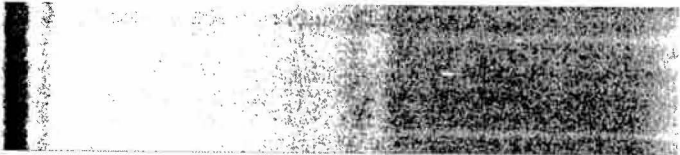






C01384460

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EO 13526  
3.3(b)(6) >25Yrs

EO 13526  
3.3(b)(6) >25Yrs

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